# AUDIT REPORT
# ON
# THE ACCOUNTS OF
# PAKISTAN RAILWAYS
# AUDIT YEAR 2013–14

## AUDITOR - GENERAL OF PAKISTAN

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# ABBREVIATIONS & ACRONYMS

| | |
|---|---|
| AEFO | Assistant Electric Foreman |
| AEN | Assistant Executive Engineer |
| APPM | Accounting Policies and Procedures Manual |
| ATMs | Automatic Teller Machines |
| AVLB | Armoured Vehicle Launched Bridge |
| C&W | Carriage & Wagon |
| CCI | Council of Common Interest |
| CCM | Chief Commercial Manager |
| CCP | Chief Controller of Purchase |
| CCS | Chief Controller of Stores |
| CDL Workshop | Central Diesel Locomotive Workshop |
| CFI | Carriage Factory Islamabad |
| Cft | Cubic Feet |
| COBOL | Common Business Oriented Language |
| CSF | Concrete Sleeper Factory |
| CSR | Composite Schedule of Rates |
| DAC | Departmental Accounts Committee |
| DAO | Divisional Accounts Officer |
| DCOS | District Controller of Stores |
| DE Locomotive | Diesel Electric Locomotive |
| DME | Divisional Mechanical Engineer |
| DGAR | Director General Audit Railways |
| DOT | Doubling of Track |
| DS | Divisional Superintendent |
| DSKP | Depot Store Keeper |
| EFT | Excess Fare Ticket |
| ET | Electric Traction |
| FA&CAO | Financial Advisor & Chief Accounts Officer |
| FIRs | First Information Report |
| FIS | Financial Information System |
| FST | Federal Services Tribunal |
| GM (M&S) | General Manager (Manufacturing & Services) |
| GPF | General Provident Fund |
| GST | General Sales Tax |

| | |
|---|---|
| HQ | Headquarter |
| HSD | High Speed Diesel |
| IG | Inspector General |
| INTOSAI | International Organization of Supreme Audit Institution |
| IR | Indian Railway |
| KUTC | Karachi Urban Transport Corporation |
| LD | Liquidated Damages |
| Loco | Locomotive |
| LPR | Last Purchase Rate |
| LPS | Late Payment Surcharge |
| MD | Managing Director |
| MFCs | Multi Functional Complexes |
| MFDAC | Memorandum for Departmental Accounts Committee |
| MIS | Management Information System |
| MoR | Ministry of Railways |
| NAB | National Accountability Bureau |
| OGRA | Oil & Gas Regulatory Authority |
| P&L | Property & Land |
| PAC | Public Accounts Committee |
| PC-I | Planning Commission Proforma-I |
| PD | Project Director |
| PLF | Pakistan Locomotive Factory |
| PO | Principal Officer |
| PPP | Public Private Partnership |
| PPRA | Public Procurement Regularity Authority |
| PPRs | Public Procurement Rules |
| PR | Pakistan Railway |
| PRACS | Pakistan Railway Advisory and Consultancy Services Limited |
| PRCM | Pakistan Railway Commercial Manual |
| PRP | Pakistan Railway Police |
| Qty | Quantity |
| RAILCOP | Railway Constructions Pakistan Limited |
| RAR | Railway Audit Report |
| REDAMCO | Railway Estate Development and Marketing |

| | |
|---|---|
| | Company |
| RLDA | Rail Land Development Authority |
| SAP ERP | SAP Enterprise Resource Planning |
| SBP | State Bank of Pakistan |
| sft | Square feet |
| SNGPL | Sui Northern Gas Pipelines Limited |
| SOP | Standard Operating Procedure |
| TLA | Temporary Labour Application |
| TL Vans | Train Lighting Vans |
| WAPDA | Water & Power Development Authority |
| WM | Works Manager |

# Preface

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

This report is based on audit of the accounts of Pakistan Railways for the financial year 2012-13. Further, this report also includes observations pertaining to previous years which came to notice during audit. The Directorate General Audit (Railways), Lahore conducted audit on a test check basis during the year 2013-14 with a view to reporting significant findings to the stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in Annexure-1 of the Audit Report. The audit observations listed in the Annexure-1 shall be pursued with the Principle Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the audit observations will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

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

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

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

-sd-

*(Muhammad Akhtar Buland Rana)*

Dated: **06 MAR 2014** **Auditor-General of Pakistan**

# EXECUTIVE SUMMARY

The Director General Audit (Railways) has the mandate to conduct audit of receipts and expenditure of Pakistan Railways (PR) and its subsidiaries, viz. Pakistan Railway Advisory & Consultancy Services (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Real Estate Development & Management Company (REDAMCO) and Karachi Urban Transport Corporation (KUTC). The audit of receipts and expenditure was carried out on test check basis in accordance with audit methodology envisaged in Financial Audit Manual. The audit was carried out with human resource of 176 officers and staff utilizing 43,824 mandays, with annual budget amounting to Rs 107.06 million. This office is mandated to conduct regularity audit (financial & compliance with authority audit) and performance audit of the projects run by the Ministry of Railways. DAC meetings were held to discuss the audit observations for the finalization of this Report. Moreover, Director General Audit (Railways) conducted an audit of Mega Issue "Deterioration in PR" from July 2013 to October 2013. The main objective was to ascertain the causes of rapid increase in operational losses, deterioration in train operations, defective inventory management, defective land management and other allied issues. Audit observations were issued on 2nd October, 2013 to the Secretary/Chairman, Ministry of Railways but no DAC meeting could be convened despite efforts and reminders.

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

i). Operations,
ii). Manufacturing & Services, and
iii). Development.

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

**a. Scope of Audit**

Out of total expenditure and revenue of Pakistan Railways including its subsidiaries for the financial year 2012-13 auditable expenditure and revenue under the jurisdiction of DGAR was Rs 74,390.94 million and Rs. 23,300.00 million respectively covering 01 PAO comprising 313 formations. Of this, DGAR planned audit of expenditure and revenue of Rs 28,942.76 million and Rs 1,818.99 million respectively in the first phase which, in terms of percentage, is 39% of auditable expenditure and 8% of revenue.

**b. Recoveries at the instance of Audit**

Recovery of Rs 1,611.83 million was pointed out, out of which recovery of Rs 360.65 million was effected during the year 2013-14 at the time of compilation of report. This was not in the notice of the executive before audit.

**c. Audit Methodology**

During the audit year 2013-14 audit strategy was based on the assessment of control environment. Audit procedures and processes were designed after thorough understanding of organization's objectives, control environment, risk assessment and performance targets.

**d. Audit Impact**

On the pointation of Audit the Railways management has agreed to segregate public accounts from consolidated fund. They have decided to open a dedicated account for GPF and the issue has been taken up by the Ministry of Railways with Ministry of Finance. Further, PR is working for the acquisition of SAP ERP for calculation of pension.

**e. Comments on Internal Control and Internal Audit Department**

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

There is an elaborate Internal Audit organization headed by a BPS-20 officer working directly under the Secretary, Ministry of Railways. Internal Audit produces an annual report embodying audit observations issued to the offices audited by it. Statutory Audit found that response of the offices audited to the Internal Audit was poor. The follow-up of internal audit reports by the organization was also found inadequate. Resultantly, all the internal audit reports issued from the year 1999-2000 and onwards were outstanding.

**f. Key audit findings of the report**

i. Four cases of theft of Railway material valuing Rs 259.47 million were identified during audit.[1]

ii. Auditable record of important cases valuing Rs 1,143.37 million was not provided for audit scrutiny.[2]

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[1] Para 2.4.1

iii. HSD Oil valuing Rs 2,913.57 million was procured in violation of PPR-2004.[3]

iv. Maintenance charges and wages of gate-keepers amounting to Rs 575.10 million were not recovered.[4]

v. Irregular expenditure of Rs 32.55 million on engagement of TLA staff, regularization of staff in excess of sanctioned strength was pointed out.[5]

vi. Wasteful expenditure of Rs 14.42 million was incurred on unjustified establishing RAILCOP Saudi Arabia branch.[6]

vii. Inordinate delay in repair of rolling stock caused loss of potential earnings of Rs 10,259.87 million.[7]

viii. Cost overrun of Rs 1,589.36 million against the project of 202 Coaches was identified. [8]

ix. Material valuing Rs 222.20 million was unnecessarily procured.[9]

x. Loss of Rs 139.97 million due to substandard repair/failure of traction motors was pointed out. [10]

xi. Railway dues and rental charges of Rs 138.65 million were not recovered. [11]

xii. Overtime and piece work profit of Rs 124.12 million was paid despite non-achievement of targets. [12]

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[2] Para 2.4.4
[3] Para 2.4.5
[4] Para 2.4.6
[5] Para 2.4.9, 2.4.15
[6] Para 2.4.11
[7] Para 2.4.24, 2.4.25, 2.4.27
[8] Para 2.4.26
[9] Para 2.4.28
[10] Para 2.4.30
[11] Para 2.4.31, 2.4.56

xiii. Unjustified expenditure of Rs 80.80 million was incurred on engagement of TLA staff.[13]

xiv. Defective material valuing Rs 58.35 million was not got replaced from the vendors.[14]

xv. Three cases of consumption of HSD oil valuing Rs 63.68 million beyond the prescribed ration were identified.[15]

xvi. Delay in procurement/installation of machinery resulted in loss of Rs 48.50 million.[16]

xvii. Loss of revenue of Rs 30.35 million due to closure of vending stalls/shops. [17]

xviii. Non-recovery of Rs 468.28 million from contractors of private trains.[18]

xix. Railway dues amounting to Rs 241.73 million were not recovered from public/private bodies. [19]

xx. Railway land valuing Rs 2,416.20 million was unauthorizedly occupied.[20]

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

**Key findings of Mega Issue "Deterioration in PR"**

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[12] Para 2.4.32
[13] Para 2.4.33
[14] Para 2.4.35, 2.4.45

[15] Para 2.4.36, 2.4.43
[16] Para 2.4.38
[17] Para 2.4.39
[18] Para 2.4.48
[19] Para 2.4.49
[20] Para 2.4.51

i. PR was unable to utilize its full capacity due to non-availability of sufficient number of operative locomotives. During last 10 years maiden procurement of 69 Diesel Electric (DE) locomotives in 2003 was made which was defective as 57 DE locomotives were grounded due to serious defects.[21]

ii. Rehabilitation/Special Repair of locomotives carried out during last six years was defective and substandard.[22]

iii. 197 locomotives were lying in different workshops on 30th June, 2013 for a period up to 2635 days.[23]

iv. Huge operational losses in last six years were due to reduction in number of freight trains, unprofitable mix of passenger & freight trains, 164% increase in per kilometer cost of HSD oil and 116% increase in the pay & allowances etc.[24]

v. Lack of system based integrated inventory management system caused blockage of capital due to unnecessary procurement of material.[25]

vi. REDAMCO a subsidiary of PR could not achieve the target of leasing out of 288 sites despite lapse of more than 15 years.[26]

vii. During last five years only 66% of the targeted revenues from land were achieved by the Directorate of P& L.[27]

viii. Contracts of Public Private Partnership (PPP) of passenger trains did not safeguard the interests of PR as the contracts include injudicious clauses.[28]

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[21] Para 3.4.2

[22] Para 3.4.3
[23] Para 3.4.4.i
[24] Para 3.5.3
[25] Para 3.6.2 & 3.6.3
[26] Para 3.7.1
[27] Para 3.7.11

ix. Electric Traction is cost effective and environment friendly whereas currently PRs' traffic is 100% dependent on Diesel Electric Traction. [29]

**Recommendations**

**a. Compliance with authority audit**

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

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

iii. Compliance with PPRs-2004 should be ensured for economical procurement of material.

iv. Works Managers of Loco Shops and Carriage & Wagon Shops are required to turnout Locomotives and Coaches & Wagons in least possible time so that efficiency in train operations could be improved.

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

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

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

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[28] Para 3.8.1, 3.8.2 & 3.8.4

[29] Para 3.9

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

**b. Mega Issue "Deterioration in PR"**

i. PR authorities should timely initiate procurement of new locomotives to replace outlived locomotives.

ii. The Chief Mechanical Engineer/Project Director Rehabilitation should ensure that rehabilitation of locomotives is done efficiently and effectively.

iii. The General Manager Operations should make efforts for controlling of operational losses by attaining optimal mix of freight and passenger trains, running passenger trains with standard composition, rationalizing the concessions, complete computerization of ticketing, determining fares after considering cost rather fares should be linked with fluctuation in fuel prices etc.

iv. The Chief Controller of Stores should make efforts for proper allocation of resources so that right material in right size could be procured and blockage of capital on account of unnecessary procurement/pile of store and losses on account of deterioration & obsolescence could be avoided.

v. The REDAMCO should make strenuous efforts for improvement in performance by leasing out surplus land in efficient manner to increase earnings from land.

vi. Responsibility needs to be fixed for making imprudent decisions of Public Private Partnership in passenger trains, execution/alterations in the contracts without keeping in view the Railway interest and non-recovery from contractors. Moreover, hectic efforts be made for prompt recovery of the outstanding amounts from the contractors.

# SUMMARY TABLES

**Table 1 Audit Work Statistics**

| Sr. No. | Description | No. | Expenditure/Revenue (Rs in million) |
|---|---|---|---|
| 1 | Total Entities (Ministries/PAOs) in Audit Jurisdiction | 01 | *97,690.94 |
| 2 | Total formations in Audit Jurisdiction | 313 | 97,690.94 |
| 3 | Total Entities (PAOs) Audited | 01 | 97,690.94 |
| 4 | Total formations audited | 94 | 30,761.75 |
| 5 | Audit & Inspection Reports | 94 | 90,383.60 |
| 6 | Performance Audit Report | - | - |

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

**Table 2 Audit Observations Regarding Financial Management**

| Sr. No. | Description | Amount Placed Under Audit Observation (Rs in million) |
|---|---|---|
| 1 | Unsound Asset Management | 7,720.83 |
| 2 | Weak Financial Management | 3,526.57 |
| 3 | Weak Internal Controls Relating to Financial Management | 6,400.99 |
| 4 | Others | 4,113.74 |
| **Total** | | **21,762.13** |

**Table 3 Outcome Statistics**

(Rs in million)

| Sr. No. | Description | Expenditure on Acquiring Physical Assets (Procurement) | Civil Works | Receipts | Others | Total current year | Total last year |
|---|---|---|---|---|---|---|---|
| 1 | Outlays Audited | 9,229.04 | 5,291.28 | 1,818.99 | 14,422.44 | 30,761.75 | 28,245.21 |
| 2 | Monetary Value of Audit Observation | 610.28 | 1,710.64 | 294.15 | 87,768.53 | 90,383.60* | 42,757.31 |
| 3 | Recoveries Pointed Out at the instance of Audit | 0.82 | 5.75 | 6.25 | 1,599.01 | 1,611.83 | 6,823.37 |
| 4 | Recoveries Accepted/ Established at the instance of Audit | 0.60 | 0 | 0 | 1,291.46 | 1,292.06 | 367.31 |
| 5 | Recoveries Realized at the instance of Audit | 0 | 0 | 294.38 | 66.27 | 360.65 | 108.21 |

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

**Table 4 Irregularities Pointed Out**

| Sr. No. | Description | Amount placed under Audit observation* (Rs in million) |
|---|---|---|
| 1 | Violation of Rules and regulations and violation of principle of propriety and probity in public operations. | 72,963.56 |
| 2 | Reported cases of fraud, embezzlement, thefts and misuse of public resource. | 106.78 |
| 3 | Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements. | 97.17 |
| 4 | If possible quantify weaknesses of internal control systems. | 9,061.85 |
| 5 | Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies. | 1,292.06 |
| 6 | Non-production of record | 479.17 |
| 7 | Others, including cases of accidents, negligence etc. | 6,383.01 |

* It includes amount of the observations issued during the first phase of audit year 2013-14.

**Table 5 Cost-Benefit**

| Sr. No. | Description | Amount (Rs in million) | | |
|---|---|---|---|---|
| | | 2013-14 | 2012-13 | 2011-12 |
| 1 | Outlay audited | 30,761.75 | 28,245.21 | 43,745.62 |
| 2 | Expenditure on audit | 107.06 | *52.53 | *38.61 |
| 3 | Recoveries realized at the instance of audit | **360.65 | 108.21 | 125.77 |
| 4 | Cost-Benefit Ratio | 1:3.37 | 1:2.6 | 1:3.26 |

* Expenditure from July to December.

** The amount also includes recovery relating to previous Audit Reports which was verified during January to December 2013.

## Chapter-1 Public Financial Management Issues

### Financial Advisor & Chief Accounts Officer, Pakistan Railways

### 1.1 Audit Paras

### 1.1.1 Un-authorized utilization of public money – Rs 5,610.61 million

Risk Categorization: High

**Observation:**

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

Pakistan Railways was deducting General Provident Fund on regular basis from the salaries of its employees. This liability at year end was shown as Rs 5,610.61 million. During Certification Audit for the year 2012-13, it was observed that the said amount was not kept separate in any Public account. The amount had been utilized for the last many years due to financial crunch being faced by Pakistan Railways and in actual, nothing was available under this head. Due to that, PR was unable to pay off its liability of GPF as and when demanded by the employees.

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

**Implications:**

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

**Management response:**

Ministry of Railways (Railway Board) Islamabad had been working actively on a plan to open a separate account for management of General Provident Fund (GPF). It is hoped that matter would be resolved during current Financial Year 2013-14 and a separate account will be opened on approval from the competent authority.

**Audit Comments:**

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

**1.1.2 Non-adjustment of Miscellaneous advance amounting to Rs 1,860.35 million due to less recovery/adjustment of advances for local purchase, utility charges etc.**

Risk Categorization: High

**Observations**:

Section 16.4.2.1 of APPM stipulates that the Suspense Account should be cleared on monthly basis, and finally in commercial accounts.

During Certification Audit for the year 2012-13, it was noted that an amount of Rs 1,860.35 million was lying under Suspense Account as PR paid electricity, sui gas and telephone charges to its providers on the basis of bulk supply billing and subsequently recovered it partially from employees on the basis of units consumed. Normally the amount paid to utility provider was much higher than actually recovered from employees as PR management had not increased the recovery rate/revised its billing amount. Resultantly, PR was suffering loss for less recovery on account of utilities. The detail is as under:

| **Sr. No.** | **Suspense Head** | **Balance outstanding upto 30-06-2013 (Rs in million)** | |
|---|---|---|---|
| | Miscellaneous Advance (Revenue) | Cr | Dr |
| 1. | Advance for Local Purchase | 29.73 | 45.96 |
| 2. | Outstanding Electric Charges | 87.18 | 39.86 |
| 3. | Outstanding Sui Gas Charges | 35.08 | 1,499.71 |
| 4. | Outstanding Telephone Charges | 0.21 | 0.09 |
| 5. | Other Items | 157.25 | 584.18 |
| | Total | 309.45 | 2,169.80 |
| | **Net outstanding balance under Suspense** | **1,860.35** | |

As the practice for less recovery was prevailing, the amount lying under suspense head was increasing day by day since 1986-87. Furthermore, as the most of amount was recoverable from management, therefore, this issue had never been highlighted and corrected. One of the examples was short collection of sui gas charges from residential consumers amounting to Rs 28.96 million for 2012-13.

**Implications:**

i) Overstatement of Miscellaneous Advances resulting in understatement of expenditure, thus showing favourable picture of PR accounts.

ii) Potential loss to PR due to less recovery of utilities.
iii) Weak financial controls over the funds of Government.

**Management Response:**

The suspense accounts amounting to Rs. 1,860.35 million comprised a heavy amount of Sui Gas charges recoverable from the Railways staff. However, subject audit observation is being referred to all concerned for elaborating the factual position to Audit.

**Audit Comments:**

Corrective measures should be adopted to clear such a heavy amount without further loss of time.

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

Risk Categorization: High

**Observation:**

During review of the Commercial Accounts of the Pakistan Railways as on 30th June, 2013 and respective notes therein, it was observed that all fixed assets in the balance sheet were shown at their original cost instead of depreciated cost.

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

**Implications:**

i) In the absence of fixed asset register proper valuation and control over fixed assets was doubtful, therefore, it was not possible to ensure their completeness and correctness as to amount and value.
ii) Reflecting fixed assets at historical cost and not by following cost model or revaluations model as recommended by accounting practices may result in under/overstatement of fixed assets.

**Management response:**

Audit view point was correct. However, it was conveyed to Audit that in present setup, it was not possible to avoid said practice under the existing codes provision. PC-I for FIS/MIS also included revaluation of Assets and Liabilities was under process. On completion of this study, the said problem will be addressed and resolved.

**Audit Comments:**

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

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

Risk Categorization: High

**Observation:**

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

Closing balances of Foreign Loans and Credits under heads of Capital account and Replacement/Improvement account were not stated at the exchange rates prevailing on 30th June, 2013. Balances

were reflected in the accounts using the rates prevailing on the date of agreement. This resulted into incorrect position of foreign loans/credits in the balance sheet.

**Implications:**

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

**Management response:**

The detail of Foreign Aid and Loans would be reconciled and provided to Central Books Section through a Director level meeting with Aid & Loan section in Ministry of Railways, Islamabad. SoP may be developed based on type of loans and appropriate treatment to ensure their timely repayments and exchange risk.

**Audit Comments:**

Corrective measures should be adopted without further loss of time.

### 1.1.5 Overstatement of Assets as well as Liabilities by Rs 6,798.27 million due to double accountal of Federal Government Investment

Risk Categorization: High

**Observation:**

During review of the Commercial Accounts of Pakistan Railways as on 30th June, 2013 and respective notes therein, it was observed that an amount of Rs 12,986.97 million was booked under head, "Investment by Government" on liability side of the balance sheet. From this, an amount of Rs 6,798.27 million was again booked under Depreciation Reserve Fund on liability side of balance sheet which resulted in double accountal of this amount. Detail is given as under:-

| **Balance sheet**<br>**Liability Side** | **Amount**<br>**(Rs in million)** |
|---|---|
| Total Investment by Govt.<br>(Capital account + Replacement account) | 12,986.97<br>(6,188.70 + 6,798.27) |
| Again shown as Depreciation Reserve Fund (DRF) on liability side.<br>(Note-3- Federal Govt. contribution on replacement account) | 6,798.27 |
| Net overstatement on liability side of Balance Sheet. | 6,798.27 |

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

**Implications:**

i) Asset as well as Liability side of balance sheet became overstated.
ii) Commercial accounts became materially misstated.
iii) Maintenance of contra account was not covered by any international accounting standard nor by any accounting rule.

**Management response:**

It was agreed that both of the sides of Balance Sheet were overstated due to incorrect treatment of investment by Government. Therefore, it was emphasized by Audit that the accounting treatment be got revised keeping in view the IAS/IFRS.

**Audit Comments:**

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

# Chapter 2 Pakistan Railways

## 2.1 Introduction

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

i) Operations,
ii) Manufacturing & Services, and
iii) Development.

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

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

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

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

## 2.2 Comments on Budget & Accounts

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

### 2.2.1 Comparison of Allocated Budget with Actual Expenditure - Financial Year 2012-13

(Rs in million)

| Items | Original Allocation | Supple-mentary Allocation | Final Allocation | Actual Expenditure | Variation | |
|---|---|---|---|---|---|---|
| | | | | | Excess (Saving ) | %age |
| **Grant No. 093 Revenue Expenditure** | | | | | | |
| Voted | 47,675.80 | 3,406.38 | 51,082.18 | 47,869.57 | (3,212.62) | (6.29) |
| Charged | 3,324.20 | (3,277.18) | 47.02 | 47.02 | 0.00 | 0.00 |
| **Total** | **51,000.00** | **129.20** | **51,129.20** | **47,916.58** | **(3,212.62)** | **(6.28)** |
| **Grant No.151 Capital Outlay on Pakistan Railways** | | | | | | |
| Voted (Capital) | 15,186.58 | 3,846.36 | 19,032.94 | 24,481.31 | 5,448.37 | 28.63 |
| Voted (DRF) | 7,690.70 | (892.00) | 6,798.70 | 3,523.30 | (3,275.40) | (48.18) |
| **Total** | **22,877.28** | **2,954.36** | **25,831.64** | **28,004.61** | **2,172.97** | **8.41** |
| **Grand Total** | **73,877.28** | **3,083.56** | **76,960.84** | **75,921.19** | **(1,039.65)** | **(1.35)** |

The comparison between allocated budget and actual expenditure clearly showed that the actual expenditure incurred under

"other than charged" portion was lesser than the final allocation and there was saving of Rs (3.21) billion i.e. (6.29%) The overall actual expenditure under Revenue Grant was also lesser than the final allocation by Rs (3.21) billion (6.28%) which is unauthorized.

The actual expenditure of Capital outlay on Pakistan Railways under Capital head was more than the final allocation which resulted into excess of Rs 5.45 billion i.e. 28.63%. The expenditure under DRF head was less than the final allocation which resulted into saving of Rs 3.28 billion i.e. 48.18%. The variation under both heads of Capital outlay was beyond the permissible limits and needs explanation.

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

### 2.2.2 Comparative Analysis of Accounts of Financial Year 2012-13

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

**Profit & Loss Account:**

(Rs in million)

| Particulars | 2012-13 | 2011-12 | 2010-11 | Variation Increase/ (Decrease) | Variation (%) |
|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **4 (2-3)** | **5** |
| Gross Earnings | 18,069.55 | 15,444.39 | 18,612.07 | 2,625.16 | 17.00 |
| Total Working Expenses | 48,535.24 | 43,563.95 | 40,603.58 | 4,971.29 | 11.41 |
| **Operating (Loss)** | **(30,465.70)** | **(28,119.56)** | **(21,991.51)** | 2,346.14 | 8.34 |
| Interest on Debt | 47.02 | 1,234.42 | 4,956.74 | (1,187.40) | (96.19) |
| Miscellaneous Receipts | 8.37 | 5.44 | 1.23 | 2.93 | 53.86 |
| **(Net Loss)** | (30,504.34) | (29,348.54) | (26,947.02) | 1,155.80 | 3.94 |
| Grant-in-Aid | 30,504.34 | 30,467.00 | 32,642.40 | 37.34 | 0.12 |
| **Surplus/(Deficit)** | **0.00** | **1,118.46** | **5,695.38** | **1,118.46** | (100) |

The profit & loss account indicates that:

i) Total operational working expenses amounting to Rs 48.54 billion were much higher than the gross earnings of Rs 18.07 billion. These expenses were increased by Rs 4.97 billion (11.41%) as compared to the previous year (2011-12: Rs 43.56 billion). Resultantly, operational loss was increased to Rs 30.47 billion (2011-12: Rs 28.12 billion). This indicates that Railway administration failed to achieve the target of zero operating deficit.

ii) The interest on debt amounting to Rs 0.047 billion contained only the internal portion i.e. interest on overdraft with the State Bank of Pakistan. This amount was quite lesser than the amount paid during the previous years (2011-12: Rs 1.23 billion & 2010-10: Rs 3.87 billion internal portion only), although the amount of overdraft almost remained the same. Further, zero amount was paid under the head of external portion i.e. interest on Foreign Loans during the financial year. Therefore, less payment of interest on debt both internal and external can attract penalties if not re-scheduled.

iii) Pakistan Railways suffered a net loss of Rs 30.50 billion (2011-12: Rs 29.35 billion). There was an increase of Rs 1.16 billion (3.94%) over the preceding year. The whole loss was covered with the amount provided by the Federal Government in the form of Grant-in-Aid.

## Balance Sheet:

(Rs in million)

| Particulars | 2012-13 | 2011-12 | 2010-11 | Variation | |
|---|---|---|---|---|---|
| | | | | Increase/ (Decrease) | Percentage |
| **1** | **2** | **3** | **4** | **5 (2-3)** | **6** |
| **Liabilities** | | | | | |
| Capital & Net Worth | 64,965.71 | 51,978.74 | 41,990.20 | 12,986.97 | 24.99 |
| Revenue Reserves | 38,818.28 | 32,569.15 | 30,391.10 | 6,249.13 | 19.19 |
| Long Term Liabilities | 72,765.31 | 16,283.36 | 15,539.01 | 56,481.95 | 346.87 |
| Current Liabilities | 5,750.47 | 46,062.78 | 46,105.83 | (40,312.31) | (87.52) |
| **Total Liabilities & Capital** | **182,299.77** | **146,894.03** | **134,026.14** | **35,405.74** | 24.10 |
| **Assets** | | | | | |
| Fixed Assets | 81,482.49 | 57,001.19 | 52,736.27 | 24,481.30 | 42.95 |
| Deferred Assets | 51,323.22 | 44,524.95 | 40,568.95 | 6,798.27 | 15.27 |
| Current Assets | 49,494.60 | 45,367.89 | 40,720.92 | 4,126.71 | 9.10 |
| **Total Assets** | **182,299.77** | **146,894.03** | **134,026.14** | **35,405.74** | 24.10 |

The figures in balance sheet were reflective of the following:

i) Capital & Net Worth increased by Rs 12.99 billion (24.99%) over the preceding year. The increase was due to investment by Federal Government through cash development release which was provided in addition to Grant-in-Aid.

ii) Revenue Reserves increased by Rs 6.25 billion (19.19%) over the preceding year. The increase was due to booking of excess amount of Grant-in-Aid i.e. Rs 2.86 billion to Railway Reserve Fund and booking of Federal Government Investment to Depreciation Reserve Fund.

iii) Long Term Liabilities were increased and Current Liabilities were decreased. The main cause of increase/decrease was due to shifting the amount of overdraft i.e. Rs 39.95 billion from the Current Liabilities to the Long term Liabilities.

iv) Fixed Assets increased by Rs 24.48 billion (42.95%) over the preceding year. The increase was due to booking of Foreign Loans and Federal Government Investment on Capital Account.

v) Deferred Assets increased by Rs 6.80 billion (15.27%) over the preceding year. The increase was due to wrong booking of Federal Government Investment on Replacement Account and same under head, "Deferred Assets".

### 2.2.3 Comments on the Financial Statement of PRACS

**Profit & Loss Account**

(Rs. in million)

| Particulars | 2012-13 | 2011-12 | Variation | % age |
|---|---|---|---|---|
| Revenue from all operations | 828.65 | 976.31 | (147.66) | (15.12) |
| Less: Direct expenditure | 731.05 | 954.69 | (223.64) | (23.42) |
| **Gross Profit** | **97.60** | **21.62** | **75.98** | **351.38** |
| Less: Admin & General expenses | (37.03) | (36.38) | 0.65 | 1.79 |
| **Operating Profit/Loss** | **60.57** | **(14.76)** | **75.33** | **510.36** |
| Less: Financial Charges | - | - | - | - |
| Add: Other Income | 37.14 | 45.30 | (8.16) | (18.01) |
| **Profit/(Loss) before Tax** | **97.71** | **30.55** | **67.16** | **219.83** |
| Less: Taxation | (43.07) | (13.73) | 29.34 | 213.69 |
| **Profit/(Loss) after Tax** | **54.64** | **16.82** | **37.82** | **224.85** |

i) Revenue as well as direct expenditures of the company has decreased as compared to previous year. The direct expenditures were 88.22 % of Revenue while previous year these were 97.79 %. Due to that, Gross profit was increased by 351.38 %. The decrease in revenue needs to be justified.

ii) The PRACS earned a net profit of Rs 0.05 billion as compared to previous year's profit of Rs 0.17 billion. The increase in profit by 224.85 % was due to decrease in direct expenditures. However, there was decrease in revenue (including other income) by Rs. 0.15 billion, in the department of Consultancy Services, Train Management and Catering and other Services, which needs justification.

### 2.2.4 Comments on the Financial Statements of RAILCOP

**Profit & Loss Account**

(Rs in million)

| **Particulars** | **2012-13** | **2011-12** | **Variation** | **%age** |
|---|---|---|---|---|
| Revenue from Construction Contracts | 283.91 | 224.85 | 59.06 | 26.27 |
| Less Cost | (212.91) | (192.43) | 20.48 | 10.64 |
| Gross Profit / (Loss) | 71.00 | 32.42 | 38.58 | 119.00 |
| Revenue from Other than Construction Contracts | 359.90 | 550.88 | (190.98) | (34.67) |
| Less Cost | (366.13) | (485.46) | (119.33) | (24.58) |
| Gross Profit / (Loss) | (6.23) | 65.42 | (71.65) | (109.52) |
| Grand Total (Revenue) | 643.81 | 775.73 | (131.92) | (17.01) |
| Less: Grand Total (Cost) | (579.03) | (677.89) | (98.85) | (14.58) |
| **Overall Gross Profit / (Loss)** | **64.77** | **97.84** | (33.07) | (33.80) |
| Less Administrative Expenses | (48.93) | (52.31) | (3.38) | (6.46) |
| Profit from operating activities | 15.84 | 45.53 | (29.69) | (65.21) |
| Less: Finance Cost | (0.95) | (0.94) | 0.01 | 1.06 |
| **Total** | **14.89** | **44.59** | **(29.7)** | **(66.61)** |
| Add Other Income | 37.77 | 34.46 | 3.31 | 9.61 |
| Less: Loss on Impairment | (0.45) | - | (0.45) | 0.00 |
| Profit before Taxation | (52.20) | 79.05 | (26.84) | (33.97) |
| Less: Taxation | (28.83) | 28.07 | 0.76 | 2.71 |
| **Profit after Taxation** | **23.38** | **50.98** | (27.6) | (54.14) |

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

i) Revenue from Other than Construction Contracts includes "Supplies" (Track Shop and Track Machine Shop) and "Other Sales" (Quarry and Ballast Projects). The revenue from this

head decreased by Rs 0.19 billion (34.67%), resultantly gross profit decreased by Rs 0.07 billion (109.52%).

ii) Due to decrease in gross profit from Other than Construction Contracts, overall Gross Profit was decreased by Rs 0.03 billion (33.80%) and profit after taxation was also decreased by Rs 0.03 billion (54.14%) as compared to previous year which may be explained.

