



SPECIAL STUDY
ON
REVENUE COLLECTION IN
PAKISTAN RAILWAYS
AUDIT YEAR 2015-16

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor-General conducts audits subject to Article 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. The Special Study of Revenue Collection, a major function of Pakistan Railways was carried out accordingly.

The Directorate General Audit Railways conducted this Special Study during audit year 2015-16 with a view to reporting significant findings to stakeholders. Audit examined the overall performance of revenue collection function. Besides, it was also assessed, on test check basis in some particular areas, whether the function was performed in compliance with applicable laws, rules and regulations. This Special Study indicates specific actions that, if taken, will help the management achieve the transparency, accuracy and timeliness in the performance of this particular function. Most of the observations included in this report have been finalized in the light of discussions in the DAC meeting.

The Special Study is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973.

Dated: 30.08.2017

**-Sd-
(Javaid Jehangir)
Auditor-General of Pakistan**

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ABBREVIATIONS AND ACRONYMS

AFC	Automated Fare Collection
CBA	City Booking Agency
CCT	Chief Cashier and Treasurer
CGA	Controller General of Accounts
CRS	Computerized Reservation System
CSP	Commercial Superintendent
CSR	Commercial Supervisor
DAC	Departmental Accounts Committee
E-Ticketing	Electronic Ticketing
FABS	Financial Accounting and Budgeting System
FA&CAO	Financial Advisor and Chief Accounts Officer
FAM	Financial Audit Manual
FIS/MIS	Financial Information System/Management Information System
IFRS	International Financial Reporting Standards
INTOSAI	International Organization of Supreme Audit Institutions
JCA	Junior Commercial Assistant
NBP	National Bank of Pakistan
PR	Pakistan Railways
TA	Traffic Accounts
TCR	Ticket Collector
TRB	Traffic Book

EXECUTIVE SUMMARY

The Directorate General Audit Railways conducted Special Study of Revenue Collection in Pakistan Railways during March - May 2016 with a view to put emphasis on systemic issues hindering performance of the audit entity. The main objectives of the audit were to assess the effectiveness of the revenue collection function in Pakistan Railways. The audit was conducted in accordance with the INTOSAI Auditing Standards.

As a result of this audit, weaknesses of the internal controls, gaps and leakages in the revenue collection in Pakistan Railways were assessed. Besides, certain instances of non-compliance with rules/regulations were also observed. Major findings of the audit are mentioned below:

Organization and Management

- Mismanagement of staff in commercial department of Pakistan Railways at sensitive places caused severe operational problems with reference to revenue collection, e.g. excessive workload, non-segregation and non-rotation of jobs, which increased the risk of losses. ¹
- Computerization of revenue accounts was planned in 2009. However, it could not be completed despite making all arrangements such as recruitment of sixty junior auditors and procurement of computer hardware worth Rs 9.638 million.²

Financial Discipline

- The function of Ticket Collectors at different stations was found unsatisfactory resulting into non-achievement of targets of revenue collection - Rs 4.346 million.³

¹ Para 4.1.1

² Para 4.1.2

³ Para 4.2.1

- Fraud/Embezzlement of Railway revenue earnings worth Rs 26.528 million by the commercial staff was observed at different stations.⁴
- Railway Earnings at Railway Station, Quetta were being utilised without approval of the competent authority.⁵
- Commission on collection of cash was payable to National Bank of Pakistan amounting to Rs 105.5 million.⁶

Unauthorized Utilisation of Public Money

- The land and premises of Pakistan Railways were being utilised for commercial purpose by Railway Officers Clubs (ROCs) in each division of Pakistan Railways and earnings amounting to Rs 36.255 million derived from Railway land, were deposited in private bank accounts of ROCs and exclusively utilised for their own purposes.⁷

Effectiveness of agreement with National Bank of Pakistan

- Cash collected from Railway station Quetta was not timely remitted into Railway Fund by the NBP during the financial year 2014-15.⁸
- NBP failed to collect cash earnings on Sundays and other gazetted holidays at 126 stations/booking offices in violation of the agreement.⁹
- Bank Drafts were being issued by NBP in respect of daily collection of cash earnings at 158 stations where offices of SBP

⁴ Para 4.2.2

⁵ Para 4.2.3

⁶ Para 4.2.5

⁷ Para 4.3.1

⁸ Para 4.4.1

⁹ Para 4.4.4

did not exist. However, the bank was bound to transfer the proceeds online to NBP, Main Branch, Lahore on the same day.¹⁰

- Reconciliation of deposit of earnings by NBP was not being made by PR officials on daily basis resulting into appearance of average monthly balance under suspense Rs 687.654 million.¹¹

Reporting of Revenue Earnings

- The FIS/MIS consultants reported a considerable mismatch of exiting financial reporting system of Railway Traffic Accounts with regard to International Financial Reporting Standards (IFRS). Significant areas include revenue recognition policy, recognition of refunds, transactions relating to departmental consignments and selling commission etc.¹²

Station Outstanding

- Station Outstanding remained un-cleared with an average balance of Rs 1,311.08 million per month.¹³

Miscellaneous issues

- Acknowledgment of cash receipts worth Rs 318.701 million were found missing at several stations/booking offices.¹⁴

¹⁰ Para 4.4.6

¹¹ Para 4.4.7

¹² Para 4.5.1

¹³ Para 4.6.1

¹⁴ Para 4.7.1

Recommendations

- Effective implementation of rules and regulations relating to Commercial Department of Pakistan Railways must be ensured.
- Pakistan Railway Commercial Manual should be revised extensively encompassing the emerging computerised/electronic reservation systems.
- Rationalization of staff in Pakistan Railway Commercial Department may be carried out. Sensitive positions should have adequate staff to achieve segregation of duties and rotation.
- Sincere efforts should be made for computerization of Traffic Accounts.
- Financial discipline in carrying out booking of passengers and remittance of revenue earnings may be maintained.
- The agreement of collection of station earnings may be refreshed through open bidding and other scheduled banks may also be provided a chance to take part.
- Financial reporting of Traffic Accounts may be brought in line with IFRS.
- Station outstanding may be cleared by taking strenuous efforts.
- The whole system of Revenue Collection may be upgraded to Automated Fare Collection (AFC) System besides implementation of FIS/MIS.