## 2.3 Brief comments of the Status of Compliance with PAC Directives

| S. No. | Audit Year | Total Paras | Total No. of Actionable Points | Compliance received | Compliance not received | Percentage of compliance |
|---|---|---|---|---|---|---|
| 1 | 1985-86 | 34 | 34 | 22 | 12 | 65% |
| 2 | 1986-87 | 29 | 29 | 25 | 04 | 86% |
| 3 | 1987-88 | 31 | 31 | 19 | 12 | 61% |
| 4 | 1988-89 | 19 | 19 | 10 | 09 | 53% |
| 5 | 1989-90 | 41 | 41 | 26 | 15 | 63% |
| 6 | 1990-91 | 42 | 42 | 38 | 04 | 90% |
| 7 | 1991-92 | 36 | 36 | 22 | 14 | 61% |
| 8 | 1992-93 | 99 | 13 | 03 | 10 | 23% |
| 9 | 1993-94 | 67 | 67 | 60 | 07 | 90% |
| 10 | 1994-95 | 123 | 123 | 70 | 53 | 57% |
| 11 | 1995-96 | 153 | 21 | 12 | 09 | 57% |
| 12 | 1996-97 | 65 | 30 | 19 | 11 | 63% |
| 13 | 1997-98 | 56 | 07 | 06 | 01 | 86% |
| 14 | 1999-00 | 58 | 58 | 37 | 21 | 64% |
| 15 | 2000-01 | 48 | 48 | 28 | 20 | 58% |
| 16 | 2001-02 | 28 | 28 | 10 | 18 | 36% |
| 17 | 2004-05 | 22 | 22 | 14 | 08 | 64% |
| 18 | 2005-06(A) | 46 | 46 | 24 | 22 | 52% |
| 19 | 2006-07 | 34 | 34 | 14 | 20 | 41% |
| 20 | 2008-09 | 101 | 101 | 42 | 58 | 43% |

The pace of compliance of PAC directives is very slow which needs to be improved as many of the PAC directives of previous Audit Reports are awaiting compliance.

# AUDIT PARAS

## 2.4 Audit Paras

### Misappropriations

### 2.4.1 Theft of Permanent Way Material – Rs 259.47 million

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

Audit of various offices of PR transpired theft of material valuing Rs 259.47 million. The details are tabulated below:

| S. No. | DP No. | Name of Office | Type of material | Period of irregularity | Value of material (Rs. in million) |
|---|---|---|---|---|---|
| 1 | 5821 | Assistant Executive Engineer, Jhelum | Permanent way material | November, 2004 to September, 2012 | 11.40 |
| 2 | 5820 | -do- | -do- | -do- | 7.39 |
| 3 | 6154 | Assistant Executive Engineer, Larkana | -do- | - | 240.45 |
| 4 | 6144 | Works Manager PLF Risalpur | 316 kg copper coils | October, 2012 | 0.23 |
| **Total** | | | | | **259.47** |

These matters were taken up with the management in January and October, 2013.

No reply was received against serial no. 3 till finalization of this report.

The DAC was informed in its meeting held on 29th July, 2013 against serial no. 1 that Mr. Tariq Mehmood, Permanent Way Inspector was removed from service but later on this punishment was reduced to reversion into lower post as Assistant Way Inspector (AWI/BS-11), in compliance of the judgment of FST. Remaining three

employees were awarded punishment of Withholding of Increment Temporarily (WIT). The DAC directed the PO to get the stated facts verified from Audit and matter regarding posting of the accused at the same station (as informed by the management) be investigated.

The DAC was informed in its meeting held on 3rd February, 2014 against serial no. 2 that the theft incidents were reported to the concerned police authorities for investigation and recovery of some of the material was also made at Sarai Alamgir, Mandra & Jatli, where culprits were arrested red handed by the Railway Police. It was informed against serial no. 4 that an inquiry committee comprising of Works Manager, PLF and Deputy Director Vigilance was constituted to probe into the matter. The committee completed the inquiry process which was under finalization.

DAC directed the POs against serial no. 2 to provide updated reply along with SOP & its implementation, against serial no. 4 to finalize the inquiry within one week and result thereof be intimated to Audit. No progress was reported to Audit till finalization of this report.

Audit emphasizes that theft/misappropriation should be investigated to fix responsibility besides taking appropriate action against the persons responsible for the loss. Moreover, fool proof security system should be evolved to safeguard the railway assets. Amount to the stated extent be recovered from the defaulters.

### 2.4.2 Loss due to non-recovery on account of fraud/irregularities – Rs 10.49 million

Para 1808 of Pakistan Railway General Code provides that if the loss occurred through fraud, every endeavor should be made to recover the whole amount lost from the guilty persons, and if laxity of supervision has facilitated the fraud, the supervising officer at fault may properly be penalized.

The audit of Financial Advisor & Chief Accounts Officer (activity report for the month of June 2012) disclosed that an amount of Rs 10.49 million was lying outstanding on account of cases of fraud/ irregularities but no concrete efforts were made by the management for its recovery from the persons held responsible.

The matter was reported to the management in July 2013. It was replied that the amount appearing under this head was lying outstanding due to the fact that either these cases were under investigation or under pursuance of court of law and would be cleared on their finalization.

The reply was not tenable as the amounts shown as misappropriated in the above stated activity reports were being accumulated over the years showing that no concrete efforts were made to recover the amount.

DAC in its meeting held on 3rd February, 2014 directed the PO that detailed revised position of write off, subjudiced recovery cases may be provided to Audit along with progress of inquiries. No revised position was provided to Audit till finalization of this report.

Matter needs to be looked into to fix responsibility for non-finalization of the cases of fraud/misappropriation. Moreover, the internal controls also need improvement for timely recovery of outstanding amounts.

DP #5969

**2.4.3 (i) Temporary misappropriation of Government money - Rs 4.19 million**

**(ii) Shortage of cash - Rs.0.36 million**

Para 22.18 (c) of Pakistan Railway Commercial Manual stipulates that the City Booking Agent will be responsible for remitting the day's total earnings daily in full to the Chief Cashier & Treasurer, Lahore.

Scrutiny of the record of Divisional Commercial and Transportation Officers, Peshawar in January/February, 2013 revealed that City Booking Agency Qissa Khawani Bazaar, Peshawar remitted daily cash in the National Bank of Pakistan, Peshawar three to twenty five days late during the period from 17th July, 2012 to 7th October, 2012. This resulted in temporary misappropriation of government money amounting to Rs 4.19 million and deprived Pakistan Railway of timely deposit in the State Bank of Pakistan causing monetary loss in the shape of interest.

Further, it was observed that an Inspector of Coaching and Goods pointed out shortage of Rs 0.36 million during the inspection of this booking agency in October, 2012 but the amount involved had not been recovered from the defaulters.

The matter was pointed out to the management in July, 2013. It was replied that as per agreement, Pakistan Railways had to pay commission on sale of tickets to the Booking Agency, but unfortunately since April, 2011 till date no commission was given by Pakistan Railways. For daily expenses and salaries to their staff they had detained cash for few days.

The reply was not acceptable as any controversy regarding the payment of commission to the contractor did not authorize the contractor to detain PR revenue. Further, no action was taken by the Railway management for recovery of shortage of cash pointed out by the Inspector of Coaching and Goods.

DAC in its meeting held on 3rd February, 2014 directed the PO to review the contracts of all City Booking Agencies for termination or continuation. No compliance of DAC directives was reported to Audit till finalization of this report.

Audit recommends that Railway administration should ensure timely collection of Railway revenue from city booking agencies by

evolving a fool proof system. Moreover, efforts should be made to recover the cash pointed out short from city booking agency.

DP # 5980

## Non-Production of Record

### 2.4.4 Non-production of record valuing Rs 1,143.37 million

As per Section 14 (2) of the Auditor-General's (Functions, Powers, and Terms and Conditions of Service) Ordinance, 2001 any officer Incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Further, Section 14 (3) stipulates that any person or authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During the audit of following formation the auditable record valuing Rs 1,143.37 million has not been provided for audit scrutiny:-

| Sr. # | DP # | Formation | Value (Rs in millions) |
|---|---|---|---|
| 1. | 5845 | Inspector General, Railway Police | 0.84 |
| 2. | 6027 | FA&CAO/GB | - |
| 3. | 5890 | Chief Controller of Purchase | - |
| 4. | 6182 | Chief Controller of Purchase | 477.63 |
| 5. | 6184 | PD, AVLB, Mughalpura | 1.54 |
| 6. | 5803 | AEN, Rawalpindi | 1.96 |
| 7. | 5946 & 6177 | Chief Mechanical Engineer, Loco | 642.62 |
| 8. | 6150 | DAO/Rawalpindi | 18.78 |
| | | **Total** | **1,143.37** |

The matter was taken up with the management from June, 2013 and November, 2013.

It was stated in respect of item No. 3 & 4 that relevant record could not be provided earlier as most cases were in transaction at that time. However, all required cases are available for audit scrutiny. It was replied against item No. 5 that the Forman Incharge has been directed to use all efforts to locate these logbooks. As and when these

logbooks are located the audit will be appraised accordingly. Against item No. 8 it was replied that most of paid vouchers were presented to Audit. However, some of the paid vouchers could not be provided at that time due to the reason that those were not received from the DPM office, and were not available. Subsequently, the same was made available for audit. No reply was received against item No. 7.

The situation is not acceptable as it is general feature in Pakistan Railway to deny the production of record during audit and thereafter agreeing to provide the same, when the matter is taken up through Draft Para. No strict action was taken against persons held responsible for non-production of record till date in any case.

DAC in its meeting held on 29th July, 2013 against item No. 6 directed the PO to provide the record for audit.

DAC in its meeting held on 3rd February, 2014 directed the PO against serial no. 1 to explain as to why the record could not be produced to Audit Party during audit. DAC nominated DIG, PRP, Lahore as a focal person to get the record examined from Audit. It was directed against serial no. 2 that efforts be made to trace out the requisite record and progress be shown to Audit. No compliance of DAC directives was provided to Audit till finalization of this report.

Audit recommends that Railway administration should ensure timely provision of requisite record for audit scrutiny as and when required. Strict action is also required to be taken against the defaulters.

**Irregularity & Non-Compliance**

### 2.4.5 Unauthorized procurement of High Speed Diesel Oil - Rs 2,913.57 million

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

The audit of different formations conducted in January, February and March, 2013 revealed that HSD Oil valuing Rs 2,913.57 million was procured through local purchase by utilizing the station earnings. This resulted in unauthorized/irregular procurement of HSD Oil as detailed below:-

| Sr. # | DP # | Name of the formation | Period | Amount (Rs. in million) |
|---|---|---|---|---|
| 1 | 5881 | Divisional commercial Officer, Lahore | December, 2011 to January, 2013 | 624.21 |
| 2 | 5935 | Station Manager, Lahore | December, 2011 to January, 2013 | 780.69 |
| 3 | 5936 | Station Manager, Lahore | December, 2011 to March, 2013 | 823.80 |
| 4 | 5982 | Divisional Transportation Office, Multan | February, 2011 to February, 2013 | 96.34 |
| 5 | 6001 | Divisional Commercial & Transportation Officer, Peshawar | December, 2011 to January, 2013 | 37.36 |
| 6 | 6029 | Divisional Commercial Officer, Multan | December, 2011 to December, 2012 | 76.44 |
| 7 | 6049 | Divisional Transportation Officer, Rawalpindi | December, 2011 to March, 2013 | 276.24 |
| 8 | 6128 | Station Manager, Karachi Cantt. | January 2013 to June 2013 | 198.49 |
| **Total** | | | | **2,913.57** |

The matter was reported to the management in May, July & October 2013. It was replied that cheques of Pakistan Railways were

dishonored 89 times during January 2012 to July 2012. The outstanding bills of Pakistan State Oil went up to Rs. 1.45 billion therefore, company refused to supply the HSD Oil. To continue the smooth train operation, it was decided by the General Manager (Operations) to procure the HSD Oil from local market at OGRA rates. It was further added that the local purchase of HSD Oil from station earnings was discontinued from 27th April, 2013 by orders of the General Manager (Operations).

The reply was not acceptable as the procurement in all above cases was made in complete disregard to the Public Procurement Rules 2004 and Pakistan Railway Commercial Manual.

DAC in its meeting held on 3rd February, 2014 directed the PO against cases at serial no. 1 to 8 that comprehensive reply showing outcome of corrective measures be intimated to Audit and further procurement of HSD Oil from station earnings be discontinued. No further progress was reported to Audit till finalization of this report.

Responsibility needs to be fixed against the persons for procurement of HSD oil from station earnings in contravention of PPR and PRCM without approval of the President of Pakistan. Further the irregular expenditure incurred may be got regularized besides strengthening of the internal controls to prevent such recurrences in future.

### 2.4.6 Recoverable amount on account of maintenance/ operational charges of level crossings - Rs 575.10 million

Para 316(a) of Pakistan Government Railway Code for the Accounts Department provides that the amount due to Railway for services rendered, supplies made or any other reasons are correctly and promptly assessed and recovered as soon as they fall due. Further, Para 2012 of Pakistan Railways Code for the Engineering Department stipulates that the applicant should pay annually interest and maintenance charges at 8.5 per cent calculated on the cost of the siding

borne by the railway.

(i) The audit of the Chief Engineer/Open Line, Lahore revealed that an amount of Rs 371.70 million was recoverable on account of maintenance/operational charges of level crossings up to 30th June, 2012. A considerable period had elapsed but no action was taken to recover the outstanding dues.

The matter was reported to the Management in December 2012. It was replied that an amount of Rs 33 million had been recovered and efforts were being made for realization of all outstanding dues.

The reply was not acceptable as amount recovered was only 9% of total amount outstanding.

DP # 5787

(ii) The audit of Works Accounts Branch, Multan in September, 2013 revealed that level crossing charges (wages of gate keepers) of Rs. 138.94 million for the period from July, 2012 to June, 2013 were outstanding against their sponsors.

The matter was taken up with the management in November, 2013. Management replied that an amount of Rs 25.40 million was recovered and efforts were being made to recover the balance amount.

The response of the management was not satisfactory as only 18% of outstanding amount was recovered.

DP # 6180

(iii) Audit of the Deposit Works in Rawalpindi Division disclosed that an amount of Rs 44.12 million was outstanding against different sponsoring agencies on account of maintenance

charges of level crossings and sidings for the period 1st July 2012 to 30th June 2013.

The matter was reported to the management in June, 2013. Management replied that an amount of Rs 9.14 million was recovered from the sponsors and efforts were being made for realization of remaining amount.

The reply was not satisfactory as amount recovered was only 21% of total amount outstanding.

DAC in its meeting held on 3rd February, 2014 directed the PO to provide updated reply with documentary evidence to Audit. No compliance was reported till finalization of this report.

DP # 5925

(iv) The audit of Encroachment of land in Quetta Division disclosed that an amount of Rs 20.34 million was recoverable from Government, Semi Government Departments, and Autonomous Bodies on account of interest and maintenance charges and wages of gate-keepers. The outstanding amount had been accumulated but no efforts were made by the management for the recovery of outstanding balances.

The matter was taken up with the management in July, 2013 but no reply was received.

DP # 6064

Audit recommends that all outstanding maintenance charges should be recovered without further delay and management of Accounts Receivable be improved to ensure timely collection of Railway dues.

### 2.4.7 Un-authorized purchase of material for two GEU-15 locomotives - Rs. 85.68 million

PC-I of the Project of "Rehabilitation of Railways assets damaged during the riots of December 2007" provided rehabilitation of 9 and 6 locomotives of 3000 and 2000 horse power respectively.

The audit of rehabilitation of locomotives burnt during the riots in December, 2007 revealed that two GEU-15 (1500 Horse Power) locomotives No. 4014 and 4018 were un-authorizedly included in the project. This class of locomotives was 40 years old and most of them were already declared condemn. It was also evident that special Purchase Orders were issued for procurement of many items for these locomotives but these locomotives were repaired with pooling of material from two other locomotives of this class (4002 & 4022). This indicated poor management of Mechanical Department which resulted in un-authorized procurement of material for maintenance of 2 GEU-15 locomotives with average expenditure of Rs 42.84 million each.

The matter was pointed out to the management in June, 2013. Management replied that 15 nos. DE Locomotives of various class i.e. GMU-30, DPU-30, AGE-30, DPU-20, ARU-20, HBU-20, GRU-20, and GEU-15, having severe damages and completely burnet were inducted for repair.

Management response was not satisfactory as the 1500 horse power locomotives were not included in the project.

Responsibility is required to be fixed for gross violation of PC-I provisions and unauthorized procurement of huge amount of material for condemned locomotives. Furthermore, internal controls need to be strengthened to avoid such instances in future.

DP # 5955

### 2.4.8 Less recovery of utility charges - Rs 34.53 million

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

(i) The audit of Senior Electrical Engineer, Carriage Factory Islamabad (CFI) revealed that cost of electricity consumed through bulk supply for carriage factory colonies at Rawalpindi & Islamabad was Rs 16.52 million during the period from July, 2011 to June 2012. Against this, electricity bills of Rs 8.43 million only were issued to the consumers of residential colonies. Thus, weak managerial controls resulted in substantial loss of Rs 8.09 million due to less billing of electricity charges to the residential colonies.

The matter was reported to the management in September 2013. It was informed to the DAC in its meeting held on 3rd February 2013 that Carriage Factory Islamabad obtained bulk supply mix load (Commercial and Domestic) from WAPDA at one point on B-4 tariff (Industrial Supply). However, the recovery from residents of colony was being charged on domestic tariff A2 (General Supply) as per policy circulated by the Chief Electrical Engineer vide letter dated 1st June, 2007.

DAC directed the PO that difference in bulk supply rates and domestic rates be got reduced under intimation to Audit and arrangements should be made to shift the supply of residential colonies through WAPDA for reducing loss. No progress was reported till finalization of this report.

DP # 6109

(ii) The Certification Audit of Lahore Division disclosed that the Railway administration paid an amount of Rs 29.49 million to sui gas authority against the supply of three colonies & service

building; whereas, bills amounting Rs. 2.27 million were issued to the employees residing in colonies and Rs. 0.77 million charged to service buildings. This resulted in less recovery of Rs. 26.44 million.

The matter was reported to the management in January, 2013 but no reply was received till finalization of the report.

DP # 5950

It is emphasized that fool proof system for recovery of electrical /Sui-gas charges should be evolved besides taking necessary steps for switching over electrical / Sui-gas supply to residential colonies to WAPDA and SNGPL respectively.

### 2.4.9 Irregular expenditure due to engagement of staff in excess over sanctioned strength - Rs 20.59 million

Para 111 of Pakistan Railway Establishment Code Volume-1 provides that number of posts sanctioned for each grade in a department shall in no case be exceeded without the sanction of the authority competent to create a post, either permanent or temporary, in the grade.

Audit of the following formations revealed that the employees working in these offices were in excess over sanctioned strength.

| Sr. # | DP # | Formation audited | Period | Sanctioned strength | On roll | Excess | Irregular expenditure (Rs. in million) |
|---|---|---|---|---|---|---|---|
| 1 | 5998<br>6066 | Station Superintendent Rawalpindi | January, 2012 to January, 2013 | 79 | 112 | 33 | 8.85 |
| 2 | 6119 | Works Manager CDL, Workshop Rawalpindi | March 2012 to April 20013 | 16 | 25 | 9 | 1.84 |
| 3 | 6035 | Divisional Commercial & Transportation Officer, Peshawar | 2012-13 | 0 | 5 | 5 | 1.03 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 4 | 5852 | Assistant Executive Engineer, Jhelum | December, 2004 to September, 2012 | 5 | 14 | 9 | 2.26 |
| 5 | 6032 | Divisional Transportation Officer, Lahore | 2012-13 | 7 | 12 | 5 | 1.15 |
| 6 | 6102 | Temporary Labour Appointment in Karachi Division | 2007-2012 | 0 | 92 | 92 | 5.46 |
| **Total** | | | | | | | **20.59** |

This was pointed out to the management in March to September 2013.

It was informed to the DAC in its meeting held on 29th July, 2013 against serial no. 4 that the TLA engaged against essential categories, related to the safety of train operation and repair to assets and structure. The TLA staff having nine months service was regularized & absorbed against the vacancies. The DAC directed the PO to get the stated facts verified from Audit.

DAC in its meeting held on 3rd February, 2014 directed the PO against serial no. 2 that updated reply along with documentary evidence be provided to audit within 2 days, against serial no.3 to submit full justification to audit for scrutiny. Against serial no. 6 the DAC directed that engagement of TLA staff within sanctioned strength be got verified from Audit. No compliance of DAC directives was made till finalization of this report.

No reply was received against serial no. 1 and 5.

It is recommended that matter may be investigated at an appropriate level to fix responsibility against the officers who appointed/posted employees over and above the sanctioned strength. SOPs should be developed without further delay to avoid recurrence.

### 2.4.10 Irregular award of contract to RAILCOP without fair competition - Rs 16.54 million

Para 311 of Pakistan Government Railway Code for the Stores Department stipulates that if the response to any invitation to tender is poor owing to inadequate publicity or some other reason, fresh tender should be invited.

The audit of deposit works over Sukkur division revealed that the tenders for providing two additional spans on either side at bridge No. 218 over Dadu Canal on Larkana - Habibkot section were called for on 7th February, 2008. The notices were published in two local newspapers i.e. Kawish Hyderabad and Kaleem Sukkur on 23rd January, 2008 and 26th January, 2008 respectively. Only M/s RAILCOP participated in the tender and the contract was awarded @ 150 % above CSR-2003, with a face value of Rs 16.54 million instead of re-tendering with proper response time and wide publicity.

The matter was reported to the management in June 2013. It was replied that the tenders were purchased by two parties, but rates were quoted by M/s RAILCOP only. The work was awarded to M/s RAILCOP by the General Manager, Operations on the recommendations of POs tender committee as per rule.

The reply was not tenable as acceptance of single bid was in conflict of Para 311 of the Pakistan Government Railway Code for the Stores Department.

DAC in its meeting held on 3rd February, 2014 directed the PO that the updated reply along with full justification for urgency of work may be provided to audit for scrutiny. No compliance of DAC directive was made till finalization of this report.

It is emphasized that responsibility should be fixed for irregular award of contract in complete violation of Codal provision besides initiating action against the persons at fault.

DP # 5905

### 2.4.11 Imprudent expenditure on establishing RAILCOP Saudi Arabia branch- Rs 14.42 million

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

The audit of the record of Managing Director/RAILCOP, Islamabad (Public Limited Company subsidiary of PR), revealed that an amount of Rs 14.42 million was incurred to establish and maintain RAILCOP Saudi Arabia Branch during the period from 2010 to 2012. The above expenditure was incurred without having any business/project during said period at Saudi Arabia. This resulted in imprudent expenditure of Rs 14.42 million.

The matter was reported to the management in July 2013. It was replied that the management of RAILCOP was fully alive to respond to the situation and was confident that substantial business would be secured before the deadline set by Board of Directors.

The reply was not acceptable as RAILCOP management failed to report any business activity undertaken by the Saudi Arabia Branch. As such, said Branch was required to be closed to avoid further loss.

The DAC in its meeting held on 3rd February, 2014 directed the RAILCOP management to secure substantial business in Saudi Arabia till June 2014 and to justify the existence of RAILCOP Office in Saudi Arabia without any business activity.

Audit stresses to fix responsibility for unjustified establishment/continuation of Saudi Arabia Branch by incurring huge expenditure without any business. The branch should be closed at the earliest to avoid further loss.

DP #5987

### 2.4.12 Irregular drawl of mileage/running allowance - Rs 13.92 million

As per Ministry of Railways letter dated 21st October, 2002, no one who was not actually working with train should be paid mileage allowance. Further, according to General Manager/Personnel letter dated 30th May, 2009; no employee would be allowed to be utilized on jobs other than his own category. Moreover, the CCM vide his letter dated 27th August, 2012 directed to recover 55% from the salaries of the employees spared for sports if they do not report back for duty.

a) The audit of Station Manger, Lahore revealed that 38 Guards working in different places other than their specified duties were drawing mileage allowance/running allowance @ 55% for which they were not entitled. This resulted in irregular payment of Rs 11.40 million per annum.

DP # 6015

b) Audit of the Divisional Transportation Officer, Rawalpindi in March, 2013 revealed that 18 employees were performing duties other than their specified place and drawing mileage allowance for which they were not entitled. This resulted in unauthorized utilization of staff and irregular payment of Rs 1.84 million per annum on account of mileage allowance.

DP # 6076

c) The audit of the Divisional Mechanical Engineer, Rawalpindi in August, 2013 revealed that 3 Drivers and 6 Assistant Drivers were being utilized in the Control Office Rawalpindi and Fuel Plant Loco Shed Rawalpindi. They were also paid mileage allowance of Rs.0.68 million during the period from July 2012 to June 2013.

DP # 6176

The matter was pointed out to the management in July and November 2013 but no reply was received till finalization of this report.

Audit emphasizes that responsibility should be fixed for making irregular payment of mileage allowance to the employees besides recovering the overpaid amount. Moreover, the internal controls be improved to avoid recurrence.

### 2.4.13 Unauthorized utilization of vending stalls by the contractor resulting in non-recovery of Rs 13.68 million

The Divisional Superintendent, Sukkur letter dated 20th July, 2009 allowed contractor of restaurant, M/s Harmain Enterprises, at Rohri Station to open (04) Shelves/Showcases of 4' x 2' on each window of the restaurants on platform No. 03/04.

The audit of Station Superintendent, Rohri revealed that the contractor installed 10 separate stalls of 6' x 8' size in front of the closed vending stalls No. 4, 51, 47, 41, 42, 43, 39, 38, 1 and 6 instead of placing counters at the windows of the restaurant in complete violation of the agreement. The vending stalls were being operated at yearly rent. Thus, Pakistan Railway was deprived of the revenue amounting to Rs 13.68 million during the period from August 2010 to December 2012. Therefore, the amount was required to be recovered from the contractor for unauthorized utilization of vending stalls.

The matter was reported to the management in March 2013. It was replied that as Pakistan Railways earned revenue of Rs. 126,000 per month by allotting these counters. This decision was taken because of less interest of vending contractors in previous auction. The amount cannot be recovered from M/S Harmain Enterprises because the counters were allotted on approval by the then Divisional Superintendent purely in the best interest of Pakistan Railways.

The reply was not satisfactory as no documents in support of the reply were shown to Audit. Fact remains that management failed to watch the benefit of PR by not timely auction of the vending stalls at competitive prices and due to the favour rendered to the contractor of their own choice, thus depriving PR from its due revenue.

DAC in its meeting held on 3rd February, 2014 was informed that an inquiry committee has been constituted to probe into the matter. DAC directed the PO that updated reply in the light of inquiry findings be provided to audit No compliance was reported till finalization of this report.

The matter may be probed into at appropriate level for fixing responsibility for not safeguarding railway interest besides recovery of the unrealized amount from responsible persons.

DP # 5868

**2.4.14 Irregular expenditure due to wrong utilization of staff – Rs 12.52 million**

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

a) The audit of the Station Superintendent, Rawalpindi disclosed that services of various employees were being utilized in different offices instead of their own offices. This resulted in irregular expenditure of Rs 7.48 million.

The matter was taken up with management in July, 2013 but no reply was received till finalization of this report.

DP # 6030

b) The audit of Divisional Medical Officer Karachi revealed that a Railway dispensary at North Nazimabad was temporarily

closed and allotted to a Fitter on 22nd September, 2008 for residential purpose. Subsequently, two doctors remained posted on the above inoperative dispensary during the period July 2010 to June 2012. This resulted in unjustified payment of pay and allowances of Rs 0.66 million.

The matter was reported to the management in July 2013. It was replied that Doctors were utilized at Kemari Dispensary against vacant posts.

The reply was not acceptable as posting of medical officers at a closed dispensary proved that doctors were working in excess of the requirement.

DAC in its meeting held on 3rd February, 2014 directed the PO that modified reply showing breakup of period worked against the post of closed dispensary and financial implication thereof be given to Audit along with full justification. No compliance was reported till finalization of this report.

DP # 5958

c) The audit of Managing Director, PRACS (Public Limited Company subsidiary of PR) revealed that an amount of Rs 4.38 million was paid to 07 officers / staff; whereas these employees were performing duties in different offices of Pakistan Railways instead of PRACS.

The matter was reported to the management in March 2013. It was replied that while sitting in the Railway Ministry these employees were performing duties for the company.

The reply was not acceptable as PRACS being a public limited company has its own budget and remuneration system. Moreover, officers & staff have different terms and conditions viz-a-viz PR and shifting of staff from PRACS to PR is not covered under the rules.

DAC in its meeting held on 3rd February, 2014 directed the PO to adjust/repatriate the staff immediately and updated reply be furnished to audit. No compliance of DAC directive was received till finalization of this report.

DP # 5856

Matter needs to be probed into to fix responsibility for unlawful shifting of officers/staff. Moreover, internal controls also need to be strengthened to avoid recurrence in future.

**2.4.15 Irregular expenditure on pay & allowances of TLA staff regularized in excess of sanctioned strength - Rs. 11.96 million**

Para 111 of Pakistan Railways Establishment Code Volume-1 provides that number of posts sanctioned for each grade in a department shall in no case be exceeded without the sanction of the authority competent to create a post, either permanent or temporary, in the grade.

a) Scrutiny of the record of TLA engaged in the Carriage Factory, Islamabad in December, 2012 revealed that 264 employees engaged on TLA basis were regularized as Muawans against the sanctioned strength of 90 only. Thus, unauthorized expenditure of Rs. 3.14 million was incurred on the pay & allowances of staff regularized in excess of the sanctioned strength.

The matter was reported to the management in July 2013. DAC in its meeting held on 3rd February, 2014 was informed that the services of theses TLA employees have been regularized as Muwans (BS-1) against the posts of skilled (BS-6) and Semi Skilled (BS-4).

DAC did not consider the reply satisfactory and directed the PO to give justification for regularization of TLA staff against

the posts of higher category and that matter may be sorted out at higher level. The CPO was also directed to make prompt arrangement for adjustment of staff regularized over and above the sanctioned strength.

DP # 6060

b) The audit of Works Manager Construction Moghalpura in April, 2013 revealed that 49 Muawans were working in excess over sanctioned strength. This resulted in unjustified expenditure of Rs 8.82 million per annum on their pay & allowances.

The matter was pointed out to the management in July, 2013. It was replied that 49 Muawans were regularized in December 2012 as per directives of Secretary Railway Board and they were drawing salaries against the posts they were adjusted.

The reply was not acceptable because regularization of these employees without sanctioned posts was illegal.

The matter needs to be investigated to fix responsibility for irregular regularization of TLA employees as Muawans without sanctioned strength. Action also needs to be taken against the defaulters. Moreover, system should be evolved for proper hiring and regularization of TLA.

DP # 6070

**2.4.16 Non-recovery of GST from contractors - Rs 7.46 million**

As per Clause 18(iii) of terms and conditions of the tenders the suppliers were bound to provide the necessary papers like copies of Gate Passes and form AR-I indicating the Sales Tax paid/ to be paid to the Sales Tax Department for the quantity supplied to the sleeper factories under the agreement. Without these documents, the supply will not be treated as completed and payments therefore would not be released.

The audit of Managing Director Concrete Sleeper Factories Lahore revealed that contracts for procurement of dry sand, HT Steel wire and crushed stone were awarded to different contractors for supply of material to Concrete Sleeper Factory (CSF) Sukkur. The contractors supplied material valuing Rs 54.07 million. However, the necessary documents as evidence of payment of GST were not provided by the contractor but the payment was released by CSF organization. This resulted in loss of Rs 7.46 million to the public exchequer due to non-recovery of General Sales Tax.

The matter was taken up with the management in October 2013. Management replied that matters relating to sales tax were dealt as per procedure and rules of sales tax department. Pakistan Railways Accounts Department was only responsible to deduct 1/5$^{th}$ of total amount of sales tax. The same amount was definitely deducted by AO/CSF as per procedure.

The reply was not acceptable as the management itself was not confirmed whether the amount of 1/5$^{th}$ sales tax was deducted from the contractor bills or otherwise. Moreover, no evidence regarding deduction of 1/5$^{th}$ of sales tax was provided to audit.

It is emphasized that amount involved should be recovered immediately from the firms concerned. Corrective measures should also be taken for ensuring recovery of sales tax in such cases.

DP # 6139

### 2.4.17 Loss due to short levy of departmental charges - Rs 4.32 million

Para 1049 of Pakistan Railway Code for the Engineering Department provides that when work is undertaken by the Engineering Department of railway for outside parties including other railways, government departments, public bodies (Municipalities, Port trust, etc.) and employees of the railway, departmental charges should be levied to cover the cost of tools and plant and of establishment

supervision. The charges leviable will be 12.5 % on the total cost of the work (wages and materials) including the cost of land, except where a rate higher than 12.5 % is charged to government departments on a reciprocal basis.

The audit of Deposit Works in Lahore Division in December, 2012 revealed that an amount of Rs 4.32 million was charged less on account of departmental charges on the civil works carried out for other government departments as well as private parties.

The matter was taken up with the management in January, 2013 but no reply was received.

Audit recommends that process of recovery should be expedited and the matter be taken up at higher level for prompt recovery from the concerned departments. Furthermore, an efficient and effective recovery system should be evolved to avoid such recurrence in future.

DP # 5921

### 2.4.18 Irregular procurement of pitching stone on through rate - Rs 3.15 million

The civil works in Pakistan Railways are awarded on the basis of Composite Schedule of Rates (CSR) 2003. With the passage of time the price of material has increased that is why a premium is allowed on the CSR 2003 to the contractors.