1. INTRODUCTION

The Directorate General Audit Railways conducted Special Study of Revenue Collection, a vital function of Pakistan Railways during March-May, 2016 for the period from July, 2014 to June, 2015.

After a severe financial crunch, Pakistan Railways had been striving for profitability through better operations and revitalization of its operating activities since the change of political regime in 2013. Therefore, it was imperative that the organization may be provided with some specific recommendations in the most crucial areas so that some concrete steps towards overall betterment and restructuring of the organization could be taken by the management. In view of the foregoing, the audit of revenue collection was conducted taking into consideration the effectiveness of the whole function in a going concern scenario. In addition, the revenue collection procedures as adopted by the neighboring Railway Organizations particularly Indian Railways, were also referred to for making a general comparison with the system of Pakistan Railways.

1.1 Revenue Collection in Pakistan Railways

The core business of Pakistan Railways is train operation through which it earns major portion of its revenue. It includes Coaching Traffic (Passenger, Parcel and luggage traffic etc.) and Goods Traffic. Besides this, there are Sundry other Earnings which are generated through following sources:

- a) Leasing of land (agriculture and commercial)
- b) Commercial contracts (vending stalls, car parking, advertisement on Railway property etc.)
- c) Public-private partnership
- d) Rent of residential accommodation and Railway Rest Houses
- e) Services provided to other departments e.g. Deposit Works, Siding Charges etc.
- f) Charges received from other departments e.g. line crossing charges from WAPDA and Sui Gas Department etc.

Pakistan Railways' system of revenue collection is based on complex legacy procedures which had been developed and operated since inception of Railway in the Indian subcontinent. However, the system of revenue collection through operating activities at Railway Stations, City Booking Agencies, Dry Ports etc. involves pre-defined and systematic procedures which are laid down in Pakistan Railway Commercial Manual. Cash earnings are collected through the agency of National Bank of Pakistan at specified stations and finally remitted to State Bank of Pakistan (Railway Fund). Currently, there are approximately five hundred eighty three (583) operating Railway Stations, out of which the collection of earnings of two hundred sixty one (261) Railway Stations/City Booking Agencies have been entrusted to National Bank of Pakistan. In case, where no dedicated branch of NBP near Railway station exists and/ or average per day earning of the station stands below rupees one thousand, the hard cash is transmitted to the Chief Cashier and Treasurer's (CCT) office, Lahore through sealed cash bags by the first available train, from where NBP Main Branch, Lahore collects the same in a manner described above. The total revenue is reported and consolidated at office of the FA&CAO (Revenue), Pakistan Railways, Lahore. The process of remittance of earnings through sealed cash bags has proved obsolete as there is an opportunity to switch over to automated online communication and remittance system.

The process of in-vogue remittance of station earnings as per provisions of Pakistan Railway Commercial Manual 1988, is provided in Annexure 1 and 2.

1.2 Size of Revenue Earnings of Pakistan Railways

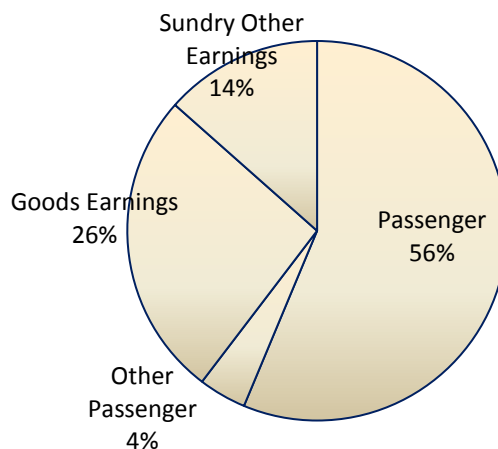
Following is the basic financial information for the financial years 2014-15:

(Rs. in million)

Financial Year	Coaching Earnings		Goods Earnings	Sundry Other Earnings	Total Earnings
	Passenger	Other Passenger			
2014-15	17,972	1,301	8,354	4,297	31,925

The composition of earnings is graphically presented with the help of pie-chart as below:

2014-15



The above position clearly depicts that passenger earnings covers maximum i.e. 56% of total earnings as compared to other components which are Other Passenger: 4%, Goods Earnings: 26% and Sundry Other Earnings: 14%.