The audit of Works Accounts Branch Karachi revealed that works regarding supply and stacking of pitching stone in Karachi Division were awarded on through rate whereas the said item appeared at page # 96 chapter 15 item # 25 of CSR 2003. The rates allowed on through rates were on higher side as compared to the rates of CSR 2003 even if premium up to 200 %. Thus an irregular expenditure of Rs 3.15 million was incurred.

The matter was reported to the management in September 2013. It was replied that the policy of through rate was issued on 27th January 1998 to avoid the objection of audit and court cases.

The reply was not acceptable as prime objective should have been to safeguard the interest of the organization while working within the prevailing rules and regulations. Railway administration failed to award the contract on CSR-2003 basis in-spite of the fact that the item of work was clearly provided in the CSR-2003.

DAC in its meeting held on 3rd February, 2014 directed the PO that comparative analysis of through rate and scheduled rate be provided to Audit to justify the accepted rate. No progress was reported till finalization of this report.

Audit emphasizes that the management should fully enforce the provision of the codes and manuals in true sprit to safeguard the interest of the organization. Internal controls need strengthening for proper implementation of rules and regulations. The amount overpaid also need to be recovered from the defaulters.

DP # 6099

### 2.4.19 Defective procurement of Hydraulic Oil of incorrect specification-Rs 3.12 million

Rule 10 of the Public Procurement Rules-2004 stipulates that specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. However, if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words “or equivalent”.

The audit of the record of Deputy Chief Controller of Purchase, Carriage Factory, Islamabad (CFI) in July 2013 revealed that 10250

liters Hydraulic Oil valuing Rs 3.12 million was procured vide Purchase Order dated 11th December, 2012. The material procured was not as per specifications of the consumer. Moreover, test of Hydraulic Oil was required to be carried out from the Central Laboratory, Lahore; whereas the procured oil was tested in the premises of the Factory and declared suitable by the Works Manager, CFI. This resulted in irregular expenditure of Rs 3.12 million due to procurement of Hydraulic Oil of incorrect specification.

The matter was reported to the management in October 2013. It was replied that purchase order was issued as per specifications offered by the firm with brand name Haroon Oil. The material was practically checked and declared technically suitable.

The reply was not acceptable because there was significant difference between the specifications of the material required by the consumer and the ones laid in the purchase order. Furthermore, the required testing from the central lab Lahore was also not carried out.

It was informed to the DAC in its meeting held on 3rd February, 2014 that Hydraulic Oil was got tested from Central Laboratory after highlighting the issue by audit. The results of laboratory test were satisfactory. DAC directed the PO that Lab report be shared with Audit. No compliance of DAC directive was received till finalization of this report.

Audit recommends that responsibility should be fixed for procurement of material of incorrect specification and its use without lab testing. Internal controls needs strengthening to avoid such instances in future.

DP # 6133

### 2.4.20 Irregular payment of house building advances/motor car advance- Rs 2.75 million

Para 5.71 of Hand Book for Drawing and Disbursing Officers stipulates that the advance is granted only once in service for the

construction of new houses and for the bonafide residential requirements of the Government servant himself. In case of construction of a house at Islamabad, however, second advance may be granted to a Government servant provided the previous advance can be drawn for purchase of a house built by the Federal or a Provincial Government or local authority. Furthermore, Para 5.91 provides that second advance will be allowed subject to the condition that the previous advance plus interest thereon has been repaid.

The Certification Audit of Ministry of Railway (Railway Board) Islamabad for the year 2012-13 revealed that second advance amounting to Rs 2.75 million on account of House Building and Motor Car was granted to the various employees without affecting the recovery of previous advance in contravention of the rules. Audit observed that instead of recovering the outstanding balance of previous advances from the employees, these outstanding balances were adjusted from the second advance without any provision in the rules. Therefore, grant of second advance of Rs 2.75 million without observing the codal formality was irregular and unauthorized.

This was pointed out to the management in October, 2013 but no reply was received till finalization of this report.

It is recommended that responsibility should be fixed against the responsible and irregularity be got regularized. Internal controls needs strengthening to avoid such instances in future.

DP # 6152

### 2.4.21 Loss on account of repair of Rail-Cum-Road Bridge – Rs 1.92 million

Para 2037 of Pakistan Government Railway Code for the Engineering Department stipulates that the Accounts Officer is responsible for correct recovery of the maintenance charges and the cost of extra establishment, if any, pertaining to all deposit works besides, Para 316 (a) of Pakistan Government Railway Code for the

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

The audit of Deposit Works in Peshawar Division disclosed that a contract was awarded to M/s Khan Brother, Rawalpindi for special repair to road metalling and repair of expansion joints of Khushal Garh, Rail-cum-Road bridge No. 9 at KM 11/4-5 on Jand-Kohat Cantt. section without receipt of cost of deposit work. Railway administration had incurred an amount of Rs 1.92 million for the said deposit work which was required to be received before commencing the work. Neither the amount had been deposited by the concerned authority nor efforts made by the Railway management to recover the said amount. This resulted in irregular incurrence of expenditure of Rs 1.92 million and loss to Pakistan Railway.

The matter was reported to the management in July 2013. It was replied that the condition of road over this bridge was very dilapidated and the users were also complaining bitterly for its early repair. The Provincial Government was approached so many times but no response had been received. Therefore, the road repair was carried out by the Railway administration.

The reply was not acceptable as the deposit work was required to be executed after receipt of the cost of the work.

Audit recommends that the responsibility for irregular expenditure on repairs without receipt of cost of deposit work from the sponsoring agency may be fixed. Internal controls may be improved for proper adherence of codal provisions in such cases.

DP # 6048

### 2.4.22 Loss due to unauthorized utilization of rented out premises - Rs 1.88 million

Clause-4 of terms & conditions for leasing out the goods godown and shed at Mardan Railway Station provides that the successful bidder will not make any addition or alterations within or outside the building. Clause-5 further stipulates that the successful bidder will not assign or sublet the leased premises or any part thereof without the prior consent in writing to Railway administration. Further in terms of para 34.4 (b) of Commercial Manual 1988 the person (s) responsible for renting out Railway buildings should keep a strict watch to see that no additions or alterations are made by the tenants. In case of any addition or alterations, it must be checked and removed at once and the tenant warned, failing which he must be ejected.

The audit of the Divisional Commercial/Transportation Officer Peshawar Cantt. revealed that Goods Godown and Shed at Mardan Railway Station consisting of 2.72 Kanals (54.4 Marlas) was leased out to M/S Shah Said Afridi @ Rs 0.60 million per annum on 16th January 2012. However, the contractor made major alterations in the premises by constructing 25 shops which were sublet at lucrative rent to outsiders in contravention of the rules. This depicted that the earning of the contractor from this godown and shed was Rs 2.48 million per annum (Rent Rs 99,000 per shop as per DC rate x 25 shops) whereas the annual rent of Rs 600,000 per annum was being paid to Railways. This resulted in loss of potential earnings of Rs 1.88 million per annum. Moreover, no action was taken by the management against the contractor despite lapse of a period of one year.

The matter was pointed out to the management in October, 2013 but no reply was received till finalization of report.

Audit stresses that the matter regarding unauthorized utilization/subletting of railway land may be probed into for taking action against the persons held responsible. Internal controls be strengthened to ensure proper asset management in PR. DP # 6153

### 2.4.23 Loss due to non-supply of vehicle - Rs 1.29 million

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

The audit of Divisional Transportation Officer, Multan in March, 2013 disclosed that the payment of Rs 0.92 million was made to M/s Hyundai Motors, Multan through cheque dated 31st December, 2009 for the purchase of Hyundai Shahzore Pickup (2600-cc). The said vehicle was not supplied by the firm despite lapse of more than three years. This resulted in loss of Rs 1.29 million including interest thereon @ 13.61 % for the year 2011 and @ 13.48% for 2012 & 2013.

The matter was reported to the management in July 2013. It was replied that delivery of Hyundai Shahzore Pickup (2600 cc) would be taken from M/s Hyundai Motors Multan as early as possible.

The reply was not acceptable as the railway administration failed to obtain delivery of vehicle despite lapse of period of more than three years.

Audit emphasizes that strenuous efforts should be made for the delivery of the vehicle or the amount in question be recovered along with interest thereon at an early date besides initiating action against the person(s) at fault.

DP # 5991

**Performance**

### 2.4.24 Loss of potential earnings due to inordinate delay in repair of locomotives – Rs 6,522.64 million

As per Maintenance Regulations dated 6th September, 2007, to keep the fleet of diesel electric locomotives in fit conditions they are scheduled to undergo repairs periodically presumed as under:

| Description | Periodicity | Time Allowed |
|---|---|---|
| Class-I Repairs | 6 yearly or 1,200,000 kms, whichever is earlier | 32 days |
| Class-II Repairs | 3 yearly or 600,000 kms, whichever is earlier | 24 days |
| E-Schedule | Half yearly or 100,000 kms, whichever is earlier | 2 days |
| F-Schedule | Yearly or 200,000 kms, whichever is earlier | 7 days |

Audit of the following offices revealed that 247 locomotives received in different sheds and shops for scheduled repair were not turned out in the scheduled time as detailed below:-

| Sr.# | DP # | Name of the formation/assignment | Period | Locos | Delay (in days) | Amount (Rs. in million) |
|---|---|---|---|---|---|---|
| 1 | 6181 | Divisional Mechanical Engineer, Rawalpindi. | March, 2009 to March, 2013 | 40 | 12 to 1457 | 4,898.11 |
| 2 | 6169 | Divisional Mechanical Engineer-I, Lahore. | March, 2012 to June, 2013 | 25 | 6 to 190 | 189.18 |
| 3 | 6172 | Divisional Mechanical Engineer-I, Lahore | December, 2010 to June, 2013 | 16 | 29 to 930 | 1,113.12 |
| 4 | 5953 | Rehabilitation of locomotives damaged during the riots of December, 2007 | January, 2011 to April, 2013 | 22 | 2 to 603 | 175.85 |
| 5 | 5873 | Divisional Mechanical Engineer Kundian | June, 2010 to August, 2012 | 144 | 3 to 77 | 146.38 |
| **Total** | | | | | | **6,522.64** |

Audit observed that no efforts were made by the Railway management to repair these locomotives within scheduled period resulting in loss of potential revenues of Rs. 6,522.64 million.

The matter was pointed out to the management in August and November, 2013. No reply was received against serial no. 2 & 4. It was replied against serial no. 1, 3 & 5 that the excess time was taken due to non-availability of stores, paucity of funds.

The reply was not acceptable because timely arrangement of material and funds was the responsibility of railway management.

The repair of rolling stock needs to be given top priority as this matter is directly linked to the smooth operation of the PR. It is also recommended that the prescribed schedules for the repair of locomotives must be observed meticulously by timely procurement/ import of the required spares.

**2.4.25 Loss of potential earnings due to delay in repair/non-manufacturing of coaches-Rs 3,422.23 million**

i. According to the approved schedule programme of rehabilitation of 87 burnt coaches following timelines were allowed for rehabilitation work:-

| Description | Qty | Target per Month | Time Allowed for Repair |
|---|---|---|---|
| Economy Class Coaches | 35 | 03 | April, 2009 to March, 2010 |
| Lower A.C Coaches | 37 | 03 | April, 2010 to March, 2011 |
| Train Lighting Vans (TL Vans) | 15 | 03 | April, 2011 to August, 2011 |

The audit of rehabilitation of coaches burnt during the riots of December, 2007 disclosed that the work of rehabilitation/repair of coaches and T.L Vans was required to be completed up to March, 2011. Due to poor performance and management only 08 economy class coaches were turned out up to March, 2013 and remaining 64 coaches and 15 T.L Vans were lying unattended. This caused loss of

potential earnings of Rs. 1,413.63 million due to non-repair of coaches in time.

The matter was pointed out to the management in July, 2013 and it was replied that the time schedule mentioned in the PC-I of the project was based on the timely supply of raw material required for the Rehabilitation work. Thus the delay occurred due to non-supply of essentially required material.

The reply was not acceptable as timely arrangement of all resources for this project was the responsibility of Railway management and that indicated bad planning and poor project management.

DP # 6069

ii. PC-I for the procurement / manufacture of 202 new design passenger coaches, the year-wise schedule of procurement/ manufacturing of coaches was 92, 56 and 54 coaches for the year 2010-11, 2011-12 and 2012-13 respectively.

The audit of Works Manager, Carriage Factory Islamabad disclosed that there was no outturn during the year 2010-11 and 2011-12 and only 30 coaches were turned out in 2012-13. This depicted that the financial benefits of the project during the period have not been achieved. This resulted in loss of potential earnings of Rs 2,008.60 million due to non manufacturing of passenger coaches in time.

The matter was pointed out to the management in October 2013 and it was replied that the outturn of coaches was not in accordance to schedule due to inadequate allocation, delay in release of funds, late opening of LC etc.

The reply was not acceptable as the factors highlighted in the reply were controllable. Moreover the PC-I was required to be prepared keeping in view all these aspects.

DAC in its meeting held on 3rd February, 2014 directed the PO that updated reply with latest position be furnished to Audit. No compliance was reported till finalization of this report.

DP # 6159

Audit recommends that non-observance of time schedule of PC-I should be probed to ascertain the factual position. Responsibility is required to be fixed for bad planning and mismanagement of the project resulting in loss of potential earnings.

**2.4.26 Cost overrun of the project of 202 Coaches - Rs 1,589.36 million**

As per PC-I of the project of "Procurement/ Manufacture of 202 new design Passenger Carriages" the estimated cost of the project was Rs 16,850.00 million.

The audit of the Works Manager, Carriage Factory Islamabad revealed that estimated cost of the Project of Procurement/ Manufacture of 202 new design Passenger Carriages for the year 2009-10 to 2012-13 was Rs 16,850.00 million whereas, actual expenditure during this period was Rs 18,439.36 million.

This depicted that an amount of Rs 1,589.36 million had been incurred in excess of the estimated cost of the project whereas; the outturn of the project was only 44 coaches out of 202 up till July, 2013. The incurrence of expenditure over and above the estimated cost and the poor outturn of the coaches showed bad financial and administrative controls on the part of management.

The matter was reported to the management in October, 2013. It was replied that 98 coaches were turned out, out of 202 coaches up to July, 2013. The remaining 124 out of 202 coaches would be turned out up to November, 2013.

The reply was not acceptable as project was approved with estimated cost of Rs 16,850.00 million for manufacture of 202 coaches, whereas only 44 coaches were actually turned out with an expenditure of Rs 18,439.37 million.

DAC in its meeting held on 3rd February, 2014 directed the PO that updated reply with latest position be furnished to Audit. No compliance was provided till finalization of this report.

The matter required investigation at appropriate level to ascertain reasons for cost overrun and slow progress of the project besides initiating action against the defaulters. Moreover, project management needs improvement to avoid the instances of time and cost over-run.

DP # 6160

**2.4.27 Loss of potential earning due to defective repair of locomotives - Rs. 315 million**

As per item 5 of the approved PC-I of the project "Special Repair to 36 Nos. (GMU-30 type) DE Locomotives" the said project was to add another 8/10 years in the productive life of rehabilitated locos.

Audit of the said Project at Karachi, it was noticed that 22 and 14 Locomotives (4701 to 4736) were attended for special repairs during 2008-09 and 2009-10 respectively. These locomotives were put into service on different dates. Thereafter, out of 35 locomotives on books, the average ineffectiveness of locomotives reached more than 50% in August, 2011 as the locomotives began to fail just after rendering services of 2 to 3 years and came back in Karachi shop against envisaged additional life of 8 to 10 years. This indicated that special repairs of locomotives was not carried out properly according to PC-I resulting in loss of projected earnings of Rs 315 million from August to October 2011 (70/12 x 18 x 3). Moreover, out of 36 GMU-

30 locomotives, 18 locomotives were again included in a subsequent rehabilitation project of 46 Diesel Electric Locomotives.

The issue was discussed in the DAC Meeting in April 2013, wherein DAC directed the PAO to submit a detailed reply giving in detail the operational position of the rehabilitated locomotive and get it verified by the audit.

The audit verification revealed that the economic life of locomotives did not increase and frequent failures were reported which shows improper rehabilitation of the locomotives.

Audit recommends that abnormal failures of rehabilitated diesel electric locomotives within a short span of time be investigated in detail to fix responsibility for improper special repairs resulting in loss to the department.

(PAR)

**2.4.28 Unnecessary procurement of material – Rs 222.20 million**

Para 128 (ii) of Pakistan Government Railway Code for the Stores Department provides that maximum limit of store items is required to be fixed carefully as fixation of higher limit would involve blockage of capital, risk of deterioration, extra storage and protection arrangements, increased labour charges and accumulation of surplus by unnecessary advance purchase of stores.

(i) The audit of rehabilitation of locomotives damaged during the riots of December, 2007 revealed that material procured for rehabilitation of 15 damaged locomotives valuing Rs 103.01 million was lying in the stores of Central Diesel Locomotives Workshop, Rawalpindi and Works Manager/Diesel, Karachi in April, 2013 whereas, all 15 locomotives were repaired up-to October, 2012. It was also observed that most of these items were not issued since their receipt in June, 2009 to February, 2012. This indicated that requirements for each burnt

locomotive were not properly assessed which resulted in procurement of unnecessary material and blockage of capital valuing Rs 103.01 million.

The matter was taken up with the management in July 2013 but no reply was received till finalization of report.

DP # 5954

(ii) The audit of the Chief Mechanical Engineer, Loco in August, 2013 revealed that the maintenance contract of 69 DPU-20/30 locomotives including supply of 1142 maintenance items was executed between Pakistan Railways and Dong Fang Electric Corporation & Dalian Locomotives & Rolling Stock Company Limited China in the year 2009. Out of 1142 maintenance items, a quantity of 24 items was supplied by the contractor in excess of the quantity demanded and these items were lying unutilized in the stores. Thus, due to negligence, items valuing Rs. 118.66 million were accepted in excess of the requirements resulting in blockage of capital.

The matter was taken up with the management in November 2013 but no reply was received till finalization of report.

DP # 6188

(iii) Scrutiny of record of the Divisional Mechanical Engineer (DME), Pakistan Railway, Rawalpindi in July-August, 2013 revealed that material valuing Rs 0.53 was lying in the stores of Head Train Examiner, Goods, Lalamusa & Loco Foreman, Rawalpindi in excess over the fixed ceiling. This material was procured in excess of the requirement resulting in blockage of capital of Rs 0.53 million.

The matter was reported to the management in November 2013. It was replied that 48% quantity of material have been consumed.

The reply was not acceptable as more than 52% material was lying in the store un-utilized.

DP # 6185

Audit recommends that responsibility should be fixed and strict action be taken for un-necessary procurement of material. Besides, arrangements should be made for beneficial utilization of the material. Moreover, an integrated system based inventory management system should be introduced for proper inventory management in PR.

### 2.4.29 Excess expenditure on manufacturing of sleepers – Rs 188.78 million

As per Managing Director (MD) Concrete Sleepers Factories (CSF) letter dated 9th March, 2012 the cost of sleepers manufactured in Concrete Sleeper Factories was fixed @ Rs 2,350, Rs 2,400 and Rs 3,150 each sleeper for PSC, Vossloh, and Twin Block sleeper respectively.

Scrutiny of record of the MD Concrete Sleeper Factories, Lahore disclosed that 109,182 sleepers were manufactured during 2011-12 with an expenditure of Rs 476.28 million. Therefore, average expenditure of Rs 4,362 per sleeper was incurred whereas average cost of sleepers fixed by the management was Rs 2,633 per sleeper. This resulted in excess expenditure of Rs 188.78 million during the year 2011-12.

The matter was taken up with the management in October 2013. It was replied that less manufacturing was owing to single offers which were objected by finance and tenders could not be decided and timely materials could not be arranged for manufacturing.

The reply was not acceptable as only 109,182 sleepers were manufactured during 2011-12 with its total cost of Rs 476.28 million with an average cost of Rs 4,362 per sleeper.

The matter required investigation at an appropriate level to ascertain reasons for excess expenditure on manufacturing of sleepers besides initiating action against the defaulters. Internal controls need strengthening to make the manufacturing processes more economical and efficient. DP # 6137

**2.4.30 Loss due to substandard repair/failure of traction motors – Rs 139.97 million**

As per approved PC-I of the Project of "Special repair of 36 GMU-30 DE Locomotives" the rehabilitation of traction motors was an important component of the Project with total cost of Rs 120.66 million. Further, Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

i. While reviewing the record of the above Project, it was noticed that 216 traction motors were rehabilitated with total cost of Rs 120.66 million @ Rs 558,627 each at CDL, Workshop Rawalpindi. These traction motors were dispatched to Diesel Shop, Karachi Cantt. after rehabilitation during the period from February, 2008 to February, 2010. These traction motors were erected in 36 GMU-30 diesel electric locomotives but at the time of audit (October/November, 2011) all of those traction motors except four were out of order due to burnt armature etc. This resulted in loss of Rs. 118.43 million due to substandard repair/rehabilitation work of traction motors.

   The matter was discussed in the DAC meeting in April 2013, wherein DAC directed to provide a revised/modified reply dully supported by the documentary evidence to Audit for verification. The relevant documents and record as directed by DAC was not provided for verification to Audit.

   (PAR)

ii. The audit of the Works Manager, Loco Shops, Moghalpura in August, 2013 disclosed that traction motors of various operating divisions were repaired in Loco Shop, Moghalpura during the period from July, 2012 to April, 2013 and installed in DE Locomotives. Most of those repaired traction motors failed within a very short period ranging from 01 to 208 days whereas those should have smoothly worked for at least 2 to 3 years without any failure. Such frequent failures depicted that these were either not repaired properly or the material used for repair was substandard. This resulted in wasteful expenditure of Rs 21.54 million.

The matter was reported to the management in November, 2013 but no reply was received.

DP # 6179

It is recommended that the matter should be investigated at an appropriate level for fixing responsibility for improper repair and early failure of Traction Motors besides, initiating action against the responsible.

### 2.4.31 Non-recovery of Railway dues - Rs. 136.23 million

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

An amount of Rs. 136.23 million was outstanding against various parties on account of rental charges and other Railway dues as detailed below: -

| Sr. # | DP # | Formation/Assignment audited | Amount recoverable on account of | Period | Rent (Rs. in million) |
|---|---|---|---|---|---|
| 1 | 5957 | Assistant Executive Engineer, P&L, Sukkur | Rental charges from licensee of Railway land | Jan, 2011 to April, 2012 | 4.87 |
| 2 | 6058 | Encroachment of land over Quetta Division | Rent of land from coal merchants | Jan, 2005 to Oct, 2013 | 1.45 |

| | | | | | |
|---|---|---|---|---|---|
| 3 | 6063 | Encroachment of land over Quetta Division | Rent of land and building | July, 1967 to June 2013 | 61.48 |
| 4 | 6086 | Encroachment of land over Quetta Division | Rent from shop holders | - | 2.00 |
| 5 | 6080 | Deputy Director Property & Land, Lahore | Rental charges from Faisalabad Dry Port Trust | April, 2012 to April, 2013 | 0.40 |
| 6 | 5999 | Station Manager, Railway Station Lahore | Rent of vending stalls | Feb 2009 to Nov 2012 | 2.50 |
| 7 | 5910 | Station Manager, Railway Station Lahore | Rent of Parking Stand | March, 2012 to Jan, 2013 | 6.26 |
| 8 | 5988 | Station Manager, Railway Station Lahore | Rent of vending stalls | Sep, 2003 to Feb, 2013 | 3.76 |
| 9 | 5831 | Assistant Engineer, Attock City | Rental charges against food Department | - | 44.13 |
| | | | Maintenance charges | - | 7.11 |
| | | | Rent of quarters | - | 0.55 |
| 10 | 5773 | Assistant Executive Engineer, Bhakkar | Rental charges and penalty | July, 2011 to June 2013 | 1.72 |
| **Total** | | | | | **136.23** |

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

No reply was received against serial no. 1, 3, 5 to 8. It was replied against serial no.2 that an amount of Rs 0.72 million was recovered from the coal plots holders at Railway Station Spezand, Mach and all out efforts were being made to recover the balance outstanding. It was replied against serial no. 4 that Rs. 1.30 million was recovered from the Shopkeepers and efforts were being made to realize the remaining outstanding dues. Management replied against serial no. 9 that agreement had been executed with Food Department and reconciliation was in progress for payment of Railways dues. An amount of Rs.1.49 million had been recovered.

The reply against serial no. 2 was not acceptable as the said amount was required to be deposited by the coal plots holders as advance rent at the commencement of each year; whereas only 50% amount was recovered despite lapse of five to eight years.

The reply against serial no.4 was not tenable as no recovery particulars was provided to audit and final outcome of the remaining outstanding was also awaited.

The response of the management against serial no. 9 was not satisfactory as only meager amount of Rs. 1.49 million was recovered against Rs. 51.79 million outstanding against food department showing inadequate efforts on the part of PR.

The DAC in its meeting held on 29th July, 2013 was informed against serial no.10 that an amount of Rs 53,370 was recovered and Rs 52,900 could not be recovered because quarters were vacated by occupants. The DAC directed the PO that documentary evidence regarding recovered amount and vacation of quarters be provided to Audit for verification. No compliance of DAC directive was made till finalization of Report.

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

### 2.4.32 Unjustified payment of overtime and piece work – Rs 124.12 million

Para 453 of Pakistan Railways Code for the Mechanical Department provides that except in very exceptional and urgent cases no overtime should be worked in shops without the prior sanction of the Works Manager which should be obtained by the Foreman by submission of an overtime requisition. Further, Para 612 of Mechanical Code provides that the simplest method of making payment by results is that of fixing a rate per piece and paying workmen on the basis of total number of pieces turned out. If the amount thus earned during a month is more than the month's wages of the piece worker, the difference is the profit he makes. Further, Chief Mechanical Engineer/Loco vide letter No.494-W/379/1-XVII(M.4)

dated 1st September, 1999 had fixed monthly out turn target of classified repair as 8 Locomotives for Central Diesel Locomotive (CDL) Workshop, Rawalpindi.

Audit noticed following cases of unjustified payment of overtime and piece work profit amounting to Rs 124.12 million:

i. Record of the Works Manager, Steel Shop, Moghalpura, disclosed that an amount of Rs 22.97 million was paid to the employees on account of overtime allowance during the period from July, 2011 to April, 2013; whereas, the production of Steel Shop remained below the target fixed. Further, an amount of Rs 8.14 million was paid on account of piece work profit, which was unjustified due to the fact that the profit was to be paid only in case of time saved or extra production achieved within the scheduled time.

   The issue was reported to the management in September, 2013 and it was replied that the production targets were not achieved due to non-availability of material, low sui gas pressure, delayed cash release etc. therefore, staff was engaged on overtime to meet with the requirements of production and amount of piece work was being reduced gradually.

   The reply was not satisfactory as payment of overtime without achieving the given targets was not justified in any case.

   DP # 6085

ii. Record of the Works Manager, Central Diesel Locomotives (CDL), Workshop Rawalpindi disclosed that an amount of Rs 18.60 million was paid to the employees on account of overtime despite the fact that management failed to achieve the targets as only 56 locomotives were turned out during April, 2012 to March, 2013 against the fixed target of 96 locomotives per annum. Further, the CDL Workshop was running on double

shift basis with no justification being recorded on the requisitions of overtime.

This was pointed out to the management in September, 2013 but no reply was received.

DAC in its meeting held on 3rd February, 2014 directed the PO that justification for giving over time allowance along with basic parameters may be provided to audit for scrutiny. No compliance of DAC directives was reported till finalization of this report.

DP # 6107

iii. Review of the record of Divisional Mechanical Engineer-I, Lahore disclosed that the Diesel Shed, Lahore was working in three shifts and the staff of first shift was also being booked on overtime continuously. Shed management booked 170 to 206 employees on overtime every month during the year 2012-13; whereas the performance of the Shed was less than 50% of the target fixed for the year. This resulted in unjustified incurrence of expenditure of Rs. 4.37 million during the year 2012-13.

The matter was taken up with the management in November, 2013. Management replied that repair time of D.E Locomotives was prolonged due to irregular supply of electricity, therefore, maintenance staff was required to detain in overtime to turn out the D.E Locomotives for train operation.

Management response was not tenable as the payment of overtime allowance was hardly justified without achieving targets.

DP # 6167

iv. The audit of the Works Manager/C&W Shops, Moghalpura revealed that an amount of Rs 70.04 million was paid to the employees on account of overtime during the year 2012-13 in

spite of the fact that production remained below the targets fixed. Besides, the details of jobs completed after the normal duty hours (during over-time) were also not produced to Audit. This resulted in unjustified payment of Rs.70.04 million on account of overtime.

The matter was taken up with the management in November, 2013. It was replied that target of C&W Shops was not achieved due to non/short supply of material and utilities.

The reply was not tenable as payment of overtime without achieving the given targets was not justified in any case.

DP # 6175

Audit recommends that irregular practice of giving undue benefit to the employees should be stopped henceforth. Action should be taken against the defaulters for making unjustified payment of overtime/piece work against poor outturn. Management needs to focus on manufacturing facilities for improving their performance.

### 2.4.33 Unjustified expenditure due to engagement of staff on TLA - Rs 80.80 million

Para 118 of Pakistan Government Railway Code for the Engineering Department provides that it is the duty of Executive Engineer to pay strict attention to the economical application of all labour and materials. Further, Para 212 of Pakistan Railways Mechanical Code (Workshops) provides that the persons selected for skilled categories, unless they are promoted from semi-skilled workmen, who have qualified themselves for the trade for which they are selected, or are already possessed of the necessary training for such trade, should be appointed as apprentices and trained accordingly.

i. Audit of the Works Manager Constructions Moghalpura disclosed that repair / rehabilitation of 87 burnt coaches was commenced during September 2008 and was to be completed

up to August, 2011. However, rehabilitation was not completed till January 2013. Two hundred employees were engaged on Temporary Labour Application (TLA) basis to complete the work but only 35 coaches were rehabilitated up till December, 2012. This resulted in loss of Rs 33.40 million on account of unjustified engagement of staff on TLA basis.

The matter was reported to the management in September, 2013. It was replied that TLA staff was engaged to complete the project well in time, but due to non-supply of essentially required material, unforeseen discontinuation of Sui-Gas supply and load shedding of electricity, the project work got delayed.

The reply was not acceptable as temporary labour was required to be adjusted according to the requirements / circumstances but it was not adjusted in time to avoid extra expenditure.

DP # 6104

ii. The audit of Managing Director Concrete Sleeper Factories, Lahore revealed that a quantity of 943,589 sleepers and 1,545,000 sleepers was required during the year 2011-12 and 2012-13 respectively. The target of 620,000 sleepers and 540,000 was fixed for the year 2011-12 and 2012-13 respectively which was subsequently reduced to 250,000 sleepers for each year. However, only 109,182 and 149,322 sleepers were manufactured during 2011-12 and 2012-13 (up to April, 2013) which was 44% and 59% of the reduced targets respectively. TLA was engaged to meet with the targets and an amount of Rs 15.36 million was paid to them but annual targets were not achieved.

The matter was taken up with the management in October, 2013. It was replied that the raw material could not be arranged due to non-availability of cash release nor TLA labour was engaged as per sanction for whole year.

The reply was not acceptable as the TLA staff was engaged for achieving the targets (as per approval of TLA) but the minimum targets revised by the management was not achieved during 2011-12 and 2012-13 even after an additional expenditure of Rs 15.36 million.

DP # 6136

iii. Scrutiny of record of the Works Managers, Loco & Construction Shops, Moghalpura, Lahore revealed that 42 to 145 employees of different categories were engaged on TLA basis against Skilled and Semi-Skilled essential posts during the period from September 2010 to August 2011. Audit observed that employees appointed on TLA were not so competent to perform their technical duties efficiently being un-trained. This resulted in un-authorized expenditure of Rs 30.88 million on their pay & allowances.

The matter was reported to the management in October, 2013 but no reply was received.

DP # 6120

iv. The audit of engagement of TLA over Multan Division revealed that 06 (six) Gate Keepers were engaged on TLA basis under the Permanent Way Inspector Bhawalpur despite the fact that train service was suspended in July, 2011. Temporary labour was required to be terminated when there was no operational activity. Thus, Pakistan Railways suffered loss of Rs 1.16 million on account of pay & allowances during the period from July, 2011 to December, 2012 due to engagement of TLA in a non-operational section.

The matter was reported to the management in July, 2013, but no reply was received.

DP # 5984

It is emphasized that action should be taken against the management of above noted formations for unjustified retention of TLA. Moreover, the engagement and retention of the TLA should be strictly regulated as per provisions of the rules to avoid misuse of resources.

### 2.4.34 Non-recovery of railway dues on account of cancellation of trains - Rs 66.06 million

Article 6.3 of the Agreement dated 18th August, 2011 executed between Pakistan Railways and M/s Four Brothers International (Pvt.), Limited for "Commercial Management & Passenger Facilitation of Business Express Train" stipulates that in case of cancellation of a train by Pakistan Railways due to unavoidable circumstances, no amount will be recovered/paid by either of the party. In case Party No.1 (Pakistan Railways) has already received the payment before cancellation of train that will be adjusted accordingly. However, if party No. 2 (M/s Four Brothers) cancels the train without cogent reasons unacceptable to Pakistan Railways, the party No. 2 will be bound to pay the full amount.

Scrutiny of the record of Train Branch of Lahore Station disclosed that Business Express Train was cancelled for 21 days during the period from 20th August, 2012 to 2nd February, 2013 on request of M/s Four Brothers; whereas no recovery was made from them till February, 2013. This resulted in non-recovery of Railway dues amounting to Rs 66.06 million.

The matter was taken up with the management in July, 2013 but no reply was received.

Audit stresses that the amount of Rs 66.06 million should be recovered from M/s Four Brothers as required under the agreement. Internal controls need strengthening so that contractual clauses be properly enforced in the best interest of PR.

DP # 5937

### 2.4.35 Non-replacement of defective material – Rs 52.98 million

Clause 4 of Standard Conditions of Contracts provides that "the material will be free from defects in material and workmanship. The seller will be responsible for replacement of defective material free of cost. The warranty period shall be valid for a period of 18 months from the date of shipment or 12 months from the date of placement in service whichever is earlier." Further, Para 807 (1) of Pakistan Railway General Code provides that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

(i) The audit of rehabilitation of locomotives damaged during the riots in December, 2007 revealed that 122 warranty claims valuing Rs 47.14 million were lodged by Pakistan Railways with M/s Dongfang Electric Corporation (DEC), China. These claims were accepted by M/s DEC China but their replacements were not received. Furthermore, 217 warranty claims were not yet accepted by M/s DEC China. In view of the above, it seems that Railway administration was not striving to get replacements of defective material from Chinese firm. This resulted in blockage of capital due to non-replacement of material against 122 warranty claims valuing Rs. 47.14 million.

The matter was reported to the management in July 2013. It was replied that M/s DEC China was black listed by Ministry of Railways and bank guarantee bond of the firm was en-cashed.

The reply was not acceptable as bank guarantee was forfeited for unsatisfactory performance of the firm and no specific comments were offered for replacement of material against 122 accepted and 217 unaccepted warranty claims.

DP # 5956

(ii) Scrutiny of record relating to rehabilitation of locomotives damaged during the riots in December, 2007 revealed that four "Main Control Units" ADLC-P (MCU) valuing Rs. 5.33 million were procured vide Purchase Order No.19/0128/SPL-4/4-2008 dated 29th November, 2008. These "Main Control Units" ADLC-P (MCU) were fitted in locomotives in November, 2009 but removed in May, 2010 owing to unsatisfactory performance. Audit observed that despite lapse of more than three years the defective material was not got replaced from the firm. This resulted in blockage of capital of Rs. 5.33 million due to non-replacement of defective material.

The matter was taken up with the management in July, 2013 but no reply was received.

DP # 5945

(iii) The audit of rehabilitation of locomotives damaged during the riots of December, 2007 revealed that 18 Hosing Water Pump valuing Rs 0.50 million purchased through Purchase Order dated 21st June, 2008 were declared unsuitable by the consumer i.e. Works Manager (Diesel) Karachi vide letter dated 11th January, 2010. It was noticed that said material was awaiting replacement from the supplier. This resulted in blockage of capital of Rs 0.50 million due to non-replacement of material in time.

The matter was taken up with the management in July, 2013 but no reply was received.

DP # 6017

Audit stresses that matter may be taken up at higher level for replacement of defective material without further delay besides initiating action against the staff and officers responsible for not pursuing the matter efficiently. Moreover, the system of warranty

claim processing should be streamlined for timely refund/replacement of the defective stores.

### 2.4.36 Loss due to excess consumption of fuel – Rs 52.34 million

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

In order to control/monitor the expenditure on HSD oil, the management has fixed the quantity per trip in respect of each DE Locomotive.

During audit of the following formations, it was noticed that locomotives consumed 755,565 litres HSD, oil valuing Rs 52.34 million, in excess of their fixed trip ration:-

| Sr. # | Formation/ Assignment Audited | Period | Quota Fixed (Litres) | HSD Oil Used (Litres) | Excess use of HSD oil (Litres) | Value of excess consumption (Rs. in million) |
|---|---|---|---|---|---|---|
| 1 | Analysis of fuel consumption by Diesel Electric Locomotives in Sukkur Division | January, 2009 to November, 2010 | 5,691,235 | 6,443,048 | 751,813 | 51.93 |
| 2 | Loco Shed, Kundian | July, 2008 to November 2009 | 22,484 | 26,236 | 3,752 | 0.41 |
| | **Total** | | **5,713,719** | **6,469,284** | **755,565** | **52.34** |

PR suffered loss of Rs 52.34 million despite the fact that the supply of fuel was disrupted frequently due to financial crunch. The poor controls over fuel consumption resulted in increase in the operational cost.

This was pointed out to the management in May and November, 2013 but no reply was received.

It is emphasized that these cases of excess utilization of HSD Oil may be investigated to fix responsibility and action be taken against the staff and officers causing loss to the PR. Internal controls should be strengthened for effective implementation of technical/ administrative instructions.

DP#5557, 6187

### 2.4.37 Non-disposal of material – Rs 48.66 million

Para 1713 of Pakistan Railway Code for the Engineering Department provides that surplus stores comprise stores which are surplus to requirements and include materials released from renewals and replacements as well as from dismantled works. The Disposal of such stores either by transfer to other works, District or divisions or by return to Stores Depot or by sale should be arranged for by the Executive Engineer concerned, and in the case of permanent-way surplus stores in consultation with the Track Supply Officer.

Audit noticed following cases of non-disposal of material valuing Rs 48.66 million:-

| Sr. # | DP # | Formation | Nature of Material | Non-disposal since | Amount (Rs. in million) |
|---|---|---|---|---|---|
| 1 | 5822 | AEN, Jhelum | Released Material | 3/2008 | 19.70 |
| 2 | 6163 | Works Manager, Carriage Factory, Islamabad. | 152 tool items along with machinery | 1974 to 1992 | 6.72 |
| 3 | 6165 | Divisional Mechanical Engineer-I, Lahore | Items pertaining to AGE-30 Locomotives | 28 to 162 months | 8.68 |
| 4 | 5775 | AEN, Bhakkar | Scrap/surplus material | - | 13.56 |
| **Total** | | | | | 48.66 |

The matter was reported to the management from October, 2012 to November 2013.

It was replied against serial no. 3 that spares are being issued for repair & maintenance of DE Locos. The reply was not acceptable as the material in question was still lying in the stores.

DAC in its meeting held on 29th July, 2013 was informed against serial no. 4 that the material could not be picked due to non-availability of empty wagons and locomotives. The DAC directed the PO to pursue the matter vigorously for shifting the material to stores.

DAC in its meeting held on 3rd February, 2014 was informed against serial no. 1 that all such material had been properly accounted for and reconciled in Material at Site and Released Material at Site Accounts and against serial no. 2 that these tools along with machinery were supplied in different years from 1974 to 1992 and same were not used since their receipt.

DAC directed the POs against serial no.1 to provide details along with relevant record to audit for scrutiny and against serial no.2 to make efforts for proper utilization/disposal of tools and machinery.

No compliance of DAC directives was received till finalization of report.

As PR is facing serious financial crunch, it is recommended that steps may be taken for disposal of the released, surplus and scrap material as early as possible. Moreover, proper system should be devised for timely collection and disposal of the surplus material to avoid blockage of capital in future.

### 2.4.38 Loss due to late procurement/installation of machinery – Rs 48.5 million

As per approved PC-I of the project "Procurement /rehabilitation of Plant & Machinery for carriage and wagon workshops Moghalpura" the Wheel lathe machine was one of the main machines having cost of Rs 112 million including FEC Rs 70 million which was 56% of the total project cost. The said machine was to be

procured on top priority for maximum utilization and accrual of the project benefits.

Audit of the said project revealed that the lathe machine was purchased on 9th May, 2009 after inordinate delay of nine years as the project started in 2000. The delayed purchase of this machine caused loss of Rs 48.5 million due to adverse effect on the exchange rate.

Furthermore, after its purchase in 2009 the machine had not been installed even after lapse of five more years till finalization of this report.

The matter was pointed out to the management in December, 2011 but no reply was received. During the DAC meeting held on 22/23rd April, 2013 the management replied that delayed procurement/ installation of the machine was due to non-release of sufficient funds by the Government. DAC directed the PO to submit a copy of the annual cash releases duly vetted by the Accounts to Audit for verification. No compliance of the DAC directives was made till finalization of this report.

Audit recommends that delay in procurement/installation of valuable machinery should be investigated and appropriate action be taken against persons held responsible. Planning, execution and operationalizing of the projects should strictly adhere to the provisions of the approved PC-I so that the envisaged benefits can be accrued timely and effectively.

(PAR)

**2.4.39 Loss of revenue due to closure of vending stalls/shops – Rs 30.35 million**

Para 807 of Pakistan Government Railway Code for the Engineering Department provides that all Railway land should be managed on commercial lines, and administration should endeavor to

develop the resources of, and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

Scrutiny of record of the Divisional Commercial Officer Multan in February, 2013 revealed that various vending stalls/shops at different stations of Multan Division remained closed during the period from January, 2008 to October, 2012 due to non-auction. These shops and stalls were not rented out due to poor planning and mismanagement. This resulted in loss of Rs 30.35 million to Pakistan Railways.

The matter was reported to the management in July, 2013. It was replied that these closed stalls/shops were auctioned repeatedly but reasonable bids were not received due to closure of many trains.

The reply was not acceptable as these stalls could have been rented out at actual rates offered by the bidders in the last auction but no appropriate action was taken by the Railway administration.

DAC in its meeting held on 3rd February, 2014 directed the PO that updated reply along with full justification may be provided to Audit for scrutiny. No compliance was received till finalization of report.

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

DP # 5867

### 2.4.40 Loss due to manufacturing of substandard sleepers- Rs 16.42 million

Para 1801 of Pakistan Railway General code stipulates that "means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for

any loss sustained by Government through fraud or negligence on his part".

The audit of Concrete Sleepers Factory, Khanewal in March, 2012 revealed that a high proportion of sleepers of different kinds were found substandard and were rejected for their use for Main Line during the period from 15th July, 2010 to 30th November, 2011. Thus, PR suffered loss of Rs 16.42 million due to manufacturing of substandard sleepers.

The matter was taken up with the management in July 2013. It was replied that main reasons for rejection and its subsequent utilization in yard are owing to Interrupted electric supply, scheduled/ un-scheduled load shedding as well as low voltages.

The reply was not acceptable as the factors highlighted in the reply were regular features of our country since last decade which may be controlled through better management and loss could have been avoided.

Audit emphasizes that management needs to focus for the improvement of performance of production facilities and their administration may be taken up for poor and substandard out turn.

DP # 6004

**2.4.41 Loss due to non-execution of fresh agreements- Rs.13.76 million**

As per Director Property & Land, Headquarters Office, Lahore letter dated 20th September, 2001 all old allotments of shops were required to be cancelled and no extension be given. All these shops were required to be licensed out through open auction. Further, these shops were required to be licensed out to sitting persons on the new prevailing market rates after execution of fresh agreements and if they were not willing to pay the rental charges at new rates then the shops were required to be got vacated and put to open auction.

The audit of the Deputy Director, Property & Land, Rawalpindi in March-April, 2013 revealed that allotments of 425 old shops were neither cancelled nor fresh agreements were executed after leasing out these shops to the sitting persons as per new prevailing market rates. Moreover, twenty five years old agreements of these shops were extended irregularly instead of execution of fresh agreement with sitting person. This resulted in loss of Rs 13.76 million due to non-execution of fresh agreements in accordance with the policy in vogue.

The matter was reported to the management in November, 2013 but no reply was received.

The matter needs to be investigated to fix responsibility for non execution of fresh agreements and non compliance to codal provisions. Internal controls need to be strengthened to avoid recurrence.

DP # 6186

### 2.4.42 Loss due to uneconomical operation of shuttle train- Rs 13.49 million

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

The audit of Divisional Transportation Officer Quetta revealed that shuttle train was introduced on trial basis in May, 2009 to run between Sariab to Kuchlak 32 KM to provide rail traveling facilities to the local population. The desired objectives could not be achieved as small number of passengers travelled. Instead of termination of train service, it was extended on 25th May, 2009 from Wali Khan Station to Yaru Station 65 KM. The train operation was continued for further 201 days till 11th December, 2009 but the train occupancy on average basis remained at only 37 passengers per day. Thus, uneconomical /

unjustified operation of shuttle train caused loss of Rs 13.49 million due to injudicious decision of the management.

The matter was taken up with the management in October, 2013 but no reply was received.

Audit emphasizes that unjustified running of shuttle train should be probed and action should be taken against the responsible.

DP # 6121

### 2.4.43 Excess issuance of HSD Oil – Rs 11.34 million

As per Chief Operating Superintendent, Pakistan Railways, Lahore letter dated 25th July, 2012 the quota of 750,000 liters HSD oil per annum was fixed for Electrical Department Rawalpindi Division for use in Power Vans.

The audit of the Divisional Mechanical Engineer, Rawalpindi in August, 2013 revealed that 854,356 liters HSD oil was issued to Power Van against the fixed quota of 750,000 during the year 2012-13. This resulted in excess issuance of 104,356 liters HSD oil valuing Rs 11.34 million.

The matter was taken up with the management in November, 2013 but no reply was received.

Audit emphasizes to fix responsibility for excess issuance of HSD oil besides taking action against the staff and officer held responsible.

DP # 6183

### 2.4.44 Avoidable expenditure on account of late payment surcharge - Rs 6.29 million

Para 1801 of Pakistan Railway General Code provides that "means should be devised to ensure that every railway servant realizes fully and clearly that he will be held personally responsible for any

loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence".

(i) The audit of the Works Manager, Loco Shops, Moghalpura revealed that an amount of Rs 4.48 million was paid to SNGPL on account of late payment surcharge. The surcharge was levied due to non-payment of bills in time for the period from April, 2011 to February, 2013. The late payment not only caused loss of Rs 4.48 million but the outturn of the shops was also affected badly due to disconnection of supply of gas by the SNGPL.

The matter was taken up with the management in November, 2013. It was replied that the payment of Sui Gas bills could not be arranged within due dates due to financial crises.

DP # 6173

(ii) The audit of the Works Manager, Steel Shop, Moghalpura, disclosed that the payment of electricity bill was not made within due dates. Therefore, late payment surcharge of Rs 1.81 million was paid during the period July, 2012 to April, 2013. Had the payments of electricity bills been made within due date the extra expenditure could have been avoided.

The matter was taken up with the management in July, 2013 and it was replied that the payment of electric bills could not be arranged within due dates due to financial crises.

DP # 6083

The replies were not acceptable because the matter was to be treated on top priority to avoid penalty and suspension of the production unit operation.

Audit emphasizes that the responsibility should be fixed for not arranging payment of bills in time causing loss to Pakistan Railways

and efforts be made for prompt payment of utility bills to avoid payment of surcharge.

### 2.4.45 Loss due to non-replacement of material under warranty - Rs 5.37 million

While scrutinizing the project record of "Special repair of 36 GMU-30 DE Locomotives", it was noticed that the material valuing Rs. 5.37 million could not be replaced by the firms on one or the other ground ultimately resulting in loss of the stated amount. The detail is given in Annexure –2.

According to the warranty clause mentioned in the purchase orders, the said material was required to be replaced by the firms. In some of the cases the firms did not accept the warranty claims with the remarks that the material in question was burnt due to short circuiting of the system; whereas in some cases the firms agreed to repair the parts/material instead of replacement.

Moreover, in number of cases warranty of material amounting to Rs 3.12 million was expired (Sr. No. 12 to 17) due to late submission of warranty claims. This resulted in loss of the said amount.

The matter was discussed in the DAC meeting in April 2013, wherein DAC directed to provide a revised/ modified reply dully supported by the documentary evidence. However, the relevant documents and record as directed by DAC was not provided for verification by audit.

Audit stresses that action should be taken against the responsible(s) for improper/ late processing of warranty claims besides, ensuring effective and timely disposal of the warranty claims.

(PAR)

### 2.4.46 Loss due to irregular continuation of Kiosks of M/S Coca Cola and non-auctioning of stalls - Rs 5.00 million

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

The sole rights of sale of Coca Cola products were entrusted to M/S Coca Cola @ Rs 50.50 million per annum for a period of three years from 9th October, 2008 to 8th October, 2011. On completion of second year tenure on 8th October, 2010 the company refused to continue the contract. The orders for closing of their business were issued accordingly. However, the Kiosks at Lahore, Rohri and Faisalabad remained operational up to 16th November, 2011 without any authority or agreement. A vending contractor offered Rs 3.00 million for Lahore and Rs 2.00 million for Faisalabad stalls which were not accepted. This resulted in loss of Rs 5.00 million due to negligence of Railway administration. Had these stalls been auctioned or offers of the vending contractors been accepted an amount of Rs 5.00 million could have been earned for the period from 9th October, 2010 to 16th November, 2011.

The matter was taken up with management in May, 2013 but no reply was received.

The reasons for continuation of Kiosks operation after the order for closing the business needs to be ascertained. PR must take measures to improve the contract management besides initiating action against the defaulters.

DP#5883

### 2.4.47 Loss due to excess/avoidable consumption of fuel - Rs. 2.14 million

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

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

The audit of Divisional Commercial and Transportation Officers of Peshawar Division in February, 2013 revealed that Mail and Express trains were detained for 750 hours during January to December 2012 on account of engineering restrictions, signals, carriage defects, loco defects, late closing of level-crossings, delay in loading/unloading of luggage/parcels etc. All these factors were controllable and could be managed. These unnecessary delays resulted in loss of Rs 2.14 million due to extra consumption of fuel.

The matter was reported to the management in July, 2013. It was replied that trains were detained due to unforeseen circumstances which were beyond human control such as acute shortage / unreliable locomotives, accidents, bomb blast, public protest, law & order situation etc.

The reply was not acceptable being irrelevant. The reasons for detentions recorded in the documents could have been avoided by better management.

DAC in its meeting held on 3rd February, 2014 directed the PO that comprehensive reply showing outcome of corrective measures be provided to Audit.

The above cases of detentions need to be investigated to ascertain the causes and taking remedial measures to streamline the movement of trains so that unnecessary consumption of fuel can be avoided. DP # 5981

## Internal Control Weaknesses

### 2.4.48 Non-recovery from contractors of private trains – Rs 468.28 million

As per clause 6.1 of the contract agreements for outsourcing of two trains following amounts were required to be deposited by the firms on daily basis before commencement of the journey of the train:-

| Agreement Dated | Name of Firm | Train | Amount required to be deposited (Rs. in million) |
|---|---|---|---|
| 18th August, 2011 | M/s Four Brothers | Business Express Train | 3.15 |
| 14th October, 2011 | M/s Air Rail Services | Shalimar Express | 1.39 |

Any delay in payment will entail an additional penalty of 5% of the amount. Pakistan Railways was entitled to suspend the train operation if no amount was deposited till the sixth day.

The audit of the Station Manager, Lahore disclosed following two instances involving non-recovery of Rs 468.28 million from contractors of private trains: -

i. An agreement was executed between PR and M/s Four Brothers, Lahore for running of Business Express Train from Lahore to Karachi. Audit noticed that an amount of Rs 405.57 million was recoverable against them on account of Journey fare, additional stoppage charges, rental charges etc. for the period from 4th February, 2012 to 28th February, 2013. Moreover, they also failed to make investment of Rs 225.79 million for value addition for passenger services as per clause 3.5 of the agreement.

ii. Similarly, another agreement was executed between PR and M/s Air Rail Services, Lahore for running of Shalimar Express

Train from Lahore to Karachi. It was noticed that an amount of Rs 62.71 million was recoverable on account of journey fare and rental charges for the period from 4th February, 2012 to 28th February, 2013. It was also noticed that the contractor failed to deposit journey fare before commencement of train journey, as required under clause 6.1 of the agreement. Furthermore, detail of investment of Rs 97.00 million required to be made by the contractor on value addition /uplift in respect of the Shalimar Express Train was not provided to Audit for scrutiny.

The matter was taken up with the management in July, 2013 but no reply was received.

Audit recommends that all outstanding dues should be recovered from the contractors besides ensuring timely recovery of dues in future. Moreover, a proper mechanism should be devised for effective enforcement of the contractual clauses to the optimal benefit to the PR.

DP # 5989

**2.4.49 Non-recovery of Railway dues from public/private bodies - Rs 241.73 million**

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

Audit noticed following instances involving non-recovery of Railway dues amounting to Rs 241.73 million from public/private bodies:-

i. Scrutiny of record of Deposit Works in Lahore Division disclosed that 25,461 Sft land was occupied by the District Govt., Lahore in 2009 for construction of flyover and Interchange at Mughalpura Station Yard. In this connection

lease/rental charges amounting to Rs 25.15 million were recoverable.

The matter was reported to the management in July, 2013 and it was replied that the Chief Engineer, TEPA, LDA, Lahore had been requested to deposit amount of Rs 25.15 million.

The reply was not acceptable as the amount was not recovered despite lapse of more than 03 years.

DP # 5927

ii. Record of the FA&CAO/GB, Lahore disclosed that amounts of Rs 128.54 million and Rs 81.25 million were recoverable against various firms from 01 to 30 years.

The matter was reported to the management in July 2013 and it was replied that an amount of Rs 21.66 million was recovered.

The reply was not satisfactory as only 10% of total recoverable amount was realized despite lapse of considerable period.

DAC in its meeting held on 3rd February, 2014 was informed that an amount of Rs 24.32 million had been recovered out of total amount of Rs 209.79 million. DAC directed the PO that the amount recovered be got verified from Audit and process of recovery be expedited for early realization of balance amount. No progress was reported till finalization of report.

DP # 6009

iii. Scrutiny of record of the MD PRACS (Public Limited Company subsidiary of PR) revealed that PR had revised the operational beat of dining cars of following two trains which was extended up to the terminal/destination of the train:-

| **Sr #** | **Name of train** | **Original Beat** | **Extended Beat** |
|---|---|---|---|
| 1 | Khyber Mail | Lahore to Rohri | Rohri –Karachi |
| 2 | Quetta Express | Lahore to Sibi | Sibi-Quetta |

The proportionate amount of the contract of dining cars was also increased by Rs 3.70 million (1.62 + 2.08) in August, 2009 whereas the proportionate increase in the contractual amount was not recovered from the contractors.

The matter was reported to the management in March 2013 and it was replied that operational beats of trains were extended by the PR for its own operational reasons. It was added that this had no impact on business of Dining Cars and it was not done on request of PRACS. Moreover, both trains run at night time. PRACS has not enhanced the rate due to extension of train because Pakistan Railways has not demanded any extra amount.

The reply was not acceptable as these charges were levied by the PR termed as proportionate increase in the contractual amount which was not recovered.

DAC in its meeting held on 3rd February, 2014 directed the PO to submit revised reply to audit within three days. No compliance of DAC directive was received till finalization of report.

DP # 5854

iv. Scrutiny of record of the Divisional Commercial and Transportation Officers of Peshawar Division disclosed that the Custom Department sold eighteen vehicles through open auction for an amount of Rs 9.01 million during the period from 12th June, 2007 to 18th May, 2010 which were lying in Railway premises due to non-clearance of custom duty. However, Railway dues/share amounting to Rs 3.09 million on account of freight and storage charges was not recovered from the Custom Department.

The matter was pointed out to the management in July, 2013 and it was stated that an amount of Rs 0.47 million had been received as storage/import surcharge as per Customs Act 1969.

The reply was not satisfactory because freight charges and storage charges of Rs 23,575 and Rs 3.07 million respectively, were required to be recovered from the Custom Department as evident from the record.

DAC in its meeting held on 3rd February, 2014 directed the PO that revised reply may be provided to Audit for scrutiny. No progress was reported to Audit till finalization of this report.

DP # 5979

Strenuous efforts are required for prompt recovery of the Railway dues. The issue of impounded/unclaimed consignments may be taken up with the custom's authorities at appropriate level for their effective/timely disposal and realization of Railway share.

### 2.4.50 Loss due to mismanagement - Rs 7.96 million

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

The audit of the MD PRACS (Public Limited Company subsidiary of PR) in April, 2012 revealed that PRACS sustained loss of Rs 7.96 million in the following business activities during the year 2010-11:-

(Rs. in million)

| S. No. | Activity | Revenue | Expenditure | Loss |
|---|---|---|---|---|
| 1 | Marketing | 0.64 | 5.06 | 4.42 |
| 2 | Business and Tourism | 0.92 | 3.24 | 2.33 |
| 3 | Media Services | 0.53 | 1.74 | 1.21 |
| **Total** | | **2.09** | **10.04** | **7.96** |

The above position showed that PRACS sustained loss of Rs 7.96 million due to poor planning and mismanagement in these activities.

The matter was pointed out to the management in March 2013. It was replied that PRACS expanded its business by establishing the Marketing and Media departments with the approval of Board of Directors vide Para-1 of minutes of meeting dated 6th June, 2009. Unfortunately, the departments could not perform as per expectation.

The reply was not satisfactory because these departments had low potential of earnings yet unjustified expenditure was incurred on their establishment.

DAC in its meeting held on 3rd February, 2014 directed the PO that detailed position having complete analysis of profit and loss be got verified from Audit. No compliance of DAC directive was received till finalization of report.

Audit emphasizes that responsibility should be fixed for establishing non-viable departments without preparing proper feasibility reports.

DP # 5863

**Others**

**2.4.51 Unauthorized occupation of Railway land - Rs. 2,416.20 million**

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

a) Audit of Property & Land Branch, Multan in March, 2012 revealed that Railway land measuring 13.74 acres was occupied for different projects i.e. widening of road and flyover, re-settlement of shopkeepers and construction of commissioner's house under the Prime Minister's Southern Punjab Development package at Multan without executing any agreement. The market value of this land was Rs 2,413.46 million.

The matter was reported to the management in February, 2013. It was replied that land was forcibly occupied by the Divisional Administration (Civil) Multan and they regretted to pay the price of land to Pakistan Railways.

The reply was not acceptable because Railway management failed to take up the matter with the concerned authorities for entering into agreement for lease of land and recovery of cost of land.

DP # 5830

b) Audit of the Assistant Executive Engineer (AEN), Narowal in September, 2012 revealed that 12 Railway quarters and Railway Godown were under unauthorized occupation of Staff of Pakistan Rangers and they were residing therein permanently. This resulted in loss of revenue of Rs 0.84 million due to non-recovery of rent.

The matter was reported to the management in January, 2013. DAC in its meeting held on 29th July, 2013 was informed that Railway administration issued several notices to the Commanding Officer of 5-wing for depositing rental charges and vacation of buildings. The DAC directed the Chief Engineer (Open Line) to take up the matter with the Property & Land department. Further progress was not reported till finalization of this report.

DP # 5828

c) The audit of Deputy Director Property & Land Lahore revealed that 4 commercial plots measuring 2,700 Sft each at Wazirabad were leased out on 8th June, 2005 at annual rent of Rs 100,000. However, during construction of shops on these plots all the licensees had encroached additional land measuring 2,545.32 Sft. This resulted in loss of Rs 0.56 million on account of annual rent from April, 2007 to July, 2013.

The matter was reported to the management in July, 2013 but no reply was received.

DP # 6081

d) The audit of AEN Larkana revealed that two rooms along with main hall of Railway Rest House at Larkana had been occupied by the Pakistan Rangers Sindh since August, 1992. The rental charges amounting to Rs 1.34 million were outstanding for the period from 10th August, 1992 to 30th December, 2011.

The matter was taken up with the management in October, 2013. Management replied that rest house was vacated and matter regarding recovery of rental charges from Pakistan Rangers was under strict pursuance.

The reply was not acceptable as the Railway management failed to recover the rental charges in time.

DP # 6155

e) The audit of Encroachments over Karachi Division revealed that 3,065 shops were being operated in the Railway premises over Karachi Division without paying a single penny. Railway administration could have earned millions of rupees on account of rent by vacation/execution of lease agreement of these shops besides retaining title of the property.

The matter was taken up with the management in September, 2013. Management replied that a committee was constituted to fix responsibility for negligence and non-removal of encroachments.

The reply was not acceptable as a period of more than 18 months has been lapsed but the matter not finalized till finalization of this report.

DP # 6103

It is recommended that all encroachments should be got removed at the earliest. Moreover, monitoring of Railway assets and properties may be improved to avoid further encroachments.

**2.4.52 Unjustified expenditure on procurement of material – Rs 257.04 million**

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

The audit of Rehabilitation of locomotives damaged during the riots of December, 2007 revealed that six Chinese DPU-30/20 locomotives were included in this project. These locomotives were rehabilitated during January, 2010 to May, 2011 at a cost of Rs 42.81 million each which largely represented procurement of material. Process for procurement of material for these locomotives was started in June, 2008 and 812 items were procured. At the same time another

project i.e. maintenance contract of 69 DPU-30/20 locomotives was in hand and material of all kind was procured under this project. These 69 DPU 20/30 locomotives were inclusive of 6 locomotives included in project of Rehabilitation of damaged Railway assets. This resulted in duplication of purchases in both projects and ultimately caused blockage of capital. This indicated poor management which resulted in unnecessary procurement of material valuing Rs 257.04 million.

The matter was pointed out to the management in July, 2013 but no reply was received.

Audit recommends that matter may be probed at an appropriate level to ascertain the factual position besides fixing responsibility for un-necessary procurement of material. Moreover, arrangements be made for beneficial utilization of the material.

DP # 6039

### 2.4.53 Wasteful expenditure on repair of locomotives - Rs 85.68 million

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

Scrutiny of the record of Rehabilitation of locomotives damaged during the riots of December, 2007 revealed that two HGMU-30 locomotives (8212 & 8213) were rehabilitated during July and October, 2012 with an average cost of Rs 42.84 million each but just after rehabilitation, both locomotives were included in the new Project of “Rehabilitation of 27 HGMU-30 locomotives”. It appeared that these locomotives were not actually rehabilitated and expenditure of Rs 85.68 million incurred on these locomotives was wasted.

The matter was pointed out to the management in July, 2013 but no reply was received.

Audit stresses that responsibility should be fixed for unjustified inclusion of these two locomotives in both the projects for rehabilitation.

DP # 5943

### 2.4.54 Loss due to unauthorized utilization of extra space by luggage van contractors-Rs 5.19 million

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

The audit of the Station Manager, Lahore revealed that various luggage van contractors were allowed to run their business in the premises of Railway Station, Lahore (near Parcel Office, Naulakha Side) and they were allotted space without any physical verification. It was also noticed that different contractors had occupied extra space (open/covered) unauthorizedly in front of their sheds/covered areas and platforms.

The joint physical verification carried out by the Assistant Inspector of Works along with a representative of Station Manager during August 2011 disclosed that contractors had occupied the extra space and stacked different material/consignments, cartons, bundles, drums etc. in extra space. This resulted in loss of Rs 5.17 million during the period from January, 2010 to February, 2013 due to utilization of unauthorized extra space by the contractors:-

| S. # | Contractor M/s: | Period | | Total months | Amount (Rs in million) per month | | | Total amount Recoverable (Rs in million) |
|---|---|---|---|---|---|---|---|---|
| | | From | To | | Deposited | Should be | Difference | |
| 1 | Ittehad Cargo | 01.07.10 | 28.02.13 | 32 | 0.084 | 0.146 | 0.062 | 1.977 |
| 2 | S. Jamil & Co. | 01.07.10 | 28.02.13 | 32 | 0.088 | 0.118 | 0.029 | 0.946 |
| 3 | Lasani Cargo | 01.07.10 | 28.02.13 | 32 | 0.076 | 0.134 | 0.058 | 1.854 |
| 4 | Coca-Cola | 01.07.10 | 28.02.13 | 32 | 0.091 | 0.219 | 12,840 | 0.411 |
| **Total** | | | | | | | | **5.188** |

The matter was taken up with the management in June, 2013 but no reply was received.

It is emphasized that responsibility should be fixed against both Railway administration and contractor for causing loss to the Railways and the amount be recovered from the contractor at the earliest.

DP # 5909

**2.4.55 Loss due to cancellation of lease - Rs 2.52 million per annum**

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

Railway land measuring 6.25 acres at Margalla Railway Station, Islamabad was auctioned on 10th February, 2012 for agriculture / nursery purpose. The land (5.01 acre) was leased out to the highest bidder at annual rent of Rs. 2.52 million and possession of land was given to him on 9th August, 2012. The licensee deposited an amount of Rs. 3.78 million as one year advance rent and security money. Subsequently, this lease was cancelled by the Railway management on 10th October, 2012 on the grounds that this land was required for construction of road by CDA as well as for extension of dry port at Margalla Railway Station. Audit observed that despite lapse of 10 months neither this land was leased out to CDA for construction of road nor any proposal for extension of dry port was initiated. However, the amount of Rs. 3.78 million was refunded to the contractor. Thus, PR was deprived of revenue of Rs. 2.52 million due to injudicious decision.

This was pointed out to the management in October, 2013 but no reply was received till finalization of report.

It is recommended that action should be taken against the persons responsible for cancellation of lease agreement resulting loss

of revenue to PR and land may be leased out through open auction immediately. Amount of loss should be recovered from persons held responsible.

DP # 6145

### 2.4.56 Non-recovery of commercial rent of bungalow - Rs 2.42 million

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

The audit of Assistant Executive Engineer (AEN) Larkana revealed that Mr. Ghulam Muhammad Shaikh was appointed on contract basis and allotted bungalow No. 74. The contract was terminated on 4th September, 2002 but official residence was not vacated. The commercial rent of Rs 2.36 million @ of Rs 20,000 per month for the period from 4th September, 2002 to 30th June, 2012 was recoverable. It was further noticed that electrical charges of Rs 0.06 million were not recovered from Ex. AEN for the period from January, 2004 to December, 2012.

The matter was taken up with the management in October, 2013. It was replied that all out efforts are being made for recovery of the outstanding amount.

The reply was not tenable as railway administration failed to take appropriate action in time for vacation of bungalow and recovery of railway dues.

Audit recommends that all outstanding rental charges should be recovered from the defaulters/persons responsible for not taking necessary action without further delay. Further, Accounts Receivables Management needs to be improved for timely collection of Railway dues.