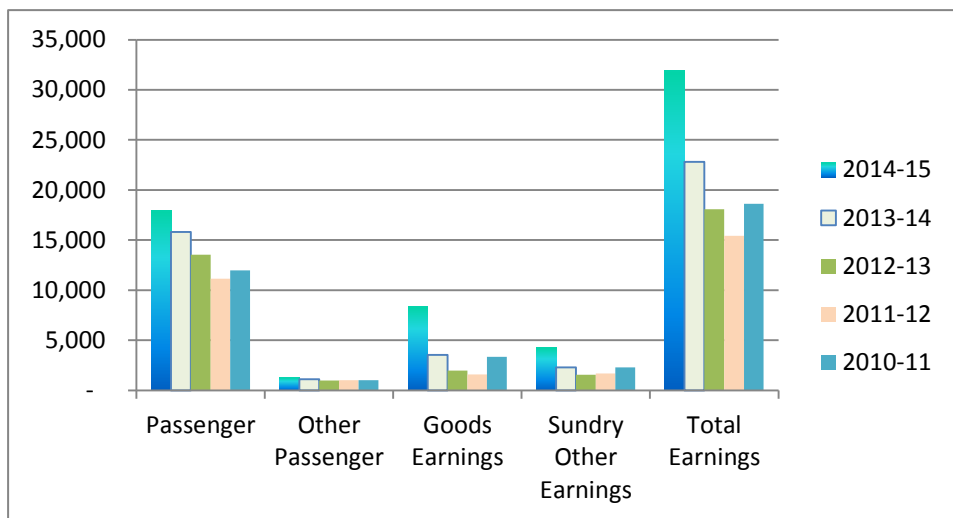
A comparison of last five years' figures of revenue earnings is given below for information:

(Rs. in million)

Financial Year	Passenger	Other Passenger	Goods Earnings	Sundry Other Earnings	Total Earnings	%age Increase/ (decrease)
2014-15	17,972	1,301	8,354	4,297	31,925	40.02
2013-14	15,810	1,125	3,556	2,310	22,800	26.18
2012-13	13,536	984	1,985	1,564	18,069	17.00
2011-12	11,148	1,018	1,583	1,695	15,444	(17.02)
2010-11	11,965	1,019	3,338	2,290	18,612	-

The above comparison among all variable components is graphically presented below:

(Rs. in million)



As shown in the above graph, total revenue earnings persistently increased from 2012-13 to 2014-15. It indicated improvement of overall train operations particularly in Passenger and Goods Earnings.

2. AUDIT OBJECTIVES

Major objectives of the audit were to:

- I) Review compliance with applicable rules, regulations and procedures.
- II) Ascertain the gaps and leakages in the current system of revenue collection being operated by the entity.
- III) Assess the effectiveness of agreement regarding cash collection with the National Bank of Pakistan.
- IV) Find out mismatch of existing system of reporting of revenue earnings with the recommended International Financial Reporting Standards (IFRS).
- V) Recommend the entity for implementation of modern revenue collection procedures besides implementing FIS/MIS

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope:

Special Study of Revenue Collection was conducted for the financial year 2014-15. However, reported cases of embezzlement, fraud, station outstanding and Bills Receivable etc. pertaining to previous years were also examined to review the follow-up mechanism and compliance of the recommendations/instructions of the competent authorities.

About thirty five (35) locations were visited for the purpose of this audit which included Offices of the FA&CAO/Revenue, Chief Cashier & Treasurer, Lahore, selected Railway stations and City Booking Agencies and designated branches of National Bank of Pakistan (NBP) in each operating division of Pakistan Railways.

3.2 Audit Methodology:

Audit was conducted as per following methodology:

- i. Annual Accounts along-with their allied record (Abstracts X, Y & Z) of Revenue Earnings of Pakistan Railways pertaining to FY-2014-15 were scrutinized at office of FA&CAO (Revenue), Lahore.
- ii. Railway Stations were selected on the basis of reported figures of revenue earnings as per Station Balance Sheets and Traffic Books.
- iii. Data was fed in MS Excel (application software) for further analysis i.e. sorting, filtering and comparative analysis etc.
- iv. All selected locations including FA&CAO (Revenue), CCT Office Lahore, Railway Stations/City Booking Agencies and NBP branches at designated stations were visited to examine in detail the available record for verification of reported figures of earnings.
- v. Audit issues were examined in detail during scrutiny of record at all locations.

AUDIT FINDINGS AND RECOMMENDATIONS

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

It was observed during the Special Study of Revenue Collection that staff of the Commercial Department of Pakistan Railways was performing its duties in extremely difficult and unfavorable conditions. Many instances were observed where there was a considerable shortage of staff. At many stations/booking offices, the staff was found performing duty for twenty four (24) consecutive hours. Besides, the workplace and Booking Office locations were also found in very poor and dilapidated condition.

On the other hand, it was also observed that at many locations particularly Peshawar Division there was surplus staff deputed in the booking office/Dry Port etc. which was not commensurate with the work load. Therefore, there was a need to rationalize the number of sanctioned posts at various locations.

It was also observed that the computerization of traffic accounts could not be achieved and staff recruited in 2009 for this purpose, was being utilised elsewhere.

4.1.1 Mismanagement of Staff resulting into duplication and non-segregation of duties

Para 1.6 and 1.7 of Pakistan Railway Commercial Manual states that the Commercial Department is by nature of its duties, thrown into very close contact with the travelling and trading public, and while mindful of the financial interests of the Railway, has ever to be in the alert to meet the changing needs and demands of the latter. Since an overlapping of duties between the Commercial and Operating staff is involved in many cases, the activities of the Commercial and Operating departments constituting the Transportation (Traffic) and Commercial departments have to be coordinated to the fullest possible extent, and duplication of work avoided as far as possible.