DP # 6156

### 2.4.57 Loss due to payment of commission to City Booking Agency at higher rate - Rs. 1.76 million

Para 1801 of Pakistan Railway General Code provides that every public officer should exercise the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. Means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

Scrutiny of the record of Divisional Commercial and Transportation Officers of Peshawar Division in February, 2013 revealed that M/s Haji Abdul Rahim & Sons was running a City Booking Agency (CBA) in Peshawar since June, 2009 at 6% commission of the total passenger earnings. Copy of the agreement executed with the contractor was neither available nor produced to Audit during inspection. Previously, M/s PRACS was running this booking agency at 4% commission only. Furthermore, performance of the CBA was also not satisfactory because only 50% of the allocated quota was being utilized. Thus, Pakistan Railways suffered loss of Rs. 1.76 million during the period from 1st June, 2009 to 31st December, 2012 due to payment of commission to the contractor at higher rate.

The matter was reported to the management in July 2013 who replied that PRACS received less commission because it was a subsidiary of Pakistan Railways and all facilities like building, electricity etc. were provided by Pakistan Railways; whereas M/s Haji Abdul Rahim & Sons was a private contractor who managed these facilities at his own expense.

The reply was not acceptable as private contractor was given undue favour and there was no justification for termination of contract of PRACS.

DAC in its meeting held on 3rd February, 2014 directed the PO that the agreements be got cancelled immediately. No progress was reported till finalization of this report.

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

DP # 6000

**2.4.58 Irregular acceptance of sub-standard material - Rs. 1.74 million**

The District Controller of Purchase (Inspection) Karachi Cantt. indicated in his letter dated 1st October, 2010 that as per Railways specification minimum purity of Antimony should be 99%.

Scrutiny of the record of District Controller of Purchase (Inspection) Karachi Cantt. in November, 2011 revealed that a firm supplied 1100 kg Antimony Ingot valuing Rs. 1.74 million against Purchase Order dated 14th July, 2010. The District Controller of Purchase (Inspection) Karachi Cantt. indicated in his letter dated 1st October, 2010 that according to the test report the purity of Antimony Ingot was 98.55% and 98.58% which was less than Pakistan Railways specifications. The Chief Controller of Purchase ordered in his letter dated 4th October, 2010 to accept the material. Thus, substandard material valuing Rs. 1.74 million was accepted.

Management replied that the two samples were considered generally up to the quoted specification with the purity 98.58% and 98.55%. Keeping in view the variation of the testing procedure due to different variables, the above purity was acceptable to the consumer. The material was urgently required for the manufacturing of suspension bearings for the Locomotives and accepted by the

competent authority. However, performance report of the material was being obtained from the consumer.

The reply was not tenable because the supplied material was not according to specifications of Pakistan Railways and despite lapse of more than three years, the consumption of material and its performance was not confirmed by the consumer.

It is emphasized that the responsibility should be fixed for unjustified acceptance of sub-standard material besides initiating action against the culprits.

DP # 6042

### 2.4.59 Irregular expenditure due to appointment of staff through RAILCOP - Rs 1.30 million

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

The audit of deposit works in Sukkur Division disclosed that 6 technical employees were got appointed through Project Director RAILCOP against deposit work regarding construction of Railway bridge on Rainee canal on Rohri - Khanpur section instead of direct appointment. This resulted in irregular expenditure of Rs 1.30 million on pay & allowances of 6 employees during the years 2007-08 and 2008-09.

The matter was reported to the management in June, 2013. It was replied that there was ban on direct appointment, and acute shortage of technical staff in the department. The work of construction of Rainee Canal Bridge was of important nature and the completion of said work required top priority. Therefore, the technical staff was appointed through RAILCOP.

The reply was not acceptable as the appointment of staff during ban through other sources was illegal.

DAC in its meeting held on 3rd February, 2014 directed the PO that valid justification for appointment of staff through RAILCOP may be provided to audit. No compliance of DAC directive was made till finalization of report.

Audit emphasizes that the responsibility should be fixed for un-authorized appointment of staff through RAILCOP.

DP # 5903

# MEGA ISSUE

# DETERIORATION
# IN
# PAKISTAN RAILWAY

# Chapter 3 Mega Issue "Deterioration in Pakistan Railways"

## 3.1 Background

Pakistan Railways (PR) is a state-run transport service. It is an important source of transportation throughout Pakistan. It carries millions of passengers throughout the country. It used to carry huge freight in Pakistan. This cheap and safe mode for passengers is now facing a number of problems. A number of services of PR have been suspended and many more are likely to be suspended in near future because of mismanagement, shortage of locomotives, fuel & financial resources, etc. Passengers are suffering due to frequent failure of locomotives en-route and deteriorating services provided by the PR. Pakistan Railways decision to suspend goods train service was proved to be a severe blow to its dwindling revenue earnings.

Pakistan Railway's operational loss increased from Rs 9 billion in 2007-08 to Rs 30 billion in 2012-13, causing extreme financial crisis. Due to ever increasing losses Federal Government injected the funds of Rs 131 billion in the shape of Grant-in-Aid in the last six years. Resultantly, the organization is on the verge of financial collapse. A comparison of earnings with operating expenses for the period from 2007-08 to 2012-13 is elaborated in the Annexure-3.

Previous audit findings and media sensitization qualifies "deteriorating condition of PR" for special attention. Mismanaged operating activities coupled with bad decision making in crucial areas at the top level, have led PR towards a state of insolvency; reportedly, the limit of overdraft was exhausted since 2010-11. Moreover, it is evident from the financial statements of aforementioned period that besides availing overdraft from State Bank of Pakistan, continuous assistance of the Federal Government is the only way for Pakistan Railways to reduce its net loss, without which it is unable to run its business.

## 3.2 Audit objectives

In consultation with the office of the Auditor-General of Pakistan, the "Deterioration in Pakistan Railways" was identified as Mega Issue to analyze real causes of deterioration in pre-identified areas. The objectives were:-

i. To identify causes of underutilization of capacity
ii. To make analysis of profitability of train operations
iii. To assess and evaluate the efficiency and effectiveness of inventory management
iv. To know the causes of ineffective land management
v. To assess the efficacy of Public/Private Partnership of passenger trains
vi. To identify causes of PR failure to plan & implement Electric Traction
vii. To provide a basis for improvement of public sector management

## 3.3 Audit methodology and scope

Data analysis, analytical reviews, comparisons with best practices etc. was carried out on statistics of last six years i.e. from 2007-08 to 2012-13 regarding locomotives, rolling stock, land, inventory etc. available at Headquarters as well as divisions of PR.

After detailed deliberations with the office of the Auditor-General of Pakistan and considering paucity of time and resources the mega issue was restricted to the following sub-issues:

i. Inability of PR to operate trains at full capacity
ii. Low profitability of train operations
iii. Defective inventory management
iv. Defective land management
v. Inefficacy of Public Private Partnership (PPP) to run passenger trains
vi. Failure to plan & implement Electric Traction

## 3.4 Findings:

### 3.4.1 Inability of PR to Operate Trains at Full Capacity

The capacity of railway line means the maximum number of trains which can be moved in each direction over a specified section of track in a 24 hours period. The capacity of a railway line is determined by the longest time for trains to move between passing sidings.

The capacity of track available on main line between Karachi and Peshawar for passenger and freight trains varies between sections depending on track i.e. single track and double track. This capacity for passenger and freight trains ranges between 03 to 17 and 10 to 41 trains each way, per day respectively. In 1971-72 when PR earned handsome net profit, total number of passenger and freight trains run were 679. In 2007-08, total number of passenger and freight trains was 291 which declined to 98 in 2012-13. Following are the limiting factors barring PR from operating at its full capacity:

### 3.4.2 Non-availability of sufficient number of operational locomotives

The primary reason for the inability of the Pakistan Railways to operate trains at full capacity was the shortage of the operational locomotives. The shortage occurred due to non-replacement and insufficient induction of the locomotives on timely basis. The annual requirement of induction of new locomotives was 20 (as per revised PC-I of Procurement of 150 DE Locomotives dated December 2012). Pakistan Railways made a maiden procurement of 69 DE Locomotives in December, 2003 which was defective as locomotives were received before completion of test and trial; resultantly, 57 locomotives had to be grounded as they developed serious defects. Subsequent repair and maintenance of the locomotives was also defective. Huge expenditure was incurred on ill planned and imprudent procurement of material; some of it valuing Rs 17.84 million was defective and some of the necessary spares valuing Rs 34.66 million was never supplied.

Average availability of DE Locomotives, for passenger and freight train service, per day indicated that in 2007-08 total 281 operative locomotives were available which declined to 116 operative locomotives (59% decrease) in 2012-13 (Annexure-4).

The observation was issued to the management on 2nd October, 2013 and it was replied that new locomotives could not be procured in last ten years due to severe financial crunch. It was added that certain plans for procurement of locomotives were in pipeline. It was also added that main cause for reduction in the number of operative locomotives was poor maintenance of locomotives due to non-availability of essential spare parts. The reply was not acceptable as defective & delayed procurement to replace outlived locomotives declined the average availability of operative locomotives which was the major hurdle to operate trains at full capacity.

PR should timely initiate procurement of locomotives to replace outlived locomotives so that availability of operative locomotives be improved/maintained and train capacity could be utilized optimally.

### 3.4.3 Mismanagement in rehabilitation of locomotives

Rehabilitation is a PROCESS through which the outlived locomotives are restored to their standard capacity resulting into an increase in the useful economic life of the locomotives. The expenditure on rehabilitation of locomotive is a Capital expense.

Rehabilitation of 36 Nos. (GMU-30) Locomotives, Rehabilitation of 15 Nos. Locomotives Burnt during Riots in December 2007 etc. was carried out during last six years. Audit observed serious flaws in these projects causing loss of Rs 5,609.55 million[30]. There was time and cost overrun in both of them. The

[30] Observations of project audit report on Special Repairs to 36 GMU DE Locomotives and audit of Rehabilitation of 15 Locomotives Burnt during Riots in December, 2007. Significant observations were included in Chapter 2 of this report.

material was procured imprudently since many of the costly spares are still lying in Stores unutilized. Some locos, which were near to condemnation and should have been abandoned, were included in the projects rendering the heavy expenditure incurred on them wasted as they turned into scrap soon after rehabilitation. The rehabilitation standard was not up to the mark as many locos had to go for repairs again and again even after rehabilitation. All these issues have been brought to the notice of the management through previous audit reports.

Audit recommends that the Chief Mechanical Engineer / Project Director Rehabilitation should ensure that rehabilitation of locomotives is done efficiently and effectively.

### 3.4.4 Mismanagement in repair & maintenance of locomotives

There is a standard operating procedure for carrying out scheduled / periodical repair and maintenance of operational locomotives in PR to maintain their efficiency and effectiveness. In addition, Nominated Repair/Special Repair of accidental/damaged locomotives is also carried out. However, PR was unable to gain optimum benefit from the laid down system of repairs and maintenance. Following flaws have been noticed by Audit time and again:

#### i. Delay in repair & maintenance

Record of Central Diesel Locomotive Workshop Rawalpindi, Loco Shop, Mughalpura, DME-II, Lahore, DME Quetta and WM/Diesel Shed, Karachi for the last six years show unnecessary detention of locomotives due to inordinate delay in repair and maintenance of locomotives causing loss of potential earnings of millions of rupees.

On 30th June, 2013, total 197 locomotives were lying in different workshops for want of repairs. Record showed the delay in repair for a period up to 2635 days yet no serious

efforts were made for turning out these locomotives. Out of 197 locomotives, 58 locomotives were pertaining to the 69 DE Locomotives procured in 2003. Delay in repair & maintenance of locomotives caused loss of potential earnings amounting to Rs 13,305.24 million in 2012-13 to the PR (Annexure-5).

The observation was issued to the management on 2nd October, 2013 and it was replied that locomotives could not be maintained properly due to severe financial crunch. It was added that main cause for reduction in the number of operative locomotives was poor maintenance of locomotives due to non-availability of essential spare parts. It was also added that to overcome the situation efforts were being made. The reply was not satisfactory as delay in repair and maintenance of the locomotives caused financial loss.

**ii. Defective repair & maintenance**

Records of DME-I Lahore, WM/Diesel Shed, Karachi, MD Locomotive Factory Risalpur, Loco Shops Mughalpura, Central Diesel Locomotive Shop, Rawalpindi of last five years show that repair of locomotives was defective due to procurement/utilization of defective/substandard material etc. Due to defective repair, locomotives could not be put on track which caused loss of potential earnings. Moreover, it was also observed that defective repair and maintenance on account of material, workmanship etc. caused enormous en-route failure of locomotives resulting in detention of trains. Consequently, PR had to bear extra cost and created bad image.

The issue was pointed out to the formation on 2nd October, 2013 but no reply was received till finalization of this report.

### iii. Less provision of Traction Motors

Diesel Electric (DE) Locomotive requires 4 and 6 Traction Motors according to their specification. Audit observed total 185 DE Locomotives were operational as on 30th July, 2013 out of which only 78 DE Locomotive were running with 4 and 6 Traction Motors. Remaining 107 DE Locomotives were running with 2, 3, 4 and 5 Traction Motors. Total 1,606 Traction Motors were short in all locomotives which was an alarming position (Annexure-6). Review of locomotive failure reports revealed that less provision of Traction Motors was one of the major causes of failure of locomotives. Moreover, 318 Traction Motors were lying in different Shops/Sheds for want of timely repairs which caused shortage of operative traction motors. This indicated that proper attention was not given to repair & maintenance of the Traction Motors and provision of full number of Traction Motors in all locomotives. This resulted in failure of locomotives and detention of trains causing loss.

The observation was issued to the management on 2nd October, 2013 and it was replied that less provision of Traction Motors was due to delay in repair on account of non-availability or non-procurement of required material; however, efforts were being made for early repair of the Traction Motors. The reply was not acceptable as no concrete efforts were made for timely repair and provision of Traction Motors.

The Chief Mechanical Engineer should ensure efficient and effective periodical over hauling of the locomotives Moreover, availability of Traction Motors should be enhanced through procurement as well as efficient and effective repair of Traction Motors.

## 3.5 Low Profitability of Operations

**3.5.1** An analysis of the railways across the world shows that the Railways which have achieved financial sustainability rely heavily on freight business. Passenger trains are run under the Public Service Obligations and operational sustainability is achieved by running sufficient number of freight trains. The train mix ratio of different countries depicted in the table given below clearly indicates that they have sufficient number of freight trains:

| Country | Passenger to Freight Train Ratio |
|---|---|
| India[31] | 1.2:1 |
| Bangladesh[32] | 12.6:1 |

Analysis of last 06 years train mix of PR indicates that PR's emphasis had been on passenger service rather than on profitable freight business. The average share of freight earnings as percentage of operating revenue remained 56% between 1950-85 and 38% between 1986-2005, which was dropped to extreme low level of 11% in 2012-13. Despite focus on passenger trains, PR could not even achieve sustainability in passenger trains operation. Moreover, number of passenger trains also decreased from 230 in 2007-08 to 96 trains (58%) in 2012-13. Analysis of 17 major passenger trains for the year 2012-13 disclosed that all except one passenger i.e. Karakoram Express were in losses:

| Year | Number of Trains | | Passenger to Freight Train Ratio |
|---|---|---|---|
| | Passenger | Freight | |
| 2007-08 | 230 | 61 | 3.7:1 |
| 2008-09 | 221 | 63 | 3.5:1 |
| 2009-10 | 218 | 48 | 4.5:1 |
| 2010-11 | 194 | 15 | 13:1 |
| 2011-12 | 105 | 6 | 17.5:1 |
| 2012-13 | 96 | 02 | 48:1 |

Source: Year Book of Pakistan Railways

[31] http://www.indianrailways.govt.in

[32] http://www.railway.gov.bd

The number of freight train was decreased from 61 in 2007-08 to 02 in 2012-13 due to non-availability of sufficient number of locomotives which badly affected the profitability of operations. Moreover, PR failed to maintain a profitable mix of passenger and freight trains.

The observation was issued to the management on 2nd October, 2013 and it was replied that reduction in passenger and freight trains was due to less availability of locomotives. The reply was not tenable as in order to achieve optimal mix of trains or sustainability in train operations, reasonable number of locomotives should have been allocated for profitable freight train operations.

The Chief Operating Superintendent should endeavor to make optimum mix of passenger and freight trains in order to achieve sustainability in train operations. Moreover, passenger train operations should be made sustainable.

### 3.5.2 Government policy/priority

Another factor that adversely influenced PR was Government policies. Over a period of years, the governmental preference of investing in developing road infrastructure over railways infrastructure was badly affected PR. The road transport utilized to the optimum level the dynamic road structure by introducing containers whereas PR did not get enough government support to modernize its fleet. National Logistic Cell (NLC), established in 1978 to deal with a cargo-handling crisis at the Karachi seaport, developed into a transport giant because of government's patronization. The government preference of road transport was further manifested by the fact that there was a National Trucking Policy 2009 while there had been no transport policy or Railway policy.

The observation was issued to the management on 2nd October, 2013 but no reply received till finalization of this report.

The Government should make effective policy for revival and revitalizing the Railways.

### 3.5.3 Operational losses

Although passenger traffic remains area of focus, yet PR was unable to achieve operational sustainability in train operations. The causes of operational losses were as follows:

**i. Reduction in number of freight trains**

One of the major causes for operational losses was reduction in number of freight trains from 61 in 2007-08 to 02 freight trains in 2012-13 resulting in decline in freight revenue from Rs 6,120 million in 2007-08 to Rs 1,985 million in 2012-13 which caused increase in operating losses from Rs 9 billion in 2007-08 to Rs 30 billion in 2012-13 (Annexure-3) which caused extreme financial crisis.

The observation was issued to the management on 2nd October, 2013 and it was replied that decrease in freight earnings was due to reduction in number of freight trains owing to less availability of locomotives. The reply was not convincing, PR should allocate reasonable number of locomotives for profitable freight train operations.

**ii. Short composition of trains**

Most of the passenger trains were plying with less than standard composition of coaches. The analysis of average requirement and availability of the coaches during the period from 2008-09 to 2012-13 disclosed that average shortage of coaches remained between 69 to 214 p.a. (Annexure-7). The shortage of coaches caused loss of potential earnings on account of short composition of trains.

**iii. Concessions**

PR is giving concessions since many years to the Journalists and their families at 80% and 50% respectively which had an adverse impact on its earnings. During the period of three years (2009-10 to 2011-12) concession of Rs 27.76 million and Rs 3.87 million was given to the Journalists and their families respectively (Annexure-8). It is added here that there was no such practice in Indian Railway.

**iv. Excess consumption of fuel**

Detention in passenger trains due to imposition of speed restrictions, delay in loading /unloading, signaling system etc. increases the operating costs due to excess consumption of oil.

**v. Incomplete computerization of ticketing**

Computerization of ticketing was not extended to the entire system in PR which provides loop holes for corruption, malpractices and leakage of revenue.

The matter was issued to the management on 2nd October, 2013 and it was replied that up-gradation of ticketing system has been initiated. The proposed system would cover all requirements of computerization of ticketing including Excess Fare Tickets. The reply was not tenable as the incomplete computerization/delay in computerization of ticketing cause leakage in revenue and safeguard vested interest.

**vi. Non-achievement of targets of passenger earnings**

During the period of last six years except in 2012-13 targets of passenger earnings remained unachieved (Annexure-9).

**vii. Irrational determination of prices/fares**

Analysis of passenger trains disclosed that almost all the passenger trains were not generating sufficient contribution margin (revenue less variable cost) to even cover variable costs. It indicated that prices were determined without considering the costs of operations and fluctuations in fuel prices; resultantly, PR was unable to achieve sustainability in its operations.

**viii. Exorbitant increase (164%) in cost of HSD oil per kilometer**

It was noticed that cost of HSD oil consumed in 2007-08 was Rs 4,111.58 million which increased to Rs 6,785.43 million in 2012-13 whereas train run in kilometer was 30,183,337 in 2007-08 which decreased to 18,860,178 kilometers in 2012-13. Thus, HSD Oil per kilometer was Rs 136.22 in 2007-08 which jumped up to Rs 359.78 per kilometer (164%) in 2012-13 (Annexure-10).

The observation was issued to the management on 2nd October, 2013 and it was replied that the hike of HSD oil prices in last six years was extra ordinary. The pricing of HSD oil is controlled by the Government.

**ix. Increase in pay & allowances and pension**

Audit noticed that cost of pay & allowances was Rs 9.41 billion in 2007-08 which increased to Rs 20.31 billion (116%) in 2012-13. Pension payments were Rs 4.36 billion in 2007-08 which increased to Rs 12.86 billion (195%) in 2012-13. Thus, increase in pay & allowances and pension payments during the last six years were one of the

major factors contributing to operational losses (Annexure-11).

The observation was issued to the management on 2nd October, 2013 and it was replied that increase in pay and allowances was a policy decision taken by the Government. The reply was not satisfactory as the management should cover costs while determining fares in order to avoid operational losses.

Audit recommends that in order to control operational losses the General Manager, Operations should make effective strategy for containing the operational losses by running sufficient number of freight trains, plying of passenger trains with standard composition, determining fares keeping in view the cost/fuel prices, rationalizing the concessions and immediate complete computerization of ticketing system.

## 3.6 Defective Inventory Management System

Effective inventory system ensures timely and uninterrupted supply of required material for cost effective and efficient operations and safeguard inventory losses on account of deterioration, theft/pilferage, and obsolescence. Besides, it helps to avoid blockage of capital.

### 3.6.1 Blockage of capital worth Rs 498.34 million

Review of the Inventory Report as on 30.06.2013 disclosed that 757 stores items valuing Rs 129.57 million (Annexure-12) were lying over and above maximum limits on the entire system of PR. 2,610 store items valuing Rs 368.77 million were lying surplus / un-utilized in different depots for more than 02 years (Annexure-13). The procurement of material in excess of requirement and non-disposal of surplus material resulted in blockage of capital

amounting to Rs 498.34 million which indicated that inventory management of PR was ineffective.

The observation was issued to the management on 2nd October, 2013 and it was replied that the material was lying above maximum limit due to reduction in usage, obsolescence of rolling stock, change in design, unanticipated return of material etc. However, material valuing Rs 12.47 million was issued up to 15.08.2013 and efforts were being made for utilization of the remaining material. As regards surplus material, efforts were being made to explore utilization of surplus stores by carrying out alterations in design. Material valuing Rs 19.56 million was consumed up to 15.08.2013 and remaining material was expected to be consumed in near future. The remarks were not acceptable as above state of affairs indicated mismanagement and wrong allocation of resources which created bottlenecks in train operations.

It is advised that the Chief Controller of Stores should make efforts for proper allocation of resources so that right material in right size could be procured and blockage of capital on account of unnecessary procurement/pile up of store and losses on account of deterioration & obsolescence could be avoided.

### 3.6.2 Non-disposal of obsolete stock valuing Rs 51.79 million

While reviewing the Inventory Report dated 30.06.2013, it was noticed that 478 obsolete store items valuing Rs 51.79 million were lying in different depots of the PR. Out of 478 store items, 250 obsolete store items (52.30%) valuing Rs 41.90 million were mechanical items. Non-disposal of obsolete store items resulted in blockage of capital amounting to Rs 51.79 million.

The observation was issued to the management on 2nd October, 2013 and it was replied that there was an elaborate procedure for disposal of obsolete surplus stock in a way to minimize

the loss to the department. The reply was not tenable as non-compliance with the procedures caused blockage of capital.

The Chief Controller of Stores should take effective steps for expeditious disposal of the obsolete store to avoid blockage of capital.

### 3.6.3 Defective inventory planning

Audit observed that total 9,959 store items (56.73% of total items) were out of stock, of which 6,121 store items (61.46%) represent store items of the Mechanical Department. Further, 527 mechanical store items valuing Rs 80.516 million were lying above prescribed maximum limit and 1,299 mechanical store items (50%) valuing Rs 180.516 million were surplus. This indicated that either right material was not procured or material was procured in excess of the requirement/unnecessarily. Moreover, this reflected defective inventory planning and lack of co-ordination among consuming, store and procurement departments. Resultantly, 197 locomotives were held up due to want of essential spares. Thus, defective inventory planning was also responsible for present critical position/deterioration of PR.

The observation was issued to the management on 2nd October, 2013 and it was replied that reason for out of stock items was limited allocation of funds. Computerization of the inventory systems was in progress under FIS/MIS Project and on its completion it was expected that many problems of the present inventory system would be controlled. The reply was not convincing as inventory mismanagement caused loss due to shortage of essential material, deterioration/ obsolescence of material ultimately adversely affected train operations. Moreover, there was no time frame for implementation of FIS/MIS.

The Chief Controller of Stores should probe the matter and take appropriate action to make the inventory system integrated so that only required material in right quantity could be procured to ensure efficient and effective train operations.

### 3.6.4 Outdated store inventory software application

The ongoing partially computerized application of Store Inventory System of PR was running in COBOL which was now outlived and therefore, does not generate information to facilitate management in effective decision making. Management of PR claimed in 2007-08 that inventory system was under process of up-gradation; however, Audit observed that the inventory management system of PR was not updated despite lapse of more than six (06) years.

The observation was issued to the management on 2nd October, 2013 and it was replied that Directorate of IT had implemented an Inventory Visibility System which provided view of stock level, detail of purchase orders, last purchase rate etc. It was added that the PD/Project Management Unit has initiated the automation of the Inventory Control System which would provide effective control and management of inventory. The reply was not convincing as the existing Store Inventory Software Application was outdated which did not provide information to the management for effective decision making.

The Chief Controller of Stores should make efforts for updating the inventory software application so that it could generate management information to facilitate decision making.

### 3.6.5 Unjustified expenditure on Railway Police

Analysis of expenditure on Policing during last six years showed PR incurred an expenditure of Rs 874.50 million in 2007-08 which increased to Rs 1,720.83 million (96.78%) in 2012-13 (Annexure-14). Audit noticed that the 2,949 cases of theft of material were reported to Railway Police, out of which only in 102 cases (3.46%) the recovery of material was effected. Despite persistent increase in expenditure on Policing, the performance of the Railway

Police remained poor as they were unable to provide safeguard to Railway stores, depots, yards etc. causing financial loss.

The observation was issued to the management on 2nd October, 2013 and the IG Railway Police replied that reasons for stealing of Railway material were inadequate storing arrangements of material, limited resources etc. In 2710 FIRs recovery was affected and remaining 239 cases were under investigation for finalization. Moreover, no extra ordinary expenditure was incurred; main reason for enhancement in expenditure was due to year wise increase in pay & allowances of the employees. The reply was not convincing as the performance of the Pakistan Railway Police was not satisfactory.

The IG Railway Police should improve the performance of Pakistan Railway Police by controlling theft of Railway material and expeditious finalization of FIRs. Moreover, the management should take suitable action to improve storing arrangements.

### 3.7 Defective Land Management

Pakistan Railways land is managed by the Directorate of Property & Land. However, land development/commercialization of real estate at prime location is done by a subsidiary named Real Estate Development & Marketing Company "REDAMCO" formed in March 2012. Earlier this was being done by the Directorate of Marketing. Core objective of the REDAMCO is to generate revenue from non-core business. Evaluation of past performance of the Directorate of Marketing/REDAMCO showed inefficiency and non-achievements of envisaged objectives.

Likewise surplus land of Indian Railway is managed by its subsidiary named Rail Land Development Authority (RLDA), established in November, 2006 and it performance since inception is quite appreciable. The RLDA has the responsibility to develop Multi Functional Complexes (MFCs) at different railway stations where

multiple facilities like shopping, restaurants, ATMs, hotels, parking spaces etc. are provided to rail users. It is worth mentioning here that unlike REDAMCO, the RLDA in a short span of time has started the development of 164 MFCs at different railway stations. Moreover, it was earning more than its targets.

### a) Land Management by REDAMCO

#### 3.7.1 Non-achievements of targets

The matter of sale of Railway surplus land was discussed by the Council of Common Interest (CCI) in its meeting dated May 29, 1997. The CCI approved the sale of surplus land for improving the financial position of the Railways by providing better Railway facilities and retirement of debt.

It was observed that two hundred & eighty eight (288) declared surplus sites are still waiting for the execution. The last advertisement was published in April 2009 regarding these sites. The below figures showed the detail of vacant surplus lands:-

| Sr. # | Division | No. of Surplus Sites | Area as per HQ Plan (Square Yards) | Total Expected Price (Rs in million) |
|---|---|---|---|---|
| 1 | Peshawar | 30 | 201,791.0 | 333.10 |
| 2 | Rawalpindi | 43 | 238,118.7 | 1,100.04 |
| 3 | Lahore | 59 | 733,569.4 | 16,658.67 |
| 4 | Multan | 60 | 471,181.0 | 530.50 |
| 5 | Sukkur | 34 | 129,706.0 | 178.97 |
| 6 | Quetta | 13 | 147,305.0 | 131.69 |
| 7 | Karachi | 49 | 34,564.0 | 21,678.25 |
| | | **288** | **1,956,235.1** | **40,611.22** |

The observation was reported to the management on 2nd October, 2013 and it was replied that verification of these sites was

still pending in Office of the Director/P&L. Moreover, surplus land was advertised from time to time, and provincial issues over land or other impediment caused non-response against some properties. The reply was not convincing as inordinate delay in processing of leasing out of the approved sites indicated inefficiency of the REDAMCO.

The REDAMCO should make strenuous efforts for improvement in performance by leasing out of surplus land in efficient manner.

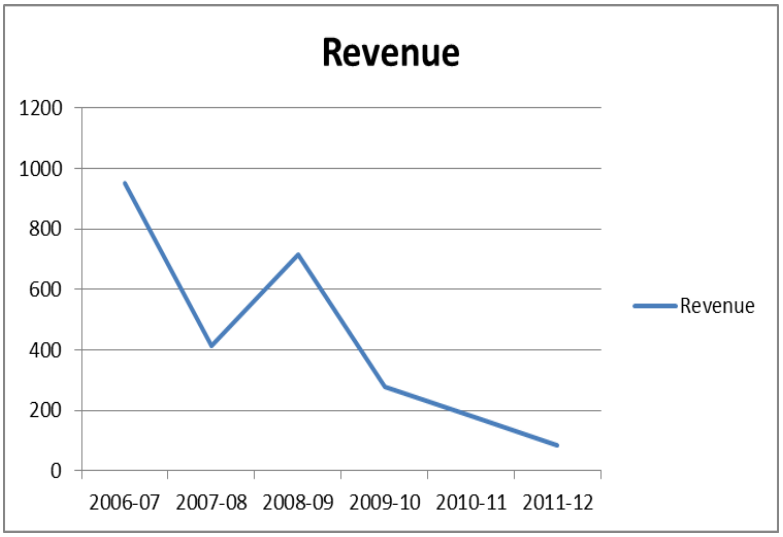
### 3.7.2 Persistent decline in land earnings

The revenue earnings from surplus land leased out by REDAMCO showed 91% decrease in earnings during the period from 2006-07 to 2011-12 which indicated poor performance of land management:

(Rs in million)

| Year | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|---|
| **Land Revenue** | 952.69 | 413.39 | 716.31 | 277.59 | 181.54 | 85.39 |

**Graphic Presentation**



The observation was reported to the management on 2nd October, 2013 and it was replied that persistent decline in revenue was due to non-finalization of leasing of sites as verification of sites was pending in Office of the Directorate of Property & Land. It was also added that provincial issues over land and poor response against some properties also caused decline in the revenue. The reply given was not convincing as persistent decline in revenue showed that no marketing was done by the REDAMCO.

Audit recommends that REDAMCO should efficiently lease out the surplus land to increase earnings from land.

### 3.7.3 Weak contract management

During the last twelve (12) years fifty one (51) contracts were awarded by the REDAMCO, out of which seven (07) cases were in NAB/Court, and dues of thirty one (31) contracts were not cleared, which was 61% of total contracts awarded. This state of affairs indicated weak contract management on the part of REDAMCO:

| Year | No. of Contracts Awarded | Current Status of Contracts | | | | |
|---|---|---|---|---|---|---|
| | | Court/ NAB | Dues Cleared | Dues Not Cleared | Good (Nos.) | Bad (Nos.) |
| | | A | B | C | D=B | E=A+C |
| 2000-01 | 3 | | 1 | 2 | 1 | 2 |
| 2001-02 | 6 | 2 | 2 | 2 | 2 | 4 |
| 2002-03 | 2 | 1 | 1 | | 1 | 1 |
| 2003-04 | 4 | | 3 | 1 | 3 | 1 |
| 2004-05 | 1 | 1 | | | - | 1 |
| 2005-06 | 4 | | 1 | 3 | 1 | 3 |
| 2006-07 | 1 | | | 1 | - | 1 |
| 2007-08 | 3 | | 1 | 2 | 1 | 2 |
| 2008-09 | 1 | | 1 | | 1 | - |
| 2009-10 | 17 | 3 | 2 | 12 | 2 | 15 |
| 2010-11 | 2 | | 1 | 1 | 1 | 1 |
| 2011-12 | 7 | | 7 | | 7 | - |
| | **51** | **7** | **20** | **24** | **20** | **31** |
| | | | | | **39%** | **61%** |

The observation was issued to the management on 2nd October, 2013 and it was remarked that investigations/inquiries by NAB are part of a due process of law. It was added that dues were outstanding against only seventeen (17) contracts, the court cases were being pursued actively; and in order to improve contract management, the manuscript template was updated by inserting new clauses. The reply was not satisfactory as amount was still outstanding against seven (07) contracts.

The REDAMCO should take necessary steps for making the contract management effective and transparent to avoid litigation and ensure timely realization of receivables.

### 3.7.4 Leasing of Royal Palm Golf and Country Club

Controversial leasing of Royal Palm Golf and Country Club was also done by the REDAMCO formally known as Marketing Department. All serious issues such as non-recoveries, non-submission of audited accounts, non-payment of revenue share to PR and illegal reduction in rate of land-usage charges from Rs 52.43 per sq yard to Rs 4.00 per sq yard; area of lease from 103 to 141 acres (approximately), period of lease from 33 to 49 years were brought in the notice of the PAC through Railway Audit Reports for the years 2004-05 to 2009-10, the case is subjudice in the Supreme Court of Pakistan. On pointation by Audit, an amount of Rs 141.23 million and US$ 23,823 was recovered.

### 3.7.5 Bad receivable management

Audit observed that there was neither any mechanism of generating invoices to the contractor well in time nor any internal control was in place to collect the amount due. Audit was unable to find the reminders in the relevant files of the contractors. This observation was supported from the fact that the overdue receivables

of REDAMCO were Rs 941.43 million upto 30.11.2012. Summarily;

| Outstanding upto 30-11-2012 | |
|---|---|
| **Aging** | **Rs in million** |
| Within Six Months | 23.75 |
| Between Six months to One Year | 104.38 |
| Between One to Two Years | 124.96 |
| Between Two to Three Years | 435.10 |
| More than three Years | 253.24 |
| **Total** | **941.43** |

The above table invokes serious concern keeping in view the current financial health of PR.

The observation was issued to the management on 2nd October, 2013 and it was replied that out of total receivables an amount of Rs 779 million was stuck up due to litigation in the apex and lower courts.

Audit recommends that the REDAMCO should take suitable steps for early realization of its debts and to avoid bad debts.

**b) Land Management in Directorate of Property & Land**

**3.7.6 Operational land**

PR is using 85% of Railway land for operational purposes whereas Indian Railway is utilizing about 90% of its land under railway operational and allied usage such as laying of new lines, doubling, Track, stations, workshops, staff colonies etc. Creation of various infrastructure facilities for development of future rail network largely depends on the availability of the land should be the main objective of land-use policy.

### 3.7.7 Leasing out of Railway surplus land

Surplus railway land is leased out by the Directorate of Property & Land as per Pakistan Railways Leasing Policy. In each division of the PR leasing of land under various categories such as Agriculture, Commercial, Stacking etc. is dealt by the Deputy Director, Property & Land. Indian Railway has a policy to license surplus land to railway employees belonging to lower staff and weaker section under "Grow More Food" scheme, for growing vegetables, crops etc. Indian Railway leased out about 0.87% of surplus land to the lower staff under "Grow More Food" scheme. Audit of last six (06) years disclosed different irregularities in leasing of land such as:

- Violation of leasing policy of PR
- Leasing of land at lower rate
- No indication of sub-category of agriculture land i.e. irrigated, barren etc.
- Leasing of irrigated land at the rate of barren land
- Non-auction of surplus land etc.

Audit recommends that the Director, P&L should ensure efficient leasing out of surplus land in accordance with Pakistan Railways Leasing Policy.

### 3.7.8 Encroachment of Railway land

Huge surplus Railway land was under un-authorized occupation/encroachment. In PR over 1% land was under encroachment whereas in Indian Railway it was below 1% of total railway land. In order to control un-authorized occupation of surplus land Indian Railway leased out such land to the lower staff or weaker section of the society. Indian Railway do plantation with the help of railway employees or handed over to the Forest Department for

plantation. Audit during last six (06) years reported un-authorized occupation/encroachment of railway land valuing Rs 14,413 million. Audit observed that there was increasing trend of encroachment of Railway land. Analysis of expenditure on Policing during last six years disclosed that total expenditure on Policing was Rs 874.50 million in 2007-08 which increased to Rs 1,720.83 million in 2012-13 (96.78%) (Annexure-14).

The encroachment of land deprived PR from potential lease rentals. Massive and ever increasing encroachment of land despite pointed out by the Audit hardly justify incurrence of handsome budget on Policing/dedicated Police department.

The observation was issued to the management on 2nd October, 2013 and it was replied that as a result of joint efforts by the PRP and the Civil Engineering Department land comprising of 4,143 acres was retrieved during last six years. Moreover, the campaign for removal of encroachment was in progress. Furthermore, instructions were issued to all the Superintendents Pakistan Railway Police to provide all sort of assistance for removing the encroachment. The reply was not satisfactory as no documentary evidence in support of retrieved land was provided to Audit for verification.

The Director, P&L and IG Railway Police should jointly make efforts for removal of encroachment of railway land.

### 3.7.9 No record of land and leasing of land

There was no systematic record keeping of land, surplus land and leased land. Record of leasing cases was also not maintained. In the absence of leasing record, total amount of lease rentals due, received and outstanding could not be ascertained accurately. In the prevailing circumstance, chances of leakage of revenue cannot be ruled out.

The observation was pointed out to the management on 2nd October, 2013 and it was replied that there was no proper record keeping system of surplus leased out land in past but since the inception of short and long term policies in 2000, the data was properly maintained in the Division and Headquarters Office. The reply was not acceptable as no complete systematic record keeping of leased out surplus land was maintained by the PR.

The Director, P&L should ensure maintenance of complete and systematic record of land, surplus land, leased land and lease rentals to facilitate efficient leasing of surplus land and to avoid leakage of revenue.

### 3.7.10 Non-recovery of lease rentals

Overdue lease rentals were common in PR. During last six (06) years audit reported 31 instances involving non-recovery of lease rentals amounting to Rs 6,555.529 million.

The Director, P&L should make and implement effective policy for timely collection of lease rentals.

### 3.7.11 Non-achievement of targets

The analysis of target and achievements for the last five (5) years indicated that only 66% of the targeted revenues from land were achieved, as indicated below:

(Rs in million)

| Year | Previous Target | Revised Target | Target Achieved | Shortfall | %age of Achievement |
|---|---|---|---|---|---|
| 2007-08 | N/A | | | | |
| 2008-09 | 395 | | 214.52 | 180.49 | 54% |
| 2009-10 | 360 | | 258.89 | 101.11 | 72% |
| 2010-11 | 470 | | 447.34 | 22.60 | 95% |
| 2011-12 | 470 | 940 | 508.97 | 431.03 | 108% |
| | **1695** | **940** | **1,429.78** | **735.22** | **66%** |

The observation was issued to the management on 2nd October, 2013 and it was replied that major reason for non-achieving the revenue targets was due to non-payment by the Food Department and Oil Companies. It was also added that the Food Department had deposited an amount of Rs 500.00 million. The reply was not satisfactory as non-achievement of targets showed inefficiency of the railway management causing loss of potential earnings.

The Director, P&L should ensure achievement of revenue targets through proper supervision and monitoring the Divisions.

## 3.8 Inefficacy of Public Private Partnership to Run Passenger Trains

Public Private Partnership (PPP) is one of the efficient tools in the world to deliver effective public services. In Indian Railway (IR), "PPP Cell" works as an expert advisory and internal consultancy group within the Railway Board for all matters involving PPP. The Cell identifies potential activities/projects based on cost sharing for development of infrastructure such as route-electrification projects, Port Connectivity Projects, Mumbai Suburban Line-Urban Rail Connectivity etc.

Unlike IR which only indulges in freight business under PPP, Pakistan Railways did Public Private Partnership in Passenger trains business. Moreover, PPP was based on sharing of revenue alone rather than sharing of total cost.

### 3.8.1 Imprudent decisions

The train operations under PPP were scrutinized by the Audit keeping in view the aims for which such operations were launched. Audit observed that the contracts of PPP do not safeguard the interests of PR as these were executed without making a need assessment, proper planning and costing. No financial analysis such as cost and

benefit analysis was carried out to assess the financial viability of the Public Private Partnership (Business Express, Shalimar & Night Coach). Moreover, enhancement of fuel charges, repair & maintenance, pay & allowances of staff etc. were also not considered. Thus, the decision for Public Private Partnership was neither prudent nor based on financial information.

The observation was issued to the management on 2nd October, 2013 and it was replied that only the commercial management of three trains were outsourced which were contributing good revenue, however, certain lapses were noticed which would be avoided in future agreements. The reply was not acceptable as no financial analysis was carried out to assess whether the ventures were profitable or not.

### 3.8.2 Non-inclusion of security/performance clause

The fact that the PPP contracts did not safeguard the interests of PR was further strengthened by the way contract was executed and injudicious contract clauses were incorporated which compromised the interests of PR. In the contracts such omissions and commissions were made which undermined the interest of PR. No clause was kept in the contracts of Business and Shalimar Express Trains providing for security money. The performance security clause in the contracts of Business and Shalimar Express Trains was subsequently declared ineffective in the bidding/contract documents. An unfavorable clause, that the fare to be charged by the PR will remain unchanged during the 1st year of the contract, was included in the contract which was prima facie very detrimental to the interest of PR. Similarly, as per the contract, PR charges @ Rs 10,000 per extra stoppage per month whereas the cost incurred on extra stoppage comes to Rs 0.28 million per month. Moreover, non-enforcement of contract clause of Business Train resulted in accumulation of arrears amounting to Rs 361 million up to 17.09.2013.

The observation was issued to the management on 2nd October, 2013 and it was replied that in order to provide breathing space to the

parties and to establish their business during 1st year of the contract, the fare of the trains were not enhanced. The reply was not tenable as Railway interest was not safeguarded.

### 3.8.3 Favoritism in awarding contracts

Audit noticed that contracts of PPP of passenger trains were not merit-based. The whole project smacks of favoritism, nepotism and political influence. The procurement process relating to outsourcing of Business Express Train was not posted on the PPRA website. An injudicious clause was stated mandatory for qualifying the bidding process in the Expression of Interest i.e. "Certificate of Regulation with Security Exchange Commission of Pakistan under Section-42 of the Companies Ordinance". Due to this only one company qualified the bid. Thus, favoritism was extended by the railway management.

The observation was issued to the management on 2nd October, 2013 and it was replied that no favoritism was given to any contractor as tenders of PPP were advertised and evaluated properly and the contracts were awarded in transparent manner. Moreover, PPRs-2004 were complied with. The reply was not tenable as favoritism was extended to parties and Rule-47 of PPRs-2004 was violated.

### 3.8.4 Injudicious amendments in contracts

The alterations made in the contracts were injudicious and arbitrary without taking into account the interests of PR. Such amendments hampered the interest of PR instead of augmenting it. Economic Coordination Committee (ECC) of the Cabinet, in its meeting held on March 06, 2013, decided to reduce/revise the occupancy rate of business train from 88% to 65% effective from January 1st, 2013.

The observation was issued to the management on 2nd October, 2013 and it was replied that the decision of the ECC was conveyed by the Ministry of Railways and vetted by the competent authority and was implemented accordingly. The reply was not tenable as Railway interest was not safeguarded.

### 3.8.5 Un-verified value added investments by contractors

Audit noticed that as per the agreement, all the contractors to whom the train operations were outsourced, were required to make value added investment in five years. The main aim of inserting such clause was the value addition in the infrastructure and passenger facilitation. The contractors of Business, Shalimar and Night Coach claimed to make value added investment of Rs 176.23 million, Rs 89.51 million and nil respectively. However, the investments made are yet to be verified as Audit remained unable to get reliable evidence in this regard. Due to these reasons, a supposedly profitable venture resulted into a mess.

The observation was issued to the management on 2nd October, 2013 and it was replied that a Committee at Deputy Principal Officer's level was nominated to inquire the matter and report awaited. The inquiry report be furnished at the earliest to Audit.

Responsibility needs to be fixed for making imprudent decisions of Public Private Partnership in passenger trains, execution/alterations in the contracts without keeping in view the Railway interest and non-recovery from contractors. Moreover, hectic efforts be made for prompt recovery of the outstanding amounts from the contactors.

## 3.9 Electric Traction

Electric Traction (ET) is cost effective and environment friendly. Among the world's famous Railway systems, Switzerland achieved 100% electrified traction system. Japan converted 71%,

China 49% and India 34%. Similarly, Iran has 21% electric traction (Annexure-15). The advent of ET on IR dates back to 1925.

### 3.9.1 Electric traction in PR

Currently Pakistan Railways' traffic is 100% dependent on Diesel Electric Traction. However, in the past one of the sections was electrified through a project named "Electrification of Lahore-Khanewal". The project involved electrification of 290 km long Lahore-Khanewal Section of PR which was approved by the National Economic Council in May 1964 at an estimated cost of Rs 106 million, including the foreign exchange component of Rs 74.6 million. The project was completed at a cost of Rs 140 million in 1970. It was the most cost beneficent project ever in PR which returned its cost only in eight years. The train operation on ET was started with 29 Locomotives and no electric locomotive was added after that. The Electric Traction system worked properly and with full swing up to 1991 and with the passage of time it was going down and down due to non-provision of funds, improper maintenance of ET locomotives and pro Diesel lobby within PR. The project of Doubling of Track (DOT) between Khanewal-Raiwind was started for dualization of track to achieve efficiency and effectiveness in train operations but non-provision of ET in the PC-I of the project of DOT proved a fatal blow and eventually it was abandoned in October 2009.

After doing away with the well set electrification system that could give benefit for many more years, PR is going for a new electrification project. At present the plan of complete electrification of rail road system (main line) is under finalization.

Keeping in view the past experience it is required that planning and implementation of the project of electrification of track be done with due care, diligence and all factors including supply of electricity be considered so that the envisaged benefits of electrification project could be achieved.

## 3.10 Conclusion

Deterioration in Pakistan Railways was primarily due to diminished operations owing to the following for which management was responsible:

- Non-procurement of sufficient number of locomotives on timely basis;
- Inefficient and ineffective rehabilitation of locomotives;
- Delayed and defective repair of locomotives;
- Less provision of traction motors;
- Government priority of road over rail;
- Causes of operational loss such as reduction in number of freight trains, unprofitable mix of trains, short composition of trains, irrational concessions to the Journalist & their families, increase in pay & allowances, increase in fuel prices etc.;
- Defective inventory management causing blockage of capital due to unnecessary procurement of material & non-disposal of obsolete stock; outdated inventory software application;
- Unjustified expenditure on Policing;
- Non-achievement of targets both by the Directorate of Property & Land and REDAMCO;
- Persistent decline in the land earnings of REDAMCO;
- Weak contract management by REDAMCO leading to non-recovery of dues and litigation;
- Controversial leasing of Royal Palm & Country Club;
- Bad receivable management by REDAMCO;
- Irregular and inefficient leasing of surplus land by the Directorate of P&L;
- Huge encroachment of Railway land;
- Non-maintenance of systematic record of surplus and leased out land;
- Non-recovery of lease rentals;
- Imprudent decisions of PPP to run passenger trains; and
- Non-maintenance & existence of cost effective and environment friendly Electric Traction System.

**Annexure-1**

## Detail of Paras included in MFDAC

| Sr. # | DP No. | Subject | Amount (Rs in million) | Nature of Observation |
|---|---|---|---|---|
| 1. | 5816 | Encroachment of land and loss of Rs 2915.233 million due to non-recovery of rental/lease charges | 2,915.23 | Encroachment of land |
| 2. | 6057 | Encroachment of Railway land valuing Rs 734.31 million | 734.31 | Encroachment of land |
| 3. | 6096 | i. Unauthorized occupation of Railway building old Sheikh Ismail Railway Station on MHK – GZK closed section<br>ii. Non-recovery / adjustment of lease rental from DPO, Muzaffargarh - Rs 0.99 million | 0.99 | Encroachment of land |
| 4. | 5912 | Mis-appropriation of P. Way material valuing Rs 0.195 | 0.19 | Misappropriation |
| 5. | 5917 | Misappropriation of million of rupees due to fictitious issuance of signal material. | 0 | Misappropriation |
| 6. | 5918 | Suspected misappropriation of Rs 296,136 on production of doubtful Cash Memos | 0.30 | Misappropriation |
| 7. | 5978 | Shortage of material valuing Rs. 140,397 | 0.14 | Misappropriation |
| 8. | 6010 | Temporary/permanent misappropriation of Government money – Rs 1.758 million | 1.76 | Misappropriation |
| 9. | 6026 | Irregular expenditure/ suspected misappropriation of material – Rs 2.886 million | 2.89 | Misappropriation |
| 10. | 6050 | Less/ non-verification of material valuing Rs 0.255 million | 0.25 | Misappropriation |
| 11. | 6112 | Shortage of material valuing Rs 3.809 million | 3.81 | Misappropriation |
| 12. | 5699 | Acceptance of sub-standard material valuing Rs 0.310 million | 0.31 | Mismanagement |
| 13. | 5896 | Loss of revenue due to non-attachment of dining car – Rs 0.561 million | 0.56 | Mismanagement |
| 14. | 5922 | Loss of Rs 11.788 million due to injudicious decision | 11.79 | Mismanagement |
| 15. | 5923 | Extra expenditure of Rs 0.441 million due to acceptance of higher rates | 0.44 | Mismanagement |

| | | | | |
|---|---|---|---|---|
| 16. | 5924 | Non completion of a work valuing Rs.1.125 million resulting expected extra expenditure | 1.12 | Mismanagement |
| 17. | 5938 | Loss of potential earnings due to suspension of sale of Platform Tickets - Rs 2.808 million | 2.81 | Mismanagement |
| 18. | 5942 | Time Overrun resulted in loss of potential earnings - Rs. 490.208 million | 490.21 | Mismanagement |
| 19. | 5951 | Mis-utilization of services of electric staff resulting loss of Rs 0.960 million | 0.96 | Mismanagement |
| 20. | 5961 | Non-adjustment/clearance of Rs 0.845 million on account of advance for local purchase of material | 0.84 | Mismanagement |
| 21. | 5970 | Unjustified payment of honorarium – Rs 0.658 million | 0.66 | Mismanagement |
| 22. | 5976 | Loss of potential earnings due to unnecessary detention of freight wagons – Rs 106.530 million | 106.53 | Mismanagement |
| 23. | 5990 | Cost Overrun – Rs. 42.617 million | 42.62 | Mismanagement |
| 24. | 6002 | Loss due to procurement of Common User Items at higher rates - Rs. 320,927 | 0.32 | Mismanagement |
| 25. | 6005 | Unnecessary detention Of Freight Wagons causing loss of Rs 16.109 million | 16.11 | Mismanagement |
| 26. | 6018 | Unrealistic variation between estimated cost and cost debited to consignee - Rs 42.042 million | 42.04 | Mismanagement |
| 27. | 6028 | Decrease in earnings of Multan Division – Rs 392.206 million | 392.21 | Mismanagement |
| 28. | 6031 | Loss of Rs 62.153 million on account of potential earnings due to non-utilization of freight wagons | 62.15 | Mismanagement |
| 29. | 6033 | Frequent accidents of trains over Lahore Division resulting loss – Rs 1.412 million | 1.41 | Mismanagement |
| 30. | 6036 | Loss of potential earning due to suspension of passenger trains – Rs 441.09 million | 441.09 | Mismanagement |
| 31. | 6038 | Non-auction of vending stalls/ shops at Rawalpindi station causing loss of Rs 2.027 million | 2.03 | Mismanagement |

| | | | | |
|---|---|---|---|---|
| 32. | 6040 | Irregular / unjustified cancellation of acceptance of tender resulting loss of Rs 0.297 million | 0.30 | Mismanagement |
| 33. | 6045 | Blockage of capital worth Rs 12.598 million due to non-unloading of ballast according to the ballast programme | 12.60 | Mismanagement |
| 34. | 6054 | Reduction in the earnings of Peshawar Division – Rs 388.959 million | 388.96 | Mismanagement |
| 35. | 6056 | Loss of potential earnings due to non-auction of Stalls and Taxi stand – Rs 16.48 million | 16.48 | Mismanagement |
| 36. | 6077 | Loss of potential earnings – Rs 23.956 million due to unnecessary detention of goods wagons | 23.96 | Mismanagement |
| 37. | 6078 | Loss of millions of rupees on account of damages of coaches | 0 | Mismanagement |
| 38. | 6087 | Loss on account of extra fuel consumption due to late completion of work – Rs 25.98 million | 25.98 | Mismanagement |
| 39. | 6089 | Wasteful expenditure on account of pay & allowance due to suspension of train services - Rs.64.657 million | 64.66 | Mismanagement |
| 40. | 6091 | Loss of potential earnings due to non-auction of vending Stalls – Rs. 4.66 million | 4.66 | Mismanagement |
| 41. | 6095 | Loss due to non-achievement of revenue target – Rs 104.232 million | 104.23 | Mismanagement |
| 42. | 6097 | Non-utilization of ultra sound plant valuing Rs 0.50 million | 0.50 | Mismanagement |
| 43. | 6098 | Non-utilization of operation theatre equipped valuing Rs 0.55 million | 0.55 | Mismanagement |
| 44. | 6100 | Blockage of capital due to non-disposal of surplus stores – Rs. 134 million | 134.00 | Mismanagement |
| 45. | 6108 | Unnecessary procurement of material valuing Rs 7.14 million | 7.14 | Mismanagement |
| 46. | 6117 | Non-disposal of scrap valuing Rs 51.544 million | 51.54 | Mismanagement |
| 47. | 6123 | Loss of potential earning due to termination of freight train service – Rs 159.45 million | 159.45 | Mismanagement |

| | | | | |
|---|---|---|---|---|
| 48. | 6125 | Non-assessment /adjustment of cost of crushing plant supplied to Railcop | 0 | Mismanagement |
| 49. | 6127 | Loss due to procurement of material at higher rates – Rs 0.48 million | 0.48 | Mismanagement |
| 50. | 6138 | Underutilization of capacity and non-achievement of targets for manufacturing of sleepers | 0 | Mismanagement |
| 51. | 6141 | Blockage of capital valuing Rs 12.017 million | 12.02 | Mismanagement |
| 52. | 6148 | Avoidable/un-justified expenditure of Rs.674,604 | 0.67 | Mismanagement |
| 53. | 6166 | Wasteful expenditure on procurement & maintenance of Fire Fighting Truck - Rs. 2.563 million | 2.56 | Mismanagement |
| 54. | 6170 | Un-justified/un-necessary procurement of material resulting blockage of capital valuing Rs 6.404 million | 6.40 | Mismanagement |
| 55. | 6174 | Non-disposal of condemned locomotives - Rs 50.40 million | 50.40 | Mismanagement |
| 56. | 6178 | Loss of potential earnings due to held up locomotives - Rs. 9,336.06 million | 9,336.06 | Mismanagement |
| 57. | 5844 | Avoidable expenditure due to unnecessary utilization of policemen for traffic control – Rs 10.38 million per annum | 10.38 | Mismanagement |
| 58. | 5892 | Loss due to procurement of material at higher rates – Rs 1.42 million | 1.42 | Mismanagement |
| 59. | 5919 | Unjustified utilization of substandard wooden sleepers in the track | 0 | Mismanagement |
| 60. | 6021 | Loss due to installation of defective machine - Rs 0.96 million | 0.96 | Mismanagement |
| 61. | 6132 | Loss due to unjustified supply of medicines valuing Rs 4.643 million | 4.64 | Mismanagement |
| 62. | 6082 | Unjustified expenditure on account of pay & allowances – Rs 12.799 million | 12.80 | Mismanagement |
| 63. | 6161 | Unjustified expenditure without achievement of annual target - Rs 24.59 million | 24.59 | Mismanagement |

| | | | | |
|---|---|---|---|---|
| 64. | 6171 | Wasteful expenditure on pay and allowances of idle staff- Rs 4.86 million per annum | 4.86 | Mismanagement |
| 65. | 5906 | Avoidable expenditure – Rs 3.74 million | 3.74 | Mismanagement |
| 66. | 6110 | Loss due to non supply of material in time - Rs 2.21 million | | Mismanagement |
| 67. | 5877 | Non-recovery due to sublet of house and illegal occupation of officers club – Rs 0.191 million | 0.19 | Recoverable |
| 68. | 5882 | Non-recovery on account of rent and penalty – Rs 0.70 million | 0.70 | Recoverable |
| 69. | 5885 | Irregular waiver and non-recovery of penalty from the parking contractor - Rs 0.37 million | 0.37 | Recoverable |
| 70. | 5897 | Non-recovery of detention charges from luggage contractor – Rs 0.850 million | 0.85 | Recoverable |
| 71. | 5901 | Non recovery of contingencies and departmental charges – Rs 3.278 million | 3.28 | Recoverable |
| 72. | 5968 | Loss due to non-recovery of loans, interest & TA advance Rs 0.599 million | 0.60 | Recoverable |
| 73. | 6008 | Non-recovery of loan & advances – Rs 278.731 million | 278.73 | Recoverable |
| 74. | 6047 | Non-recovery of Rs 0.305 million on account of departmental charges | 0.30 | Recoverable |
| 75. | 6059 | Non-recovery of Railway dues valuing Rs 10.736 million from M/s PRACS | 10.74 | Recoverable |
| 76. | 6065 | Non-realization of Rs 825.185 million from Pakistan Railways | 825.18 | Recoverable |
| 77. | 6074 | Non recovery of rental charges due to unauthorized occupation of vending shop – Rs 135,630 | 0.14 | Recoverable |
| 78. | 6111 | Non-recovery of L.D charges from the contractor Rs 294,738 | 0.29 | Recoverable |
| 79. | 6115 | Irregular expenditure on account of pay & allowances - Rs 2.80 million | 2.80 | Recoverable |
| 80. | 6147 | Non-realization of rental charges amounting to Rs.420,256 | 0.42 | Recoverable |
| 81. | 5926 | Non-recovery/regularization of looted cash - Rs 3.11 million | 3.11 | Recoverable |
| 82. | 5366 | Irregular expenditure of Rs. 2.123 million incurred excess over the budget. | 2.12 | Violation of Rules |

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|---|---|---|---|---|
| 83. | 5846 | Unauthorized expenditure due to utilization of staff car by Personal Secretary to IG Pakistan Railway Police – Rs 73,343 | 0.07 | Violation of Rules |
| 84. | 5876 | Irregular payment on account of pay & allowances – Rs 0.209 million | 0.21 | Violation of Rules |
| 85. | 5878 | Loss due to allotment of residential accommodation beyond actual entitlement – Rs 1.05 million | 1.05 | Violation of Rules |
| 86. | 5900 | Irregular expenditure due to splitting up of work – Rs 3.49 million | 3.49 | Violation of Rules |
| 87. | 5902 | Non-preparation of completion reports of deposit works valuing Rs 209.265 million | 209.26 | Violation of Rules |
| 88. | 5934 | Un-authorized splitting up of procurement - Rs 66.857 million | 66.86 | Violation of Rules |
| 89. | 5941 | Unauthorized absence of Commercial/Transportation staff from duty | 0 | Violation of Rules |
| 90. | 5944 | Irregular local purchases – Rs. 6.177 million | 6.18 | Violation of Rules |
| 91. | 5959 | Irregular enhancement of estimates above original cost – Rs 1.27 million | 1.27 | Violation of Rules |
| 92. | 5960 | Non recovery of LD charges – Rs 0.729 million | 0.73 | Violation of Rules |
| 93. | 5962 | Grant of cash award without availability of budget allotment resulting irregular expenditure of Rs 1.028 million | 1.03 | Violation of Rules |
| 94. | 5963 | Un-authorized expenditure of Rs 0.419 million incurred on account of re-imbursement of medical charges | 0.42 | Violation of Rules |
| 95. | 5964 | Irregular/unjustified payment of Rs 0.614 million on account of house building advances | 0.61 | Violation of Rules |
| 96. | 5965 | Unjustified expenditure due to re-designation of post - Rs. 0.173 million | 0.17 | Violation of Rules |
| 97. | 5973 | Irregular sanction for appointment/ hiring of TLA | 0 | Violation of Rules |
| 98. | 5975 | Irregular excess payment of Rs 492,000 over excess items included in the contractor bill | 0.49 | Violation of Rules |

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|---|---|---|---|---|
| 99. | 5985 | Non-finalization/clearance of stock sheets/account notes – Rs 2051.000 million | 2,051.00 | Violation of Rules |
| 100. | 5993 | Irregular expenditure of Rs 0.221 million incurred in excess of budget allotment. | 0.22 | Violation of Rules |
| 101. | 5995 | Irregular/unjustified payment of Rs 11.56 million on account of house building advances | 11.56 | Violation of Rules |
| 102. | 5996 | Irregular/unjustified payment of Rs 0.400 million on account of motor car & motor cycle advances. | 0.40 | Violation of Rules |
| 103. | 5997 | Loss to railway due to illegal drawal of conveyance allowance of Rs 0.155 million | 0.15 | Violation of Rules |
| 104. | 6003 | Excess Expenditure over the budget allotment - Rs. 6.615 million | 6.61 | Violation of Rules |
| 105. | 6006 | Irregular/un-economical award of handling contract without competition | 0 | Violation of Rules |
| 106. | 6011 | Non-clearance on account of deposit miscellaneous – Rs 4869.106 million | 4,869.11 | Violation of Rules |
| 107. | 6012 | Non-clearance of suspense account – Rs 881.176 million | 881.18 | Violation of Rules |
| 108. | 6013 | Irregular payment of Rs 0.404 million | 0.40 | Violation of Rules |
| 109. | 6016 | Misclassification of expenditure due to irregular utilization of staff – Rs 6.048 million | 6.05 | Violation of Rules |
| 110. | 6020 | Irregular execution of diet contract without fair competition – Rs 1.20 million | 1.20 | Violation of Rules |
| 111. | 6022 | Irregular expenditure due to unjustified utilization of staff – Rs 2.096 million | 2.10 | Violation of Rules |
| 112. | 6024 | Unjustified expenditure on engagement of TLA staff – Rs 1.131 million | 1.13 | Violation of Rules |
| 113. | 6043 | Irregular acceptance of material without testing – Rs 17.165 million | 17.16 | Violation of Rules |
| 114. | 6044 | Irregular expenditure due to change of cadre – Rs 0.76 million | 0.76 | Violation of Rules |
| 115. | 6046 | Improper adjustment of deduction of house rent allowance relating of hiring bills of Railway audit department worth Rs 1.119 million | 1.12 | Violation of Rules |

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|---|---|---|---|---|
| 116. | 6055 | Unauthorized utilization of staff and payment of mileage allowance – Rs 279,708 | 0.28 | Violation of Rules |
| 117. | 6062 | Unauthorized expenditure on engagement of TLA staff in excess of sanctioned strength – Rs 0.491 million per annum | 0.49 | Violation of Rules |
| 118. | 6067 | Irregular detention of cash amounting to Rs 1.99 million | 1.99 | Violation of Rules |
| 119. | 6073 | Irregular expenditure on POL due to non-maintenance of log books – Rs 0.590 million | 0.59 | Violation of Rules |
| 120. | 6088 | Non preparation of completion report of deposit work valuing Rs 12.53 million | 12.53 | Violation of Rules |
| 121. | 6092 | Non adjustment of Station outstanding – Rs 99.527 million | 99.53 | Violation of Rules |
| 122. | 6093 | Unjustified payment of house rent allowance- Rs. 73,960 | 0.07 | Violation of Rules |
| 123. | 6094 | Irregularities in leasing out of shops in Railway Market | 0 | Violation of Rules |
| 124. | 6106 | Unjustified expenditure on irregular regularization of TLA staff – Rs 0.74 million per annum | 0.74 | Violation of Rules |
| 125. | 6126 | Irregular payment to the contractor for the supply of dry sand - Rs 5.72 million | 5.72 | Violation of Rules |
| 126. | 6131 | Non acknowledgment of material valuing Rs 1.022 million | 1.02 | Violation of Rules |
| 127. | 6143 | Loss due to purchase of defective welding tips Rs 110,000 | 0.11 | Violation of Rules |
| 128. | 6149 | Irregular grant of cash award amounting to Rs.377,600 | 0.38 | Violation of Rules |
| 129. | 6151 | Irregular unjustified payment of cash award amounting to Rs.153,670 | 0.15 | Violation of Rules |
| 130. | 6157 | Non-maintenance of proper record of imprest- Rs 335,529 | 0.33 | Violation of Rules |
| 131. | 6158 | Mis utilization of staff | 0 | Violation of Rules |
| 132. | 5994 | Unauthorized utilization of Government Vehicles resulting irregular expenditure of Rs 1.722 million | 1.72 | Violation of Rules |
| 133. | 5891 | Uneconomical procurement of material without floating of tenders - Rs 42.38 million | 42.38 | Violation of Rules |

| | | | | |
|---|---|---|---|---|
| 134. | 5870 | Non deduction of one fifth of sales tax on purchase of taxable goods and services Rs 2.949 million | 2.95 | Violation of Rules |
| 135. | 5986 | Suspected bogus expenditure due to non-maintenance of record – Rs 4.305 million | 4.30 | Violation of Rules |
| 136. | 6034 | Irregular expenditure due to deployment of staff on sports activities - Rs 4.239 million | 4.24 | Violation of Rules |
| 137. | 6075 | Irregular expenditure due to deployment of staff on sports activities -Rs 0.395 million | 0.39 | Violation of Rules |
| 138. | 6164 | Incurrence of excess expenditure over budget allotment – Rs. 484.259 million | 484.26 | Violation of Rules |
| 139. | 5837 | Loss due to irregular monetization of 1300 CC vehicles instead of 1000 CC – Rs 1.032 million | 1.03 | Violation of Rules |
| 140. | 5838 | Loss due to unauthorized utilization of staff cars by BPS-17 and 18 officers – Rs 1.060 million | 1.06 | Violation of Rules |
| 141. | 5914 | Unauthorized expenditure from funds of deposit work – Rs 2.51 million | 2.51 | Violation of Rules |
| 142. | 5977 | Un-authorized monetization of vehicles – Rs. 0.75 million | 0.74 | Violation of Rules |
| 143. | 6130 | Blockage of capital- Rs 32.72 million and loss due to procurement of material at higher rates- Rs 0.95 million | 33.67 | Violation of Rules |
| 144. | 6189 | Loss due to procurement of material at higher rates – Rs 1.82 million | 1.82 | Violation of Rules |
| 145. | 6168 | Unjustified expenditure of TA/DA – Rs. 2.73 million | 2.73 | Violation of Rules |
| 146. | 6037 | Unjustified procurement of vehicles against the deposit work – Rs 6.82 million | 6.82 | Violation of Rules |