During audit, it was observed that staff posted at sensitive places where cash handling is involved, was severely mismanaged. An overall shortage of staff was noticed against sanctioned number of posts in the Commercial department. In Karachi Division only, 30% posts were found vacant up to end of 2014-15. Due to shortage of staff, personnel belonging to other categories e.g. Ticket Collectors (TCRs) were engaged to run the commercial business of reservation/ booking etc. Moreover, at certain booking offices particularly at Karachi Cantt, segregation of duties was not achieved because one Commercial Supervisor was working against two posts i.e. Commercial Superintendent Karachi Cantt Station and Reservation Office, Karachi Cantt. Earlier, due to non-segregation of duties at the same station, a fraud worth Rs 2.6 million was committed by the CSR/Booking who was also performing duty as Cashier in addition to his own duties.

On the other hand, it was observed in Peshawar Division that staff was posted in excess than the requirements though there was a meager freight business. For instance, it was observed at Dry Port Peshawar and Peshawar Goods office that four Commercial Supervisors (CSR) and one Commercial Superintendent (CSP) were posted.

The matter was reported to the management in July, 2016. It was informed in the DAC meeting dated 13.01.2017 that a committee had been constituted which would hire consultants for rationalisation of staff. Excess staff would be surrendered and new staff would be recruited where needed. DAC directed the Chief Personnel Officer that documentary evidence may be provided to Audit for work done on this account within a week. However, compliance of the DAC directive was awaited.

Audit recommends that compliance of rules relating to utilisation of commercial staff must be followed in letter and spirit. Rationalisation of staff against sanctioned number of posts be made to achieve proper functioning of the commercial activities. Moreover, rotation of staff be ensured so that chances of fraud/ embezzlement could be mitigated.

4.1.2 Non-achievement of objectives regarding computerization of Traffic Accounts

The computerization of revenue accounts of Pakistan Railways was planned in 2009 and the Railway management committed to complete the entire work by December 31, 2009. For implementation of newly designed system, skilled data entry staff was also required to be engaged.

During audit, it was observed that sixty (60) Junior Auditors were appointed along with procurement of computer hardware items valuing Rs 9.638 million during FY-2010-11 to carry out automation in the office of FA&CAO/Revenue. However, the desired objectives of automation of revenue accounts could not be achieved. The staff recruited and equipment procured for the specific objectives were used elsewhere. Reportedly, most of the Junior Auditors (B-11) were promoted as Senior Auditors (B-16) and Assistant Accounts Officers (BS-17) and posted at different sections of FA&CAO/Revenue.

The matter was taken up with the Railway administration and it was replied in January, 2017 that automation work was held up due to technical reasons. However, modules were scheduled to be automated on SAP software through customizing the software by experts of MIS Department of FABS in CGA, Islamabad. Moreover, Sixty (60) Junior Auditors (BS-11) were appointed for the Automation of Railway revenue Project but due to acute shortage of staff in different sections/divisions the said staff was utilised in other sections.

The reply was not convincing as the delay in automation work led to obsolescence of computer hardware items coupled with mis-utilisation of staff exclusively hired for the purpose.

The matter was discussed in the DAC meeting on 13.01.2017 and it was informed that the issue would be resolved on implementation of FIS/MIS. DAC directed the FA&CAO/Revenue that latest status with regards to implementation of FIS/MIS may be intimated to Audit within a week. Compliance of the DAC directive was awaited.

Audit recommends that automation of revenue accounts as a part of FIS/MIS should be completed without further loss of time.

4.2 Financial Discipline

Pakistan Railway Commercial Manual provides in detail the rules and procedure for collection of revenue earnings against services rendered. The staff receiving cash from the public is held personally responsible for correct amount received and its onward remittance to Railway Treasury in timely manner without holding any amount with them. Moreover, any shortage in government money is to be made good from personal cash and any excess in booking is to be remitted to the treasury mentioning as Excess- in-booking.

However, many instances were observed where financial discipline in cash handling was seriously violated. Controls in place for both cash handling and remittance, placed whole responsibility on the booking staff which increased the risk of fraud. The reported cases of fraud/embezzlement by the commercial booking staff evidently manifest the organization's inability to timely detect illegal and fraudulent activities.

Another significant aspect of financial indiscipline was indicated by utilization of revenue earnings without proper approval of the competent authority. It was observed that station earnings were being utilised by the divisional authorities at Quetta.

4.2.1 Improper functioning of Ticket Collectors resulting into non-achievement of Revenue Collection targets-Rs 4.346 million

Para 6.18 of Pakistan Railway Commercial Manual stipulates that Ticket Collectors are responsible for checking passenger's tickets and their luggage and also charge excess fare in case a passenger is found without appropriate ticket.

Accordingly, the divisional commercial officers fixed targets of revenue collection for ticket collectors, in each division of Pakistan Railways depending upon the volume of travelling public and previous instances of detection of ticketless passengers.

During audit, it was observed that ticket collectors were not performing their duties as per above mentioned stipulated provisions at

twelve (12) different Railway stations. It was also observed that available strength of TCRs was not being utilised towards their core function; instead, less than 50% were utilised for ticket collection and others were kept engaged for miscellaneous jobs. Consequently, monthly targets of revenue earnings could not be achieved. Detail is given at Annexure-3 (A) along with some pictorial evidences at Annexure 3 (B).

The matter was taken up with the Railway administration and it was replied in January, 2017 that there was acute shortage of TCRs at most of the stations and due to absence of fencing wall/boundaries it was difficult to check every person entering/leaving the station premises. Resultantly, the percentage of missing tickets remained high.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the CCM that documentary evidence with regard to utilization of TCRs only for their own job and improvement in achievement of revenue targets may be provided to Audit. Compliance of the DAC directives was awaited.

Audit recommends that the ticket collecting function should be streamlined and TCRs should be deployed on their own specific duties under intimation to audit. The installation of ticket collecting machines is suggested for achieving transparency in ticket collection.