## Annexure-2

# Details of non-replacement of material under warranty

| Sr # | Purchase Order # & date | Description of material | Qty | Amount in Rs. |
|---|---|---|---|---|
| 1 | 19/0135/Spl.36/1-2007(ADP) 06-08-2007 | Relay (Wheel Slip) (Part # 8454412) | 2 | 41,662 |
| 2 | 19/0055/Spl.36/1-2007(ADP) 27-04-2007 | Lube Oil Pressure Gauge | 2 | 10,131 |
| 3 | 19/0134/Spl.36/1-2007(ADP) 28-07-2007 | Stator Assembly (Part # 3176597) | 2 | 391,004 |
| 4 | 19/0106/Spl.36/1-2007(ADP) 21-06-2007 | Fuel Pump Motor Assembly (Part # 8455505) | 2 | 153,174 |
| 5 | 19/0058/Spl.36/1-2007(ADP) 05-05-2007 | Sliding Sach (Part # 8205358) | 144 | 484,130 |
| 6 | 19/0058/Spl.36/1-2007(ADP) 05-05-2007 | Looking Out Glass (Part # 8210376) | 108 | 558,707 |
| 7 | 19/0134/Spl.36/1-2007(ADP) 28-07-2007 | Stator Assembly (Part # 3176597) | 1 | 195,502 |
| 8 | 19/0134/Spl.36/1-2007(ADP) 28-07-2007 | Stator Assembly (Part # 3176597) | 1 | 195,502 |
| 9 | 19/0134/Spl.36/1-2007(ADP) 28-07-2007 | Stator Assembly (Part # 3176597) | 1 | 195,502 |
| 10 | 19/0055/Spl.36/1-2007(ADP) 27-04-2007 | Rate Control Panel (RCP) (Part # 8377273) | 1 | 13,326 |
| 11 | 19/0059/Spl.36/1-2007(ADP) 05-05-2007 | Switches (Part # 8296750) | 6 | 8,265 |
| 12 | 19/0090/Spl.36/1-2007(ADP) 02-06-2007 | Water Pump Assembly (Part # 8347607) | 1 | 95,658 |
| 13 | 19/0051/Spl.36/1-2007(ADP) 27-04-2007 | Coil Starting Motor (Part # 1970247) | 1 | 37,361 |
| 14 | 19/0051/Spl.36/1-2007(ADP) 27-04-2007 | Valve Bridge Assembly (Part # 8085260) | 32 | 74,844 |
| 15 | 19/0046/Spl.36/1-2007(ADP) 27-04-2007 | Speed Recorder (Part # 0964076) | 4 | 2,520,352 |
| 16 | 19/0134/Spl.36/1-2007(ADP) 28-07-2007 | Coil Stator Radiator Fan (Part # 3176597) | 2 | 391,004 |
| 17 | 19/0056/Spl.36/1-2007(ADP) 05-05-2007 | Coil (Part # 8406883) | 1 | 2,354 |
| **Total** | | | | **5,368,478** |

**Annexure-3**

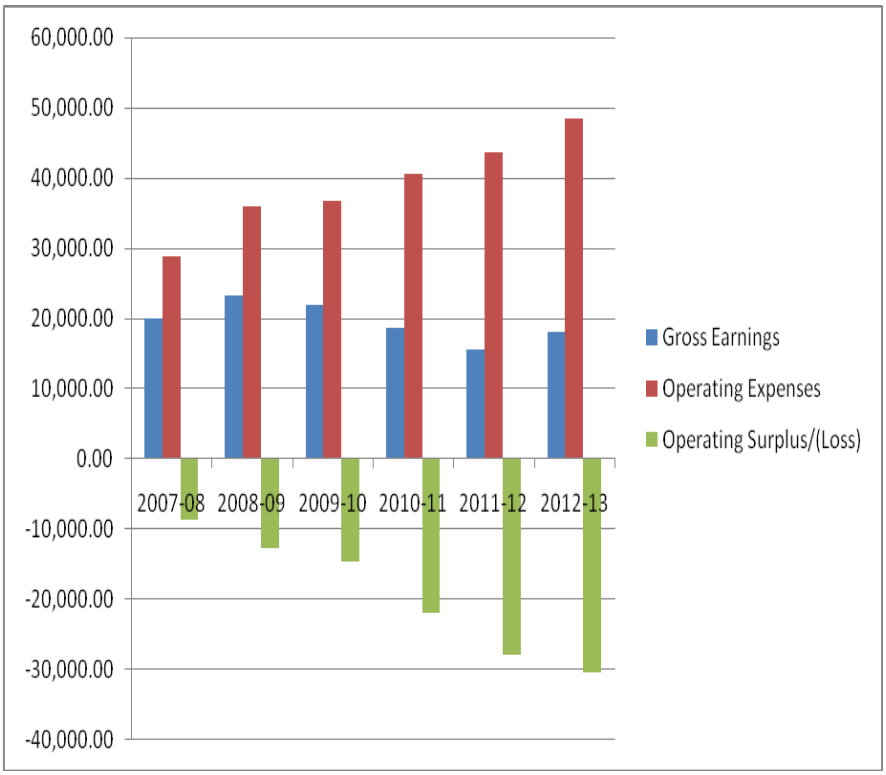
## Comparison of Earnings and Operating Expenses

**(Rs in million)**

| Particulars | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|---|
| Gross Earnings | 19,972.86 | 23,158.70 | 21,886.93 | 18,612.07 | 15,444.39 | 18,069.55 |
| Operating Expenses | 28,849.57 | 35,999.70 | 36,595.85 | 40,603.58 | 43,563.95 | 48,535.24 |
| **Operating Surplus/(Loss)** | **(8,876.71)** | **(12,841.00)** | **(14,708.92)** | **(21,991.51)** | **(28,119.56)** | **(30,465.69)** |

**Source:** Budget and Appropriation of Pakistan Railways

## Graphical Presentation



**Annexure-4**

## Year Wise Average Availability of DE Locomotives Per Day

| Year | Average Availability of DE Locomotives | | |
|---|---|---|---|
| | For Passenger Service | For Freight Service | For Passenger & Freight Service |
| 1 | 2 | 3 | 4=2+3 |
| 2007-08 | 184 | 97 | 281 |
| 2008-09 | 172 | 90 | 262 |
| 2009-10 | 165 | 69 | 234 |
| 2010-11 | 142 | 34 | 176 |
| 2011-12 | 101 | 8 | 109 |
| 2012-13 | 96 | 20 | 116 |

Source: PC-I of Procurement of 150 DE Locomotives dated December 2012

**Annexure-5**

**Loss of Potential Earnings due to Delay in Repair of Locomotives**

| Sr. # | Locomotive | Date Received in Shop | Total Delay in days since received in shop | Delay in days during 2012-13 | Potential loss in 2012-13 (Amount in Rs) |
|---|---|---|---|---|---|
| 1 | 3708 | 8-Mar-13 | 114 | 114 | 27,791,376 |
| 2 | 3715 | 8-Mar-13 | 114 | 114 | 27,791,376 |
| 3 | 3737 | 18-Mar-13 | 104 | 104 | 25,353,536 |
| 4 | 4006 | 12-Sep-12 | 291 | 291 | 70,941,144 |
| 5 | 4486 | 18-Mar-13 | 104 | 104 | 25,353,536 |
| 6 | 4488 | 25-Jun-13 | 5 | 5 | 1,218,920 |
| 7 | 4701 | 13-Sep-11 | 656 | 365 | 88,981,160 |
| 8 | 4702 | 20-Jun-13 | 10 | 10 | 2,437,840 |
| 9 | 4703 | 6-Sep-11 | 663 | 365 | 88,981,160 |
| 10 | 4704 | 26-Feb-13 | 124 | 124 | 30,229,216 |
| 11 | 4705 | 29-Jun-13 | 1 | 1 | 243,784 |
| 12 | 4707 | 30-Mar-12 | 457 | 365 | 88,981,160 |
| 13 | 4709 | 15-Apr-13 | 76 | 76 | 18,527,584 |
| 14 | 4710 | 3-Mar-11 | 850 | 365 | 88,981,160 |
| 15 | 4711 | 4-Jun-13 | 26 | 26 | 6,338,384 |
| 16 | 4712 | 18-Mar-13 | 104 | 104 | 25,353,536 |
| 17 | 4715 | 16-Apr-12 | 440 | 365 | 88,981,160 |
| 18 | 4716 | 30-Dec-12 | 182 | 182 | 44,368,688 |
| 19 | 4717 | 30-Mar-11 | 823 | 365 | 88,981,160 |
| 20 | 4718 | 16-Apr-12 | 440 | 365 | 88,981,160 |
| 21 | 4719 | 30-Dec-12 | 182 | 182 | 44,368,688 |
| 22 | 4720 | 7-Jan-13 | 174 | 174 | 42,418,416 |
| 23 | 4722 | 18-May-13 | 43 | 43 | 10,482,712 |
| 24 | 4723 | 5-May-11 | 787 | 365 | 88,981,160 |
| 25 | 4726 | 17-Apr-11 | 805 | 365 | 88,981,160 |
| 26 | 4727 | 16-Aug-11 | 684 | 365 | 88,981,160 |
| 27 | 4728 | 20-Mar-11 | 833 | 365 | 88,981,160 |
| 28 | 4730 | 14-Jun-11 | 747 | 365 | 88,981,160 |
| 29 | 4731 | 23-May-11 | 769 | 365 | 88,981,160 |
| 30 | 4732 | 31-May-13 | 30 | 30 | 7,313,520 |
| 31 | 4733 | 11-Jul-11 | 720 | 365 | 88,981,160 |
| 32 | 4734 | 17-Mar-13 | 105 | 105 | 25,597,320 |
| 33 | 4736 | 13-Jul-11 | 718 | 365 | 8,898,1160 |
| 34 | 4805 | 6-Jun-11 | 755 | 365 | 88,981,160 |
| 35 | 4806 | 9-Aug-12 | 325 | 325 | 79,229,800 |
| 36 | 4815 | 21-Jun-13 | 9 | 9 | 2,194,056 |
| 37 | 4817 | 26-Dec-12 | 186 | 186 | 45,343,824 |
| 38 | 4820 | 23-May-13 | 38 | 38 | 9,263,792 |
| 39 | 4821 | 31-Dec-12 | 181 | 181 | 44,124,904 |

| | | | | | |
|---|---|---|---|---|---|
| 40 | 4825 | 23-May-11 | 769 | 365 | 88,981,160 |
| 41 | 4830 | 13-May-13 | 48 | 48 | 11,701,632 |
| 42 | 4904 | 8-Jul-08 | 1818 | 365 | 88,981,160 |
| 43 | 4907 | 25-May-09 | 1497 | 365 | 88,981,160 |
| 44 | 4924 | 3-Mar-11 | 850 | 365 | 88,981,160 |
| 45 | 4930 | 17-Mar-12 | 470 | 365 | 88,981,160 |
| 46 | 5001 | 6-Jun-13 | 24 | 24 | 5,850,816 |
| 47 | 5003 | 3-Jun-13 | 27 | 27 | 6,582,168 |
| 48 | 5009 | 23-Apr-12 | 433 | 365 | 88,981,160 |
| 49 | 5012 | 26-Aug-11 | 674 | 365 | 88,981,160 |
| 50 | 5017 | 8-Apr-13 | 83 | 83 | 20,234,072 |
| 51 | 5025 | 10-May-13 | 51 | 51 | 12,432,984 |
| 52 | 5026 | 14-Nov-12 | 228 | 228 | 55,582,752 |
| 53 | 5029 | 20-Dec-10 | 923 | 365 | 88,981,160 |
| 54 | 5032 | 15-Jan-13 | 166 | 166 | 40,468,144 |
| 55 | 5039 | 9-Aug-12 | 325 | 325 | 79,229,800 |
| 56 | 5047 | 6-Mar-13 | 116 | 116 | 28,278,944 |
| 57 | 5101 | 28-Sep-07 | 2102 | 365 | 88,981,160 |
| 58 | 5102 | 27-May-13 | 34 | 34 | 8,288,656 |
| 59 | 5105 | 29-Aug-11 | 671 | 365 | 88,981,160 |
| 60 | 5107 | 16-Oct-12 | 257 | 257 | 62,652,488 |
| 61 | 5108 | 12-Sep-12 | 291 | 291 | 70,941,144 |
| 62 | 5112 | 12-Apr-12 | 444 | 365 | 88,981,160 |
| 63 | 5114 | 11-Jan-13 | 170 | 170 | 41,443,280 |
| 64 | 5115 | 16-Oct-12 | 257 | 257 | 62,652,488 |
| 65 | 5117 | 11-Jan-13 | 170 | 170 | 41,443,280 |
| 66 | 5122 | 9-Jul-12 | 356 | 356 | 86,787,104 |
| 67 | 5201 | 9-Oct-11 | 630 | 365 | 88,981,160 |
| 68 | 5204 | 26-Jan-12 | 521 | 365 | 88,981,160 |
| 69 | 5205 | 24-Dec-11 | 554 | 365 | 88,981,160 |
| 70 | 5209 | 12-Sep-12 | 291 | 291 | 70,941,144 |
| 71 | 5212 | 8-Jun-12 | 387 | 365 | 88,981,160 |
| 72 | 5213 | 7-Mar-11 | 846 | 365 | 88,981,160 |
| 73 | 5214 | 8-Jun-12 | 387 | 365 | 88,981,160 |
| 74 | 5215 | 12-Sep-12 | 291 | 291 | 70,941,144 |
| 75 | 5216 | 11-May-12 | 415 | 365 | 88,981,160 |
| 76 | 5221 | 12-Sep-12 | 291 | 291 | 70,941,144 |
| 77 | 6001 | 5-Oct-10 | 999 | 365 | 88,981,160 |
| 78 | 6002 | 12-Dec-10 | 931 | 365 | 88,981,160 |
| 79 | 6003 | 18-Oct-10 | 986 | 365 | 88,981,160 |
| 80 | 6004 | 27-Jun-11 | 734 | 365 | 88,981,160 |
| 81 | 6005 | 25-Jun-10 | 1101 | 365 | 88,981,160 |
| 82 | 6007 | 10-Nov-10 | 963 | 365 | 88,981,160 |
| 83 | 6012 | 6-Sep-11 | 663 | 365 | 88,981,160 |
| 84 | 6015 | 2-Aug-10 | 1063 | 365 | 88,981,160 |
| 85 | 6022 | 12-Jul-10 | 1084 | 365 | 88,981,160 |
| 86 | 6023 | 29-Nov-10 | 944 | 365 | 88,981,160 |

| | | | | | |
|---|---|---|---|---|---|
| 87 | 6025 | 31-Aug-10 | 1034 | 365 | 88,981,160 |
| 88 | 6026 | 3-Sep-10 | 1031 | 365 | 88,981,160 |
| 89 | 6029 | 21-Jan-11 | 891 | 365 | 88,981,160 |
| 90 | 6101 | 30-Aug-09 | 1400 | 365 | 88,981,160 |
| 91 | 6102 | 13-May-10 | 1144 | 365 | 88,981,160 |
| 92 | 6103 | 11-May-11 | 781 | 365 | 88,981,160 |
| 93 | 6104 | 1-May-10 | 1156 | 365 | 88,981,160 |
| 94 | 6105 | 19-Feb-11 | 862 | 365 | 88,981,160 |
| 95 | 6107 | 24-May-11 | 768 | 365 | 88,981,160 |
| 96 | 6108 | 28-May-10 | 1129 | 365 | 88,981,160 |
| 97 | 6109 | 16-Jul-09 | 1445 | 365 | 88,981,160 |
| 98 | 6110 | 5-Mar-11 | 848 | 365 | 88,981,160 |
| 99 | 6111 | 31-Mar-10 | 1187 | 365 | 88,981,160 |
| 100 | 6112 | 21-Jun-13 | 9 | 9 | 2,194,056 |
| 101 | 6113 | 12-Mar-13 | 110 | 110 | 26,816,240 |
| 102 | 6114 | 6-May-10 | 1151 | 365 | 88,981,160 |
| 103 | 6116 | 11-May-10 | 1146 | 365 | 88,981,160 |
| 104 | 6118 | 29-Jun-11 | 732 | 365 | 88,981,160 |
| 105 | 6119 | 27-Aug-12 | 307 | 307 | 74,841,688 |
| 106 | 6120 | 13-Mar-13 | 109 | 109 | 26,572,456 |
| 107 | 6121 | 12-May-12 | 414 | 365 | 88,981,160 |
| 108 | 6122 | 9-Jun-10 | 1117 | 365 | 88,981,160 |
| 109 | 6123 | 29-Jan-09 | 1613 | 365 | 88,981,160 |
| 110 | 6124 | 20-Aug-11 | 680 | 365 | 88,981,160 |
| 111 | 6125 | 13-Mar-11 | 840 | 365 | 88,981,160 |
| 112 | 6126 | 6-Oct-11 | 633 | 365 | 88,981,160 |
| 113 | 6128 | 24-Aug-11 | 676 | 365 | 88,981,160 |
| 114 | 6129 | 12-Jun-13 | 18 | 18 | 4,388,112 |
| 115 | 6130 | 5-May-12 | 421 | 365 | 88,981,160 |
| 116 | 6131 | 16-Oct-12 | 257 | 257 | 62,652,488 |
| 117 | 6132 | 18-Jul-12 | 347 | 347 | 84,593,048 |
| 118 | 6133 | 19-Jul-12 | 346 | 346 | 84,349,264 |
| 119 | 6134 | 23-May-12 | 403 | 365 | 88,981,160 |
| 120 | 6136 | 12-Jan-13 | 169 | 169 | 41,199,496 |
| 121 | 6139 | 12-Dec-12 | 200 | 200 | 48,756,800 |
| 122 | 6140 | 5-May-11 | 787 | 365 | 88,981,160 |
| 123 | 6142 | 4-Apr-12 | 452 | 365 | 88,981,160 |
| 124 | 6143 | 23-Jun-10 | 1103 | 365 | 88,981,160 |
| 125 | 6201 | 8-Nov-10 | 965 | 365 | 88,981,160 |
| 126 | 6203 | 8-Oct-12 | 265 | 265 | 88,981,160 |
| 127 | 6205 | 5-Nov-10 | 968 | 365 | 88,981,160 |
| 128 | 6206 | 12-Apr-09 | 1540 | 365 | 88,981,160 |
| 129 | 6207 | 19-Oct-09 | 1350 | 365 | 88,981,160 |
| 130 | 6208 | 16-May-11 | 776 | 365 | 88,981,160 |
| 131 | 6209 | 20-Dec-10 | 923 | 365 | 88,981,160 |
| 132 | 6210 | 26-Jan-13 | 155 | 155 | 37,786,520 |
| 133 | 6211 | 1-Jun-11 | 760 | 365 | 88,981,160 |

| | | | | | |
|---|---|---|---|---|---|
| 134 | 6212 | 10-Sep-11 | 659 | 365 | 88,981,160 |
| 135 | 6213 | 27-Mar-09 | 1556 | 365 | 88,981,160 |
| 136 | 6214 | 16-Oct-10 | 988 | 365 | 88,981,160 |
| 137 | 6216 | 7-Dec-10 | 936 | 365 | 88,981,160 |
| 138 | 6217 | 7-Mar-09 | 1576 | 365 | 88,981,160 |
| 139 | 6218 | 26-Jun-13 | 4 | 4 | 975,136 |
| 140 | 6219 | 2-Feb-10 | 1244 | 365 | 88,981,160 |
| 141 | 6220 | 3-Nov-10 | 970 | 365 | 88,981,160 |
| 142 | 6221 | 6-Sep-11 | 663 | 365 | 88,981,160 |
| 143 | 6222 | 22-Oct-10 | 982 | 365 | 88,981,160 |
| 144 | 6223 | 29-Dec-09 | 1279 | 365 | 88,981,160 |
| 145 | 6224 | 20-Oct-09 | 1349 | 365 | 88,981,160 |
| 146 | 6225 | 11-Dec-09 | 1297 | 365 | 88,981,160 |
| 147 | 6601 | 16-Oct-12 | 257 | 257 | 62,652,488 |
| 148 | 6603 | 24-Dec-12 | 188 | 188 | 45,831,392 |
| 149 | 8003 | 6-Feb-08 | 1971 | 365 | 88,981,160 |
| 150 | 8005 | 13-Oct-08 | 1721 | 365 | 88,981,160 |
| 151 | 8007 | 16-Oct-12 | 257 | 257 | 62,652,488 |
| 152 | 8008 | 18-Apr-06 | 2630 | 365 | 88,981,160 |
| 153 | 8009 | 8-May-13 | 53 | 53 | 12,920,552 |
| 154 | 8010 | 28-Apr-09 | 1524 | 365 | 88,981,160 |
| 155 | 8020 | 1-Jun-09 | 1490 | 365 | 88,981,160 |
| 156 | 8029 | 14-May-07 | 2239 | 365 | 88,981,160 |
| 157 | 8031 | 19-Nov-11 | 589 | 365 | 88,981,160 |
| 158 | 8032 | 13-Apr-06 | 2635 | 365 | 88,981,160 |
| 159 | 8033 | 18-Aug-11 | 682 | 365 | 88,981,160 |
| 160 | 8034 | 11-Jul-12 | 354 | 354 | 86,299,536 |
| 161 | 8036 | 9-Oct-06 | 2456 | 365 | 88,981,160 |
| 162 | 8038 | 1-Aug-11 | 699 | 365 | 88,981,160 |
| 163 | 8044 | 1-Mar-12 | 486 | 365 | 88,981,160 |
| 164 | 8051 | 16-Oct-12 | 257 | 257 | 62,652,488 |
| 165 | 8055 | 22-Feb-11 | 859 | 365 | 88,981,160 |
| 166 | 8057 | 31-Oct-07 | 2069 | 365 | 88,981,160 |
| 167 | 8061 | 19-Mar-07 | 2295 | 365 | 88,981,160 |
| 168 | 8062 | 19-Feb-12 | 497 | 365 | 88,981,160 |
| 169 | 8066 | 10-Jun-13 | 20 | 20 | 4,875,680 |
| 170 | 8070 | 25-Jan-08 | 1983 | 365 | 88,981,160 |
| 171 | 8072 | 15-Jun-13 | 15 | 15 | 3,656,760 |
| 172 | 8076 | 6-Apr-12 | 450 | 365 | 88,981,160 |
| 173 | 8077 | 12-May-08 | 1875 | 365 | 88,981,160 |
| 174 | 8078 | 15-Dec-12 | 197 | 197 | 48,025,448 |
| 175 | 8080 | 18-Aug-10 | 1047 | 365 | 88,981,160 |
| 176 | 8203 | 29-Jun-13 | 1 | 1 | 243,784 |
| 177 | 8210 | 4-Apr-13 | 87 | 87 | 21,209,208 |
| 178 | 8213 | 15-Jun-13 | 15 | 15 | 3,656,760 |
| 179 | 8214 | 17-Mar-13 | 105 | 105 | 25,597,320 |
| 180 | 8220 | 18-May-13 | 43 | 43 | 10,482,712 |

| | | | | | |
|---|---|---|---|---|---|
| 181 | 8221 | 18-May-13 | 43 | 43 | 10,482,712 |
| 182 | 8222 | 10-Jun-13 | 20 | 20 | 4,875,680 |
| 183 | 8301 | 13-Dec-12 | 199 | 199 | 48,513,016 |
| 184 | 8302 | 28-Jun-11 | 733 | 365 | 88,981,160 |
| 185 | 8303 | 28-May-11 | 764 | 365 | 88,981,160 |
| 186 | 8304 | 3-Aug-12 | 331 | 331 | 80,692,504 |
| 187 | 8305 | 10-Oct-11 | 629 | 365 | 88,981,160 |
| 188 | 8307 | 1-Sep-12 | 302 | 302 | 73,622,768 |
| 189 | 8308 | 27-Jan-12 | 520 | 365 | 88,981,160 |
| 190 | 8309 | 21-Oct-12 | 252 | 252 | 61,433,568 |
| 191 | 8310 | 18-Jun-13 | 12 | 12 | 2,925,408 |
| 192 | 8314 | 14-Jan-13 | 167 | 167 | 40,711,928 |
| 193 | 8315 | 13-Aug-10 | 1052 | 365 | 88,981,160 |
| 194 | 8316 | 31-Dec-11 | 547 | 365 | 88,981,160 |
| 195 | 8319 | 11-Jul-12 | 354 | 354 | 86,299,536 |
| 196 | 8320 | 4-Jun-13 | 26 | 26 | 6,338,384 |
| 197 | 8322 | 12-Jun-13 | 18 | 18 | 4,388,112 |
| **Total loss of potential earnings during 2012-13 (in Rs)** | | | | | **13,305,243,152** |
| **(Rs in million)** | | | | | **13,305.24** |

Source: Record of CME, Loco, Lahore

**Note:-**

As per PC-I of procurement of 150 locomotives the earnings of locomotives was as under:

| | (Rs in million) |
|---|---|
| (a) Earnings of a 3000 HP locomotive per year = | 107.605 |
| (b) Earnings of a 2000 HP locomotive per year = | 70.357 |
| (c) Total [a + b] | 177.962 |
| (d) Average earnings of a locomotive per year [c/2] | 88.981 |
| (e) Average earnings of a locomotive per day [d/365] | 0.243783562 |
| Average earnings of a locomotive per day (in Rs) | 243,783.5616 |

**Annexure-6**

**Number of Traction Motors (TM) Fitted in Locomotives**

| Class of Locomotives | Qty | Full Complement | | Locomotives with Less No. of TMs | | | |
|---|---|---|---|---|---|---|---|
| | No. | 6 TM | 4 TM | 5 TM | 4 TM | 3 TM | 2 TM |
| AGE-30 | 9 | 3 | | 3 | 3 | | |
| GMU-30 | 12 | 8 | | | 4 | | |
| HGMU-30 | 8 | | | | 4 | 4 | |
| DPU-30 | 6 | 5 | | 1 | | | |
| DPU-20 | 2 | | 2 | | | | |
| RGE-24 | 10 | 2 | | 2 | 5 | 1 | |
| GRU-20 | 22 | 2 | | | 4 | 3 | 13 |
| RGE-20 | 9 | 6 | | | 1 | 1 | 1 |
| HAU-20 | 12 | 2 | | | 7 | | 3 |
| HBU-20 | 24 | 15 | | | 9 | | |
| PHA-20 | 10 | 1 | | | 9 | | |
| ARU-20 | 8 | | 8 | | | | |
| GMU-15 | 11 | 1 | | 1 | 2 | 2 | 5 |
| GMCU-15 | 13 | 2 | | | 2 | 1 | 8 |
| GEU-15 | 2 | | | | | 1 | 1 |
| ALU-12 | 13 | | 9 | | | 2 | 2 |
| ALU-95 | 12 | | 10 | | | | 2 |
| HAU-10 | 2 | 2 | | | | | |
| **Total** | **185** | **49** | **29** | **7** | **50** | **15** | **35** |

Source: Record of CME, Loco, Lahore

**Annexure-7**

## Shortage of Coaches

| Year | Average No. of Coaches Required | Average No. of Coaches Running | No. of Coaches Short |
|---|---|---|---|
| 2007-08 | N/A | | |
| 2008-09 | 1,435 | 1,292 | 143 |
| 2009-10 | 1,414 | 1,205 | 209 |
| 2010-11 | 1,288 | 1,074 | 214 |
| 2011-12 | 1,012 | 943 | 69 |
| 2012-13 | 940 | 788 | 152 |

Source: Record of the Chief Operating Superintendent, PR, Lahore

Average = Jan + June /2

**Annexure-8**

## Concession to the Journalist and their Families

| Year | Concession | | Total Amount* (Rs) |
|---|---|---|---|
| | Journalist @ 80% | Journalist Family @ 50% | |
| 2009-10 | 9,626,488 | 1,265,360 | 10,891,848 |
| 2010-11 | 9,532,044 | 1,324,699 | 10,856,743 |
| 2011-12 | 8,601,532 | 1,284,795 | 9,886,327 |
| **Total (Rs)** | **27,760,064** | **3,874,854** | **31,634,918** |
| **Rs in million** | **27.76** | **3.87** | **31.63** |

**Source:** Record of the Chief Commercial Manager, PR, Lahore

***** Information pertained to major railway stations only

**Annexure-9**

## Non-Achievement of Targets of Passenger Earnings

(Rs in million)

| Year | Target | Achievements | Variation with Target |
|---|---|---|---|
| 2007-08 | 14,355 | 10,750.465 | (3,604.54) |
| 2008-09 | 15,500 | 12,735.21 | (2,764.79) |
| 2009-10 | 16,000 | 12,531.72 | (3,468.28) |
| 2010-11 | 15,550 | 12,509.93 | (3,040.07) |
| 2011-12 | Not available | | |
| 2012-13 | 13,470 | 13,926.18 | 456.18 |

Source: Record of Commercial Department

**Annexure-10**

## Increase in Per Kilometer Cost of HSD Oil

| Year | Train Run in KMs | Cost of HSD Oil (Rs in million) | Per Km Cost of HSD Oil (Rs) |
|---|---|---|---|
| 1 | 2 | 3 | 4=3/2 |
| 2007-08 | 30,183,337 | 4,111.58 | 136.22 |
| 2008-09 | 30,278,974 | 6,088.11 | 201.07 |
| 2009-10 | 29,883,839 | 6,595.95 | 220.72 |
| 2010-11 | 26,376,567 | 6,395.63 | 242.47 |
| 2011-12 | 20,765,823 | 6,837.67 | 329.28 |
| 2012-13 | 18,860,178 | 6,785.43 | 359.78 |

Source: Record of the Chief Operating Superintendent, PR, Lahore.

$$\textbf{Increase in Per Km Cost of HSD Oil} = \frac{\text{(Cost in 2012-13) – ( Cost in 2007-08)}}{\text{(Cost in 2007-08)}}$$

**Annexure-11**

**Increase in Pay & Allowances (including pension payments)**

**(Rs in million)**

| Year | Pay & Allowances | Pension payments | Total |
|---|---|---|---|
| 2007-08 | 9,414.21 | 4,364.45 | 13,778.66 |
| 2008-09 | 10,871.86 | 5,376.30 | 16,248.16 |
| 2009-10 | 12,115.62 | 6,332.76 | 18,448.38 |
| 2010-11 | 12,285.86 | 8,651.49 | 20,937.35 |
| 2011-12 | 18,133.45 | 11,734.37 | 29,867.82 |
| 2012-13 | 20,311.32 | 12,855.32 | 33,166.64 |
| **Total** | **83,132.32** | **49,314.69** | **132,447.01** |

**Source:** Budget & Appropriation Account of PR

**Increase in pay & allowances =** $\frac{\text{(Pay in 2012-13) – (Pay in 2007-08)}}{\text{(Pay in 2007-08)}}$

Increase in pay and allowances in last six years **116%**
Increase in pension payment in last six years **195%**

**Annexure-12**

**Stock Above Maximum Limit on 30.06.2013**

| Sr. # | Depot Name | | Ordinary | | Emergency | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | No. of Items | Value of Qty Above Maximum Limit | No. of Items | Value of Qty Above Maximum Limit | No. of Items | Value of Qty Above Maximum Limit (Rs) |
| 1 | Diesel | RWP | 156 | 16,349,651.19 | 19 | 12,826,638.09 | 175 | 29,176,289.28 |
| 2 | Diesel | KYC | 56 | 10,271,941.19 | 203 | 18,069,774.24 | 259 | 28,341,715.43 |
| 3 | ADC/YD | MGPR | 2 | 3,555.44 | | | 2 | 3,555.44 |
| 4 | AEF Main | MGPR | 7 | 682,617.20 | | | 7 | 682,617.20 |
| 5 | Bog Main | MGPR | 6 | 567,216.20 | 2 | 14,836.18 | 8 | 582,052.38 |
| 6 | STY Depot | MGPR | | | | | 0 | - |
| 7 | Steel | MGPR | | | | | 0 | - |
| 8 | Loco | MGPR | 133 | 40,952,868.72 | 27 | 961,369 | 160 | 41,914,237.72 |
| 9 | C/W | MGPR | 99 | 27,388,378.59 | | | 99 | 27,388,378.59 |
| 10 | Timber | MGPR | | | | | 0 | - |
| 11 | Signal | LHR | 23 | 243,222.27 | | | 23 | 243,222.27 |
| 12 | Bridge | JMR | | | | | 0 | - |
| 13 | ELCT Loco | MGPR | 3 | 627,421.46 | 3 | 5,793.42 | 6 | 633,214.88 |
| 14 | G/Store | KYC | 3 | 119,912.56 | | | 3 | 119,912.56 |
| 15 | Sub-Depot | HDR | 3 | 12,031.00 | | | 3 | 12,031.00 |
| 16 | Sub-Depot | SUK | 7 | 140,435.40 | | | 7 | 140,435.40 |
| 17 | Sub-Depot | QTA | 5 | 330,715.96 | | | 5 | 330,715.96 |
| | **Total** | | **503** | **97,689,967.18** | **254** | **31,878,410.93** | **757** | **129,568,378.11** |

Source: Inventory Report dated 30.06.2013

**Annexure-13**

## Summary of Surplus/Unutilized Stock

| Sr. # | Depot Name | | Surplus | |
|---|---|---|---|---|
| | | | No. of Items | Value of Qty Above Maximum Limit (Rs) |
| 1 | Diesel | RWP | 126 | 16,333,094.19 |
| 2 | Diesel | KYC | 62 | 11,514,374.45 |
| 3 | ADC/YD | MGPR | 3 | 12,761.15 |
| 4 | AEF Main | MGPR | 7 | 896,502.97 |
| 5 | Bog Main | MGPR | 15 | 329,004.64 |
| 6 | STY Depot | MGPR | 3 | 40,109.00 |
| 7 | Steel | MGPR | 1 | 3,342.64 |
| 8 | Loco | MGPR | 98 | 13,006,173.78 |
| 9 | C/W | MGPR | 103 | 7,305,012.90 |
| 10 | Signal | LHR | 7 | 154,590.31 |
| 11 | Bridge | JMR | 1 | 618.52 |
| 12 | ELCT Loco | MGPR | 18 | 81,417.14 |
| 13 | G/Store | KYC | 7 | 34,648.83 |
| 14 | Sub-Depot | HDR | 4 | 56,384.78 |
| 15 | Sub-Depot | SUK | 22 | 1,997,590.82 |
| 16 | Sub-Depot | QTA | 1 | 21,184.50 |
| | **Total** | | **478** | **51,786,810.62** |
| | **Total (Rs in million)** | | | **51.79** |

Source: Inventory Report dated 30.06.2013

**Annexure-14**

## Expenditure on Pakistan Railways Police

| Year | Expenditure on Policing (Rs in million) | Total No. of FIRs | No. of FIRs in Which Recovery affected |
|---|---|---|---|
| 2007-08 | 874.50 | 594 | 13 |
| 2008-09 | 974.57 | 550 | 19 |
| 2009-10 | 1,117.53 | 504 | 14 |
| 2010-11 | 1,372.96 | 554 | 17 |
| 2011-12 | 1,573.12 | 427 | 25 |
| 2012-13 | 1,720.83 | 320 | 14 |
| **Total** | **7,633.51** | **2,949** | **102** |

Source: Record of the Inspector General, Pakistan Railway Police

**Annexure-15**

## ET System in Different Railways of the World

| Sr. # | Country | Railway Length (km) | Electrified Length (km) | %age of Electrification |
|---|---|---|---|---|
| 1 | Switzerland | 5,063 | 5,063 | 100% |
| 2 | Poland | 19,627 | 17,358 | 88% |
| 3 | South Africa | 31,000 | 24,800 | 80% |
| 4 | Japan | 23,474 | 16,702 | 71% |
| 5 | Italy | 24,179 | 16,683 | 69% |
| 6 | North Korea | 5,235 | 3500 | 67% |
| 7 | Austria | 5,927 | 3,863 | 65% |
| 8 | Sweden | 12,821 | 7,918 | 62% |
| 9 | Spain | 15,064 | 8,760 | 58% |
| 10 | Germany | 37,679 | 20,497 | 54% |
| 11 | Finland | 5,919 | 3,067 | 52% |
| 12 | France | 29,901 | 15,140 | 51% |
| 13 | China (PRC) | 98,000 | 48,000 | 49% |
| 14 | Russia | 128,000 | 50,000 | 39% |
| 15 | India | 65,000 | 22,224 | 34% |
| 16 | United Kingdom | 16,321 | 5,328 | 33% |
| 17 | Turkey | 12,000 | 3,159 | 26% |
| 18 | Iran | 11,106 | 2,346 | 21% |
| 19 | Australia | 38,445 | 2,715 | 7% |
| 20 | Indonesia | 8,529 | 550 | 6% |
| 21 | Brazil | 29,817 | 1,122 | 4% |
| 22 | Pakistan | 7,791 | 0 | 0% |

Source: http://en.wikipedia.org/wiki/List_of_countries_by_rail_transport_network_size

**NATIONAL ASSEMBLY SECRETARIAT**
(Public Accounts Committee Wing)

No.F.10 (1)/2013-14/2016-PAC (Railways) Islamabad,

the 22nd December, 2016

Subject:- **ACTIONABLE POINTS ARISING OUT FROM DISCUSSION OF PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON 7th DECEMBER, 2016, ON THE APPROPRIATION ACCOUNTS 2012-13 AND AUDIT REPORT 2013-14 PERTAINING TO MIO RAILWAYS.**

Please find enclosed herewith Actionable Points arising out from discussion of the Public Accounts Committee meeting held on 7th December, 2016, in the Parliament House, Islamabad on the Appropriation Accounts 2012-13 and Audit Report 2013-14, pertaining to Ministry of Railways.