4.2.2 Fraud and Embezzlement of Railway earnings by the booking staff-Rs 26.528 million

The Station Master/Chief Booking is personally held responsible for faithful remittance of total cash receipts on each day in terms of Para 25.43 of Pakistan Railway Commercial Manual. Hence, the function of cash collection and its remittance to the Cash Office/National Bank of Pakistan is closely watched by the concerned divisional authorities and accounts office through the Commercial Inspectors and Inspectors of Coaching & Goods (ICGs) respectively.

Despite the aforementioned arrangements, certain cases of fraud/embezzlement had occurred. Four such cases amounting to

Rs 26.528 million had been noticed during audit¹⁵. Their list is provided at Annexure-4.

The matter was taken up with the Railway administration and it was replied in January, 2017 that the Commercial officers/officials were directed on regular basis to personally monitor the process of timely cash remittance at their respective stations/sections.

The reply was not acceptable and the occurrence of such undesired incidences indicates flawed internal control mechanism and also the obsolescence of current revenue collection system in Pakistan Railways.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the CCM that updated status of fraud and embezzlement cases may be provided to Audit within a week. Compliance of the DAC directive was awaited.

Audit recommends that the internal controls in revenue collection function may be strengthened and strenuous efforts should be made for automation of revenue collection. Each case of embezzlement should be investigated at an appropriate level to fix responsibility besides recovery of the embezzled amount from the concerned Court cases may be pursued vigorously under intimation to audit.

4.2.3 Unauthorised utilisation of Railway earnings-Rs 2.695 million

Para 25.42 of Pakistan Railway Commercial manual provides that the General Manager, if he considers it absolutely necessary, may in consultation with his Financial Advisor & Chief Accounts Officer (FA&CAO) order the appropriation of departmental receipts for urgent departmental expenditure necessitated by floods, earthquake and accidents.

¹⁵ Audit Para No. 2.4.3 (Audit Report 2014-15)

During audit, it was observed in violation of above mentioned provisions, that station earnings amounting to Rs 2.695 million were utilised by Divisional Administration at Quetta station. The purpose for which station earning was utilised was not commensurate with the above mentioned provisions. Moreover, approval of the competent authority i.e. General Manager along with the concurrence of FA&CAO was not obtained. The detail of cash withdrawal is given at Annexure-5.

The matter was taken up with the Railway administration in July, 2016 and it was replied in January, 2017 that any officer who withdraws station earnings, should be made liable to clear that particular outstanding which afterwards affects the performance of Commercial office in shape of station outstanding. The stations outstanding over the system had been reduced from Rs 837.189 million to Rs 63.963 million since financial year 2012 to 2016 respectively.

The DAC showed its displeasure in the meeting held on 13.01.2017, and directed the Chief Commercial Manager that unauthorised utilisation of earnings should be stopped immediately. All outstanding on this behalf should be deposited/cleared within a month. Action may also be taken against responsible personnel under intimation to Audit. Compliance of the DAC directives was awaited.

Audit recommends that Railway revenue should be promptly remitted to Railway Fund in compliance with applicable rules and regulations. DAC directives be implemented in letter and spirit and responsibility be fixed for utilization of station earnings without approval of the competent authority.

4.2.4 Unauthorised resale of returned Printed Card Tickets

Para 3.55 of Pakistan Railway Commercial Manual stipulates that when a passenger before commencing his journey wishes to change his ticket for one of higher class, or for a more distant station, and pays the difference of fare or when a wrong ticket is issued, or when it becomes necessary to take back a ticket which has been issued and to refund the fare, or when it becomes necessary to cancel a card or paper ticket of any description, the original ticket should be marked Non-issued and initialed

by the Station Master or Commercial Assistant (Booking) and booked daily under Free Service Way-bill to the Accounts Office in a sealed cover with a Non-issued Tickets Statement in Form C.M.217. If a cancelled ticket is not sent to the Accounts Office but destroyed or otherwise improperly disposed of, the person responsible will be debited with the value of the ticket and may render himself liable to further punishment.

It was observed that the existing system of sale of printed card tickets (PCT) by the Booking Clerks does not restrict them to re-sale the returned PCTs; therefore, deducted amount in each case is misappropriated by booking clerks. Unless the returned ticket is marked as Non-issued and entered in the Non-issued Statement, there is a likelihood of re-sale of the same. The argument was tested at Railway Station, Gujranwala and it was found that returned PCTs were re-sold instead of marking as Non-issued (Annexure-6).

The matter was taken up with the Railway administration and it was replied in January, 2017 that after the automation of ticket system under E-Ticketing the chances of such fraud/misuse would likely to be eliminated. The reply was not acceptable as the automation of all booking counters was required to implement a proper control mechanism.

The DAC was informed in its meeting on 13.01.2017 that action had been taken on this account. DAC directed to get it verified by Audit. Compliance of the DAC directive was awaited.

Audit recommends that internal controls in booking offices be strengthened besides taking action for computerisation of current booking of passenger tickets under intimation to audit.

4.2.5 Outstanding commission on collection of cash earnings- Rs 105.5 million

Para 10 (Part-I) of the agreement of PR with NBP for cash collection of receipts states that payment of commission shall be made within ten days from the day of receipt of the bill from the Main Branch of National Bank of Pakistan, Lahore. However, adjustments if any may be made from the subsequent bills. In case Pakistan Railways fail to pay the

Bank service charges within 30 days from the date of receipt of the bill in the Railway Accounts Office, the Bank shall be entitled to claim such amount with profit at PLS rates, as notified by the National Bank of Pakistan from time to time from the date of expiry of the 30th day limit.