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

**3.** Kindly acknowledge receipt.

**(SYED FAYYAZ HUSSAIN SHAH)**
Joint Secretary (PAC)
Tele: No.9103181

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

**Copy also forwarded for information and necessary action to:-**

1. Deputy Auditor General (FAO), Audit House, Constitution Avenue, Islamabad.
2. The Director General Audit (Railways), Railway's Headquarter Empress Road, Lahore.
3. Accountant General Pakistan Revenues, AGPR Complex, G-8/4, Islamabad
4. Joint Secretary (BI), Finance Division, Islamabad.

5. Section Officer (PAC Imp), N. A. Secretariat, Islamabad.

**(SYED FAYYAZ HUSSAIN SHAH)**
Joint Secretary (PAC)
Tele: No.9103181

**NATIONAL ASSEMBLY SECRETARIAT**
(Public Accounts Committee Wing)
www.pac.na.gov.pk

## ACTIONABLE POINTS

Actionable points arising out from discussion of PAC meeting held on 7th December, 2016 to examine the Appropriation Accounts for the year 2012 2013 and Audit Reports / Special Audit Reports for the years 2013-14 pertaining to Ministry of **Railways** are as under:

Before taking up the Audit Reports, the Secretary Railways Division gave comprehensive briefing on the overall performance of the organization. The Committee was apprised about the financial health of the organization. Copy of the presentation is annexed.

After detailed discussion, the Committee gave the following directions.

I. The Committee observed that the successive management of the Pakistan Railways not only failed to maintain the existing infrastructure but also did not cope with the changing environment.

II. The Committee also expressed dismay over the increasing trends in accidents due to faulty infrastructure. The issue of alleged payments to the contractor for development of signals was raised in the meeting and the PAO was directed to investigate the matter and report thereof be submitted to the Committee.

III. The Committee while discussing the up gradation of ML-l under CPEC directed to ensure transparency in awarding contracts by fulfilling PPRA Rules as the said loan will also be re-paid.

IV. The Committee also directed the PAO to conduct inquiry into the print report alleging the purchase of defective locomotives and submit report to the Committee. I

## APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2012-13

### 1. GRANT NO. 0933 - PAKISTAN RAILWAYS (DEPARTMENTAL GRANT) SAVING OF RS. 3,212.618 MILLION

**PAC DIRECTIVE**

The Committee settled the above grant.

## AUDIT REPORT FOR THE YEAR 2013-14
## MINISTRY OF RAILWAYS

### 1. PARA NO. 2.4.6 PAGE NO. 25
### RECOVERABLE AMOUNT ON ACCOUNT OF MAINTENANCE/OPERATIONAL CHARGES OF LEVEL CROSSINGS RS 575.10 MILLION

Audit pointed out the following:

(i) The audit of the Chief Engineer/Open Line, Lahore revealed that an amount of Rs 371.70 million was recoverable on account of maintenance/operational charges of level crossings up to 30th June, 2012. A considerable period had elapsed but no action was taken to recover the outstanding dues.

(ii) The audit of Works Accounts Branch, Multan in September, 2013 revealed that level crossing charges (wages of gate keepers) of Rs. 138.941 million for the period from July, 2012 to June, 2013 were outstanding against their sponsors.

(iii) Audit of the Deposit Works in Rawalpindi Division disclosed that an amount of Rs 44.12 million was outstanding against different sponsoring agencies on account of maintenance charges of level crossings and sidings for the period 1st July 2012 to 30th June 2013.

(iv) The audit of Encroachment of land record in Quetta Division disclosed that an amount of Rs 20.34 million was recoverable from Government, Semi Government Departments, and Autonomous Bodies on account of interest and maintenance charges and wages of gate-keepers.

The PAO informed that the recoveries with regard to land related issues and Railway crossings are on going process and efforts are being made for the recoveries. An amount of Rs. 156.10 million has been recovered.

**PAC DIRECTIVE**

The Committee directed as under:

I. The Committee settled the para subject to recovery to be verified by Audit within three months.

II. The Committee directed the PAO to convey the directive of the Committee to the Finance Division and all the Chief Secretaries of the Provinces to clear the outstanding amount failing which the amount will be deducted from the receivable pool.

**2. PAR NO. 2.4.1 PAGE NO. 17**

**THEFT OF PERMANENT WAY MATERIAL - RS 259.47 MILLION**

Audit pointed out that Audit of following offices of Pakistan Railways revealed theft of material valuing Rs 259.47 million.

| S. No. | DP No. | Name of Office | Type of Material | Period of irregularity | Value of material (Rs. in million) |
|---|---|---|---|---|---|
| 1 | 5821 | Assistant Executive Engineer, Jhelum | Permanent way material | November, 2004 to September, 2012 | 11.40 |
| 2 | 5820 | -do- | -do- | -do- | 7.39 |
| 3 | 6154 | Assistant Executive Engineer, Larkana | -do- | - | 240.45 |
| 4 | 6144 | Works Manager PLF Risalpur | 316 kg copper coils | October, 2012 | 0.23 |
| | | | | **Total** | **259.47** |

During the course of discussion the Committee raised questions as to how the GM reinstated the accused Permanent Way Inspector and posted on the same position.

**PAC DIRECTIVE**

The Committee referred back the para for further discussion at DAC level in the light of discussion in the PAC and report to the Committee.

3. **PARA NO.3.7 8 PAGE NO.119-120 ENCROACHMENT OF RAILWAY LAND**

Audit pointed out that the audit during last six (06) years reported un-authorized occupation /encroachment of railway land valuing Rs 14,413 million. Audit observed that there was an increasing trend of encroachment of Railway land. Whereas an analysis of expenditure on Policing during last six years disclosed that total expenditure on Policing was Rs 874.50 million in 2007-08 which increased to Rs 1,720.83 million in 2012-13 (96.78%).

The PAO informed that more than three thousands acres of land has been retrieved and efforts are being made to recover the remaining land.

**PAC DIRECTIVE**

The Committee directed the PAO to make hectic efforts for retrieval of encroached land.

4. **PARA N0.3.7.5 PAGE NO.117-118**
**BAD RECEIVABLE MANAGEMENT**

Audit pointed out that overdue receivables of REDAMCO were Rs.941.43 million upto 30.11.2012.

The PAO informed that a major amount of Rs. 678.839 million was outstanding against Royal

Palm and Country Club which is subjudice. He wanted to give an exclusive briefing on the said issue.

**PAC DIRECTIVE**

The Committee pended the para, however, decided to have an exclusive briefing on the issue of Royal Palm and Country Club in the next meeting.

5. **PARA N0.3.6.1 PAGE NO.109-110**
**BLOCKAGE OF CAPITAL WORTH RS 498.34 MILLION**

Audit pointed out that review of the Inventory Report as on 30.06.2013 disclosed that 757 stores items valuing Rs 129.57 million were lying over and above maximum limits on the entire system of PR. Two thousand six hundred and ten (2610) store

items valuing Rs 368.77 million were found lying surplus / un-utilized in different depots for more than 02 years. The procurement of material in excess of requirement and non-disposal of surplus material resulted in blockage of capital amounting to Rs 498.34 million. This indicated that inventory management of PR was ineffective.

The PAO informed that items worth Rs. 375.693 million have been utilized and shared with Audit.

**PAC DIRECTIVE**

The Committee settled the para subject to verification of record by Audit.

**6. PARA NO.3.8.2 PAGE NO.123-124**
**NON-INCLUSION OF SECURITY/PERFORMANCE CLAUSE: ACCUMULATION OF ARREARS WORTH RS 361 MILLION**

Audit pointed out that two contracts dated 18.08.2011 and dated 14.10.2011 were made for commercial management of Business Express Train and Shalimar Express Trains respectively without safeguarding interest of Pakistan Railways. No clause was kept in these contracts for security money. An unfavorable clause, that the fare to be charged by the PR will remain unchanged during the 1st year of the contract, was included in the contracts which was prima facie very detrimental to the interest of PR. Moreover, non-enforcement of contract clauses (contractor will pay journey fare on daily basis before commencement of the train journey and in case no amount is deposited till the 6th day the train will be suspended) of Business Train resulted in accumulation of arrears amounting to Rs 361 million up to 17.09.2013.

The PAO informed that the matter is subjudice in the court of law.

**PAC DIRECTIVE**

The Committee directed the PAO to pursue to court case vigorously.

7. **PARA NO.3.6.3 PAGE NO.111**
**DEFECTIVE INVENTORY PLANING**

Audit pointed out that total 9,959 store items (56.73% of total items) were out of stock, of which 6,121 store items (61.46%) represent store items of the Mechanical Department. Further, 527 mechanical store items valuing Rs 80.516 million were laying above prescribed maximum limit and 1,299 mechanical store items (50%) valuing Rs 180.516 million were surplus. This indicated that either right material was not procured or material was procured in excess of the requirement/unnecessarily. This reflected defective inventory planning and lack of co-ordination among consuming, store and procurement departments.

The PAO informed that most of the items have been utilized and the rest of the inventory items are in the process of utilization as the same has not been declared dead stock.

**PAC DIRECTIVE**

The Committee settled the para.

8.

i. **PARA NO. 1.1.1**
**UN-AUTHORIZED UTILIZATION OF PUBLIC MONEY - RS 5,610.61 MILLION.**

ii. **PARA NO.1.1.2**
**NON-ADJUSTMENT OF MISCELLANEOUS ADVANCE AMOUNTING TO RS 1,860.35 MILLION DUE TO LESS RECOVERY/ADJUSTMENT OF ADVANCES FOR LOCAL PURCHASE, UTILITY CHARGES ETC.**

iii. **PARA NO.1.1.3**
**INCORRECT REPORTING AND VALUATION OF FIXED ASSETS DUE TO NON-RECOGNITION OF DEPRECIATION, DISPOSAL AND LOSSES.**

iv. **PARA NO.1.1.4**
**NON-REFLECTION OF FOREIGN LOANS/CREDITS USING LATEST EXCHANGE RATES.**

v. **PARA NO.1.1.5**

**OVERSTATEMENT OF ASSETS AS WELL AS LIABILITIES BY RS 6,798.27 MILLION DUE TO DOUBLE ACCOUNTAL OF FEDERAL GOVERNMENT INVESTMENT.**

vi. **PARA NO.2.2.1**

**COMPARISON OF ALLOCATED BUDGET WITH ACTUAL EXPENDITURE.**

vii. a) **PARA NO.2.2.2**

**COMPARATIVE ANALYSIS OF (PROFIT & LOSS ACCOUNT**

b) **PARA NO.2.2.2**

**COMPARATIVE ANALYSIS OF (BALANCE SHEET)**

viii. **PARA NO. 2.2.4**

**COMMENTS ON THE FINANCIAL STATEMENTS OF RAILCOP**

ix. **PARA NO. 2.4.3**

(I) **TEMPORARY MISAPPROPRIATION OF GOVERNMENT MONEY RS 4.19 MILLION.**

(II) **SHORTAGE OF CASH RS.0.36 MILLION.**

x. **PARA NO. 2.4.7**

**UN-AUTHORIZED PURCHASE OF MATERIAL FOR TWO GUE-15 LOCOMOTIVES RS 85.68 MILLION**

xi. **PARA NO. 2.4.8**

**LESS RECOVERY OF UTILITY CHARGES RS 34.53 MILLION.**

xii. **PARA NO. 2.4.9**

**IRREGULAR EXPENDITURE DUE TO ENGAGEMENT OF STAFF IN EXCESS OVER SANCTIONED STRENGTH RS 20.59 MILLION.**

xiii. **PARA NO. 2.4.10**

**IRREGULAR AWARD OF CONTRACT TO RAILCOP WITHOUT FAIR COMPETITION RS 16.54 MILLION**

xiv. **PARA NO. 2.4.11**

**IMPRUDENT EXPENDITURE ON ESTABLISHING RAILCOP SAUDI ARABIA BRANCH RS 14.42 MILLION**

xv. **PARA NO. 2.4.12**

**IRREGULAR DRAWL OF MILEAGE/RUNNING ALLOWANCE RS 13.92 MILLION**

xvi. **PARA NO. 2.4.13**

**UNAUTHORIZED UTILIZATION OF VENDING STALLS BY THE CONTRACTOR RESULTING IN NON-RECOVERY OF RS 13.68 MILLION.**

xvii. **PARA NO. 2.4.14**

**IRREGULAR EXPENDITURE DUE TO WRONG UTILIZATION OF STAFF RS 12.52 MILLION.**

xviii. **PARA NO. 2.4.16**

**NON-RECOVERY OF GST FROM CONTRACTORS RS 7.46 MILLION**

xix. **PARA NO. 2.4.19**

**DEFECTIVE PROCUREMENT OF HYDRAULIC OIL OF INCORRECT SPECIFICATIONS RS 3.12 MILLION**

xx. **PARA NO. 2.4.25**

**LOSS OF POTENTIAL EARNINGS DUE TO DELAY IN REPAIR/ NON-MANUFACTURING OF COACHES-RS 3422.23 MILLION**

xxi. **PARA NO. 2.4.27**

**LOSS OF POTENTIAL EARNING DUE TO DEFECTIVE REPAIR OF LOCOMOTIVES RS 315 MILLION.**

xxii. **PARA NO. 2.4.28**

**UNNECESSARY PROCUREMENT OF MATERIAL RS 222.20 MILLION.**

xxiii. **PARA NO. 2.4.30**
**LASS DUE TO SUBSTANDARD REPAIR/FAILURE OF TRACTION MOTORS RS 139.97 MILLION**

xxiv. **PARA NO. 2.4.31**
**NON-RECOVERY OF RAILWAY DUES RS 136.23 MILLION.**

xxv. **PARA NO. 2.4.32**
**UNJUSTIFIED PAYMENT OF OVERTIME AND PIECE WORK RS 124.12 MILLION.**

xxvi. **PARA NO. 2.4.33**
**UNJUSTIFIED EXPENDITURE DUE TO ENGAGEMENT OF STAFF ON TLA RS 80.80 MILLION.**

xxvii. **PARA NO. 2.4.34**
**NON-RECOVERY OF RAILWAY DUES ON ACCOUNT OF CANCELLATION OF TRAINS RS 66.06 MILLION**

xxviii. **PARA NO. 2.4.35**
**NON-REPLACEMENT OF DEFECTIVE MATERIAL RS 52.98 MILLION.**

xxix. **PARA NO. 2.4.36**
**LOSS DUE TO EXCESS CONSUMPTION OF FUEL RS 52.34 MILLION.**

xxx. **PARA NO. 2.4.37**
**NON-DISPOSAL OF MATERIAL RS 48.66 MILLION.**

xxxi. **PARA NO. 2.4.40**
**LOSS DUE TO MANUFACTURING OF SUBSTANDARD SLEEPERS RS 16.42 MILLION**

xxxii. **PARA NO. 2.4.41**
**LOSS DUE TO NON-EXECUTION OF FRESH AGREEMENTS RS.13.76 MILLION.**

xxxiii. **PARA NO. 2.4.42**

**LOSS DUE TO UNECONOMICAL OPERATION OF SHUTTLE TRAIN RS 13.49 MILLION**

xxxiv. **PARA NO. 2.4.44**

**AVOIDABLE EXPENDITURE ON ACCOUNT OF LATE PAYMENT SURCHARGE RS 6.29 MILLION**

xxxv. **PARA NO. 2.4.45**

**LOSS DUE TO NON-REPLACEMENT OF MATERIAL UNDER WARRANTY RS 5.37 MILLION.**

xxxvi. **PARA NO. 2.4.46**

**LOSS DUE TO IRREGULAR CONTINUATION OF KIOSKS OF M/S COCA COLA AND NON-AUCTIONING OF STALLS RS 5.00 MILLION.**

xxxvii. **PARA NO. 2.4.47**

**LOSS DUE TO EXCESS/AVOIDABLE CONSUMPTION OF FUEL RS 2.14 MILLION.**

xxxviii. **PARA NO. 2.4.48**

**NON-RECOVERY FROM CONTRACTORS OF PRIVATE TRAINS RS 468.28 MILLION**

xxxix. **PARA NO. 2.4.49**

**NON-RECOVERY OF RAILWAY DUES FROM PUBLIC/PRIVATE BODIES RS 241.73 MILLION.**

xl. **PARA NO. 2.4.51**

**UNAUTHORIZED OCCUPATION OF RAILWAY LAND RS 2,416.20 MILLION.**

xli. **PARA NO. 2.4.52**

**UNJUSTIFIED EXPENDITURE ON PROCUREMENT OF MATERIAL RS 257.04 MILLION.**

xlii. **PARA NO. 2.4.54**

**LOSS DUE TO UNAUTHORIZED UTILIZATION OF EXTRA SPACE BY LUGGAGE VAN CONTRACTORS RS 5.19 MILLION.**

xliii. **PARA NO. 2.4.55**
**LOSS DUE TO CANCELLATION OF LEASE RS 2.52 MILLION PER ANNUM**

xliv. **PARA NO. 2.4.56**
**NON-RECOVERY OF COMMERCIAL RENT OF BUNGALOW RS 2.42 MILLION**

xlv. **PARA NO. 2.4.58**
**IRREGULAR ACCEPTANCE OF SUB-STANDARD MATERIAL RS 1.74 MILLION.**

xlvi. **PARA NO. 3.4.2**
**NON-AVAILABILITY OF SUFFICIENT NUMBER OF OPERATIONAL LOCOMOTIVES**

xlvii. **PARA NO. 3.4.3**
**MISMANAGEMENT IN REHABILITATION OF LOCOMOTIVES**

xlviii. **PARA NO. 3.4.4(1)**
**DELAY IN REPAIR & MAINTENANCE**

xlix. **PARA NO. 3.4.4(11)**
**DEFECTIVE REPAIR & MAINTENANCE**

l. **PARA NO. 3.4.4(111)**
**LESS PROVISION OF TRACTION MOTORS**

li. **PARA NO. 3.5.1**
**LOW PROFITABILITY OF OPERATIONS**

lii. **PARA NO. 3.5.3 (I)**
**REDUCTION IN NUMBER OF FREIGHT TRAINS**

liii. **PARA NO. 3.5.3(11)**
**SHORT COMPOSITION OF TRAINS**

liv. **PARA NO. 3.5.3(IV)**
**EXCESS CONSUMPTION OF FUEL**

lv. **PARA NO. 3.5.3(V)**
**INCOMPLETE COMPUTERIZATION OF TICKETING**

lvi. **PARA NO. 3.5.3(VI)**
**NON-ACHIEVEMENT OF TARGETS OF PASSENGER EARNINGS**

lvii. **PARA NO. 3.5.3(VII)**
**IRRATIONAL DETERMINATION OF PRICES/FARES**

lviii. **PARA NO. 3.6.2**
**NON-DISPOSAL OF OBSOLETE STOCK VALUING RS 51.79 MILLION**

lix. **PARA NO. 3.6.4**
**OUTDATED STORE INVENTORY SOFTWARE APPLICATION**

lx. **PARA NO. 3.6.5**
**UNJUSTIFIED EXPENDITURE ON RAILWAY POLICE**

lxi. **PARA NO. 3.7.1**
**NON-ACHIEVEMENTS OF TARGETS**

lxii. **PARA NO. 3.7.3**
**WEAK CONTRACT MANAGEMENT**

lxiii. **PARA NO. 3.7.4**
**LEASING OF ROYAL PALM GOLF AND COUNTRY**

lxiv. **PARA NO. 3.7.7**
**LEASING OUT OF RAILWAY SURPLUS LAND**

lxv. **PARA NO. 3.7.9**
**NO RECORD OF LAND AND LEASING OF LAND**

lxvi. **PARA NO. 3.7.10**
**NON-RECOVERY OF LEASE RENTALS**

lxvii. **PARA NO. 3.7.11**
**NON-ACHIEVEMENT OF TARGETS**

lxviii. **PARA NO. 3.8.1**
**IMPRUDENT DECISIONS**

lxix. **PARA NO. 3.8.3**
**FAVORITISM IN AWARDING CONTRACTS**

lxx. **PARA NO. 3.8.4**
**INJUDICIOUS AMENDMENTS IN CONTRACTS**

lxxi. **PARA NO. 3.8.5**
**UN-VERIFIED VALUE ADDED INVESTMENTS BY CONTRACTORS.**

lxxii. **PARA NO. 3.9.1**
**ELECTRIC TRACTION IN PR**

lxxiii. **PARA NO. 4.1.1**
**NON-PRODUCTION OF FEASIBILITY STUDY/PC-I**

lxxiv. **PARA NO. 4.1.3**
**UNREALISTIC FINANCIAL VIABILITY REPORTED IN PC-I**

lxxv. **PARA NO. 4.1.6**
**IRREGULAR CHANGE OF SCOPE OF CONSTRUCTION OF BRIDGES**

lxxvi. **PARA NO. 4.1.7**
**UNJUSTIFIED INCLUSION OF BRIDGES EXTENSION AND SIGNALING REHABILITATIQN WORK-RS. 917 MILLION**

lxxvii. **PARA NO. 4.1.8**
**UNJUSTIFIED PROVISION FOR TELECOMMUNICATION WORK RS.10 MILLION**

lxxviii. **PARA NO. 4.2.3**
**PERSISTENT PROJECT MISMANAGEMENT**

lxxix. **PARA NO. 4.2.4**
**NON-PROXIMITY OF PD OFFICE**

lxxx. **PARA NO. 4.3.2**
**FUNDS NOT-UTILIZED AMOUNTING TO RS. 352 MILLION**

lxxxi. **PARA NO. 4.3.4**
**NON-MAINTENANCE OF SEPARATE BANK ACCOUNT**

lxxxii. **PARA NO. 4.3.7**
**INCORRECT REPORTING TO PSDP**

lxxxiii. **PARA NO. 4.4.1**
**UNJUSTIFIED INCREASE IN COST OF TRACK - RS. 1,573 MILLION**

lxxxiv. **PARA NO. 4.4.3**
**FIVE (5) MACHINES COSTING RS. 732.89 MILLION YET TO BE PROCURED AT COMPLETION STAGE**

lxxxv. **PARA NO. 4.4.4**
**UNJUSTIFIED ENHANCEMENT OF RS. 48.69 MILLION AGAINST MACHINES ALREADY PROCURED**

lxxxvi. **PARA NO. 4.4.5**
**EXPECTED FOREIGN EXCHANGE LOSS OF RS. 206.20 MILLION DUE TO DELAYED IN PROCUREMENT**

lxxxvii. **PARA NO. 4.5.2**
**IRREGULAR BRIDGE CONSTRUCTION WORK - RS. 15 MILLION**

lxxxviii. **PARA NO. 4.5.3**
**POOR PROGRESS IN EXTENSION OF LEVEL CROSSINGS**

lxxxix. **PARA NO. 4.5.5**
**INCOMPLETE SIGNALING WORK AT LEVEL CROSSINGS**

xc. **PARA NO. 4.5.6**
**NON-EXECUTION OF FENCING/BOUNDARIES WALL IN BIG CITY YARDS & RETAINING WALL**

**xci.** **PARA NO. 4.8.3**
**WASTEFUL EXPENDITURE OF MANUAL SIGNALING SYSTEM - RS. 130 MILLION**

**xcii.** **PARA NO. 4.8.4**
**MAIN LINE OPENED WITHOUT SAFETY CERTIFICATE**

**xciii.** **PARA NO. 4.9.1**
**VERY POOR PERFORMANCE**

**xciv.** **PARA NO. 4.9.3**
**TIME OVERRUNS: DELAY BY 53 MONTHS**

**xcv.** **PARA NO. 4.9.4**
**NO SIGNIFICANT IMPROVEMENT IN SPEED**

**PAC DIRECTIVE**

The Committee referred the above 95 paras for pursuance at DAC level.

**9.** i) **PARA NO. 2.2.3**
**COMMENTS ON THE FINANCIAL STATEMENT OF PRACS**

**ii.** **PARA NO. 2.4.4**
**NON-PRODUCTION OF RECORD VALUING RS 1,143.37 MILLION.**

**iii.** **PARA NO. 2.4.5**
**UNAUTHORIZED PROCUREMENT OF HIGH SPEED DIESEL OIL – RS 2,913.57 MILLION**

**iv.** **PARA NO. 2.4.17**
**LOSS DUE TO SHORT LEVY OF DEPARTMENTAL CHARGES RS 4.32 MILLION.**

**v.** **PARA NO. 2.4.18**
**IRREGULAR PROCUREMENT OF PITCHING STONE ON THROUGH RATE RS 3.15 MILLION**

vi. **PARA NO. 2.4.20**
**IRREGULAR PAYMENT OF HOUSE BUILDING ADVANCES/MOTOR CAR ADVANCE RS 2.75 MILLION.**

vii. **PARA NO. 2.4.21**
**LOSS ON ACCOUNT OF REPAIR OF RAIL-CUM-ROAD BRIDGE RS 1.92 MILLION**

viii. **PARA NO. 2.4.22**
**LOSS DUE TO UNAUTHORIZED UTILIZATION OF RENTED OUT PREMISES RS 1.88 MILLION**

ix. **PARA NO. 2.4.24**
**LOSS OF POTENTIAL EARNINGS DUE TO INORDINATE DELAY IN REPAIR OF LOCOMOTIVES - RS 6,522.64 MILLION**

x. **PARA NO. 2.4.26**
**COST OVERRUN OF THE PROJECT OF 202 COACHES RS 1,589.36 MILLION**

xi. **PARA NO. 2.4.29**
**EXCESS EXPENDITURE ON MANUFACTURING OF SLEEPERS RS 188.78 MILLION**

xii. **PARA NO. 2.4.39**
**LOSS OF REVENUE DUE TO CLOSURE OF VENDING STALLS/SHOPS RS 30.35 MILLION.**

xiii. **PARA NO. 2.4.43**
**EXCESS ISSUANCE OF HSD OIL - RS 11.34 MILLION**

xiv. **PARA NO. 2.4.50**
**LOSS DUE TO MISMANAGEMENT RS 7.96 MILLION.**

xv. **PARA NO. 2.4.53**
**WASTEFUL EXPENDITURE ON REPAIR OF LOCOMOTIVES RS 85.68 MILLION**

xvi. **PARA NO. 2.4.57**
**LOSS DUE TO PAYMENT OF COMMISSION TO CITY BOOKING AGENCY AT HIGHER RATE RS°1.76 MILLION**

xvii. **PARA NO. 2.4.59**
**IRREGULAR EXPENDITURE DUE TO APPOINTMENT OF STAFF THROUGH RAILCOP RS 1.30 MILLION**

xviii. **PARA NO. 3.4.1**
**INABILITY OF PR TO OPERATE TRAINS AT FULL CAPACITY**

xix. **PARA NO. 3.5.2**
**GOVERNMENT POLICY/PRIORITY**

xx. **PARA NO. 3.5.3(VIII)**
**EXORBITANT INCREASE (164%) IN COST OF HSD OIL PER KILOMETER**

xxi. **PARA NO. 3.5.3(IX)**
**INCREASE IN PAY & ALLOWANCES AND PENSION**

xxii. **PARA NO. 3.7.6**
**OPERATIONAL LAND**

xxiii. **PARA NO. 4.1.2**
**ISSUES RELATING TO PC-I**

xxiv. **PARA NO. 4.1.4**
**EXCESS EXPENDITURE IN LOCAL & NO EXPENDITURE IN FOREIGN EXCHANGE COMPONENT (FEC)**

xxv. **PARA NO. 4.1.5**
**UNAUTHORIZED REPLACEMENT/UTILIZATION OF FEC WITH CFE**

xxvi. **PARA NO. 4.1.9**
**UNJUSTIFIED PROVISION FOR LAND & COMPENSATION FOR REMOVAL OF STRUCTURE FROM ACQUIRED LAND - RS. 2 MILLION**

xxvii. **PARA NO. 4.2.1**
**NON-APPOINTMENT OF DEDICATED PROJECT DIRECTOR**

xxviii. **PARA NO. 4.2.2**
**POOR HUMAN RESOURCE MANAGEMENT**

xxix. **PARA NO. 4.2.5**
**NON-USAGE OF IT PROJECT SOFTWARE**

xxx. **PARA NO. 4.3.1**
**IMPROPER MAINTENANCE OF ACCOUNTING RECORD**

xxxi. **PARA NO. 4.3.3**
**UNJUSTIFIED ADJUSTMENTS AMOUNTING TO RS. 485 MILLION**

xxxii. **PARA NO. 4.3.5**
**UNJUSTIFIED EXPENDITURES ON TLA - RS. 37.36 MILLION**

xxxiii. **PARA NO. 4.3.6**
**POSTING OF EXPENDITURE OF TLA, RSB, TA IN TWO DIFFERENT UN-IDENTIFIED HEADS**

xxxiv. **PARA NO. 4.3.8**
**NON-PRODUCTION OF RECORD**

xxxv. **PARA NO. 4.4.2**
**NON-ADJUSTMENT OF RS. 44 MILLION AGAINST EARNEST MONEY**

xxxvi. **PARA NO. 4.5.1**
**ET SHIFTING OR DISMANTLE ON DOUBLE TRACK**

xxxvii. **PARA NO. 4.5.4**
**NO RE-ALIGNMENT OF CURVES**

xxxviii. **PARA NO. 4.6.2**
**NON-UTILIZATION OF TRACK MACHINES**

xxxix. **PARA NO. 4.7.1**
**NON-SUBMISSION OF COMPUTERIZED REPORTS ON "PROJECT MONITORING & EVALUATION SYSTEM" (PMES).**

xl. **PARA NO. 4.8.1**
**DIFFERENT STANDARDS OF TRACK LAYING**

xli. **PARA NO. 4.8.2**
**THIRD PARTY VALIDATION FOR THE QUALITY OF WORK**

xlii. **PARA NO. 4.9.2**
**COST OVERRUNS: UNAPPROVED COST OF RS. 6,047 MILLION**

The Committee settled the above 42 paras on the recommendation of DAC.