However, it was observed that commission on collection was payable to NBP up to September, 2015 as informed by Railway officials at CCT Office. Moreover, it was also observed that interest on late deposit of collection of earnings into Railway fund by NBP was not being charged which was required to be claimed by Pakistan Railways in terms of clause 8 of the agreement.

The matter was taken up with the Railway administration and it was replied in January, 2017 that Rs. 105.5 Million remains outstanding due to budget constraints and Financial Crises of Pakistan Railways and Remaining amount will be paid at the availability of budget.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that amount on account of commission payable to NBP may be compared with the amount of interest receivable from NBP on account of late deposits and figures of both heads i.e. commission and interest be provided to Audit within a month. Compliance of the DAC directive was awaited.

Audit recommends that amount of interest receivable from and due to NBP on account of late deposits and commission charges should be worked out and agreement clauses may be implemented in true letter and spirit.

4.3 Unauthorised Utilisation of Public Money

The earnings derived from use of Railway land/premises are required to be deposited in Railway Fund. However, in Pakistan Railways the revenue earning from the use of railway land/premises is being deposited in private bank accounts of Railway Officers Clubs in whole and those funds are utilised to meet with the expenses of Railway Officers Clubs. The state of affairs clearly depicts the willful involvement of management depriving Pakistan Railways from a substantial amount of Sundry Other Earnings in each financial year.

4.3.1 Unauthorised utilization of public money-Rs 37.397million

According to Para 822 of Pakistan Government Railway Code for the Engineering Department the net receipts from the management of Railway land should be adjusted in accounts by credit to Abstract Z-Sundry Other Earnings.

During audit, it was observed that private bank accounts titled in the name of Railway Officers Clubs were being maintained with a closing balance of Rs 37.397 million in different Divisions of Pakistan Railways (Annexure-7) without approval of the Finance Division. The revenue was being generated through lease/renting out of Railway land by the management of Railway Officers Clubs, and was being kept in those private accounts instead of Railway Fund. The earnings were utilised by the ROCs for their own purposes in violation of above mentioned rule.

The matter was taken up with the Railway administration and it was replied in January, 2017 that Secretary/Chairman Railway Board had issued instructions that club/institutes should raise funds from their own resources for the purpose of special repair, for any addition/alterations, running expenses, service expenses and other overheads etc.

The matter was discussed in the DAC meeting on 13.01.2017. DAC did not agree with the management's justification and directed the Deputy General Manager that a policy with regards to utilization of Railway land under officers club for commercial purposes and revenue generation thereof, may be got approved from Railway Board. It was

added that revenue generation from clubs premises was public money and could not be utilised without approval of Railway Board. Audit may be apprised after appropriate action had been taken. Compliance of the DAC directive was awaited.

Audit recommends that the funds deposited under private bank accounts of Railway Officers Clubs should immediately be transferred to Railway Fund in compliance with provisions of the Pakistan Government Railway Code for the Engineering Department. The policy approved by Railway Board in this regard should be intimated to audit.

4.4 Effectiveness of Agreement with National Bank of Pakistan (NBP)

Pakistan Railways entered into an agreement with NBP in 2006 for daily collection of receipts at stations/Booking Offices/City Booking Agencies and other Railway Earning Points in cash or otherwise at a specific rate of commission. The agreement was studied with much emphasis on collection procedure and onward remittance into Railway Fund.

It was observed that numerous clauses of the agreement were being violated extensively. The NBP was utilising Railway cash besides earning large amounts of commission on collection.

4.4.1 Unauthorised holding of cash collection by NBP at Quetta Station-Rs 1.570 million

Part (1) para 2 of the agreement between Pakistan Railways and National Bank of Pakistan for collection of cash states that the Bank hereby continues to maintain a Collection Account under the title PAKISTAN RAILWAYS' COLLECTION ACCOUNT in favour of the Pakistan Railways in the authorized and agreed branches of the Bank where Railway earnings of stations, Booking Offices / City Booking Agencies and other Railway Earning Points after making collection shall be daily deposited by the Bank. The account will be confined to the receipt of amounts collected and safe and faithful transfer thereof to the State Bank of Pakistan for eventual credit to Pakistan Railway Fund on the following day of collection.

Further, it is provided vide para 8 that in the event of Bank's failure to deposit the amount within the period specified above, it shall pay profit on PLS rates, as notified by the National Bank of Pakistan from time to time but without prejudice to the payment of profit, the aggregate period between receipt of daily collections and its deposit in the Pakistan Railway Funds shall in no case exceed the due date of deposit.

During audit, it was observed that credit of earnings to Pakistan Railway Fund was not made by the NBP at Quetta station involving an

amount of Rs 1.570 million on the following day of collection in violation of agreement as depicted in Annexure-8. The authorized branch where PR collection account was opened was required to deposit the collected amount promptly to the SBP. However, cash was kept in the collection account without any justification.

The matter was taken up with the Railway administration and it was replied in January, 2017 that FA & CAO/Revenue office required detail of delays as mentioned in annexure-8, as their record of reconciliation showed that the amount collected by the NBP was deposited in SBP without delay.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that reconciliation should be made on account of late deposits by NBP at all collection points as pointed out by Audit within a week and results thereof be provided to Audit. The verification was carried out on 27.03.2017 and above mentioned delay of remittance of earnings at Quetta station was admitted by the FA&CAO/Revenue.

Audit recommends that a monthly review of PR Collection Account maintained by NBP must be made by FA&CAO/Revenue to watch cash transactions deposited in SBP in compliance with agreement clause 4.

4.4.2 Non-observance of agreed timings for collection of earnings

The clause 3(b) of the agreement between Pakistan Railways and National Bank of Pakistan for collection of cash stipulates that the time for the collection of cash from Railway Stations/Booking Offices/City Booking Agencies will be between 16:50 to 18:50 hours daily on all working days in a week including Sunday and other Holidays excepting the day of Eid-ul-Fitr, Eid-ul-Azha and 10th of Muharram.

In violation of above clause, it was observed at different stations that the time for collection of cash by the representatives of NBP ranged from 09:00 to 18.00 hours. It was observed at booking agency Karachi Site (KRST), Liaquat Pur, Dera Nawab Sahib, and Sukkur, etc. that

collection timing by NBP representatives remained between 09:00 to 14:00 hours. The early collection of cash placed the Booking Office/City Booking Agency at risk involved in holding cash of previous day.

The matter was taken up with the Railway administration and it was replied in January, 2017 that the issue had been taken up with the Executive Vice President, NBP Head office Karachi.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that instructions should be issued to all Divisional Superintendents for observance of agreed timings of collection within a week. Copy of the same may be provided to Audit for verification. Compliance of the DAC directive was awaited.

Audit recommends that agreed timings in compliance with the subject clause of the agreement, be followed strictly. Instructions should be issued to all concerned executive authorities and a copy of the same be provided to audit.

4.4.3 Non-provision of authorisation particulars of NBP representatives at Railway Stations

The clause 3 (c) of the agreement between Pakistan Railways and National Bank of Pakistan for collection of cash stipulates that for the purpose of collection of Railway earnings from Railway Stations/Booking Offices/City Booking Agencies and other Railway Earning Points, the Bank will nominate its authorized representatives whose photographs and specimen signatures duly attested by the Bank will be supplied for identification and record to the Station Masters/Incharge Booking Offices and City Booking Agents concerned for verification of their identity before entrusting earnings to him/them every day.

During audit, it was observed at different stations particularly in Quetta, Sahiwal, Sukkur and Khanpur that neither the photographs nor the specimen signatures duly attested by the Bank were found available with the Incharge Booking Offices which was a clear violation of above mentioned clause. On inquiry, it was replied by the staff of stations that no authorisation was being provided by the Bank except telephonic

information about the representative who will collect Railway earning. This increased the chances of loss due to handing over Railway earnings to the wrong person.

The matter was taken up with the Railway administration and it was replied in January, 2017 that the matter was taken up with EVP/ NBP, Head office Karachi who had replied that they provided photographs and specimen signatures of cashiers concerned to all the stations. However, if any complaint regarding non-provision of photographs and specimen signatures of cashier is found, the same would be made available.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that instructions should be issued to all Divisional Superintendents with regards to availability of particulars of NBP representative at all collection points within a week. Copy of the same may be provided to Audit for verification. Compliance of the DAC directive was still awaited.

Audit recommends that agreement clause regarding provision of authorisation particulars of NBP representatives should be followed and all necessary information may be made available at stations for authentication purpose under intimation to audit.

4.4.4 Non-collection of earnings on Sundays and other Holidays

The clause 3(b) of the agreement between Pakistan Railways and National Bank of Pakistan for collection of cash stipulates that the Bank will collect cash daily on all working days in a week including Sunday and other Holidays excepting the day of Eid-ul-Fitr, Eid-ul-Azha and 10th of Muharram.

During audit, it was observed that the collection of cash was not being made by the representatives of Bank on Sundays and other Holidays at 126 stations/points in violation of above mentioned clause. The detail is given in Annexure-9. Due to non-compliance of above mentioned clause, the earnings remained with the In-charge Booking Offices at Railway stations without proper security arrangements.

The matter was taken up with the Railway administration and it was replied in January, 2017 that the matter of non-collection of Pakistan Railway earnings was taken up with NBP higher authorities; approximately 75% earning of Pakistan Railways was being collected on Saturdays, Sundays and other gazzetted holidays by 13 branches of NBP where SBP exists.

The reply was not acceptable as the NBP was bound to collect earnings on Saturdays and Sundays at all stations covered under this agreement.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that instructions should be issued to all Divisional Superintendents for observance of collection on Sundays and other holidays where required within a week. Copy of the same may be provided to Audit for verification. Compliance of DAC's directives was still awaited.

Audit recommends that collection of earnings should be streamlined by issuing specific direction to the NBP under intimation to Audit.

4.4.5 Non-credit of Railway Station earnings into PR Collection Account by NBP-Rs 1.256 million

The clause 4 of the agreement between Pakistan Railways and National Bank of Pakistan for collection of cash stipulates that at places where offices of State Bank of Pakistan are functioning, the amount of receipts shall be deposited in State Bank of Pakistan along with Challans, in triplicate duly filled in and signed, for credit to Pakistan Railway Funds with State Bank of Pakistan on first working day following the day of collection from Stations/Booking Offices/City Booking Agencies and other Railway Earning Points.

During scrutiny of record of cash remittance at Gujranwala Railway Station, it was observed that the earning amounting to Rs 1,256,263 for the period from 01-11-2014 to 04-11-2014 was collected from Railway station but not shown in NBP Account Statement as detailed

in Annexure-10. This resulted into less deposit of revenue in Railway Fund with the said amount on the due dates.

The matter was taken up with the Railway administration and it was replied in January, 2017 that NBP Gujranwala branch had deposited amount worth Rs. 2.028 million on 10-11-2014 which consisted of 05 days earnings of Pakistan Railways Gujranwala Station. The reply was admittance of the audit view point.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that matter may be probed into for late remittance of earnings by Gujranwala NBP within a week and results thereof be intimated to Audit. Compliance of the DAC directive was awaited.

Audit recommends that the matter regarding late credit of earnings at Gujranwala Station may be enquired promptly and action be taken against those responsible under intimation to audit. Moreover, the issue may be checked in detail at other stations as well for an effective implementation of above mentioned provisions of the agreement.

4.4.6 Issuance of Bank Drafts in respect of daily collection of earnings in violation of agreement clause

The clause 5(a) of the agreement between Pakistan Railways and National Bank of Pakistan for collection of cash stipulates that the amount of receipt shall be transferred to NBP Main Branch Lahore same day through online banking. The amount of receipt online shall be deposited by NBP main branch Lahore in State Bank of Pakistan along with challans in triplicate duly filled in and signed for credit to Pakistan Railway Fund with SBP on first working day following the day of collection.

During audit, it was observed that the NBP while collecting cash from those stations where SBP did not exit was issuing bank drafts instead of online transfer to NBP main Branch Lahore. This resulted in an eight to ten days delay in the deposit of revenue into Railway Fund.

The matter was taken up by the Railway administration with NBP higher authorities and it was replied in January, 2017 that NBP IT

Department would be upgraded very soon and online transfer to main branch Lahore, would be carried out by all the Demand Draft (DD) issuing branches of NBP.

The reply was not acceptable. All branches of NBP were on-line, therefore, it was accordingly mentioned in the agreement.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that matter should be taken up with the NBP. Observance of agreement clause must be ensured to avoid delay in depositing of Railway earnings into Railway Fund. Progress in this regard may be intimated to Audit within one month.

Audit recommends that Railway may take up the matter with NBP and ensure timely depositing of Railway earnings by the NBP through online transfer.

4.4.7 Non-reconciliation of deposit of earnings by NBP on daily basis-Rs 687.654 million

The clause 5(a) of the agreement between Pakistan Railways and National Bank of Pakistan for collection of cash stipulates that one copy of the relative challans along-with a statement on Form Rly-II showing collection made by the bank and the amount deposited in the Pakistan Railway Fund with SBP shall be dispatched daily in advance by the bank to the officials named for this purpose by the FA&CAO/Rev Pakistan Railways Lahore.

During audit, while reviewing the record of CCT office Lahore, it was noticed that Form Rly-II showing collection made by the bank and the amount deposited in the Pakistan Railway Fund with SBP was being dispatched to FA&CAO/Revenue office on monthly basis instead of daily basis. An average amount of Rs 687.654 million per month was placed under a suspense head Deposit Miscellaneous. This represented the amount of revenue earnings collected by National Bank of Pakistan from the Stations/Booking Offices and deposited in State Bank of Pakistan. Although the transfer of cash collection to Railway Fund was done, yet it was not reconciled by the PR officials. Detail is given in Annexure-11.

The matter was taken up with the Railway administration and it was replied in January, 2017 that some branches of NBP were sending their check sheets and original SBP challans (Railway Form II) on daily basis while some branches of NBP had requested this office that they would submit their check sheets & original SBP challans (Railway Form-II) on monthly basis.

The reply was not acceptable as NBP was bound to submit daily statements as well as separate monthly statements for reconciliation.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that submission of Form Railway-II must be ensured on daily basis. Progress may be intimated to Audit within one month after taking appropriate action. Moreover, DAC directed the FA&CAO/Revenue that reconciliation must be done in time to avoid accumulation under suspense head, Deposit Miscellaneous. Latest status of clearance may be intimated to Audit for verification within a week. Compliance of DAC's directives was still awaited.

Audit recommends that agreement clause representing reconciliation of bank deposits should be made effective. An appropriate action may be taken for reconciliation of daily deposit of Railway earnings under intimation to Audit.

4.5 Reporting of Revenue Earnings

Office of the FA&CAO/Revenue is the reporting authority for revenue earnings of Pakistan Railways. The reporting procedures for revenue earnings as adopted in Pakistan Railways consist of an outdated system of accounting and reporting. There are more than thirty sections in FA&CAO/Revenue office and each is entrusted with the duty to compile accounts of revenue earnings of a specific area on monthly basis; therefore, it causes problems in compilation of revenue accounts. The legacy accounting procedures have also a considerable mismatch with the International Financial Reporting Standards (IFRS).

4.5.1 Mismatch of current financial reporting system of Traffic Accounts with International Financial Reporting Standards (IFRS)

The existing financial reporting structure of Pakistan Railways has a considerable mismatch with the IFRS. An analysis of Pakistan Railways' accounts by the Financial Information System/Management Information System (FIS/MIS) consultants is hereby endorsed which described in detail the areas of accounts in which mismatch was found.

Mismatch was observed in the following significant areas of traffic accounts for instance:

a) Revenue Recognition Policy:

IFRS require that revenue should be accounted for on accrual basis where the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and reported in the period to which they relate.

The revenue generated by PR is a mix of cash and credit transactions. The credit transactions are recorded on accrual basis and cash transactions are recorded on cash basis. For example, advanced tickets sold through CRS are recorded as revenue on cash receipt basis although transportation services are yet to be availed in future.

b) Recognition of Refunds:

IFRS require that refunds paid to customers should be accounted for on matching concept basis i.e. those should be accounted for in the period in which the respective earning is recognized.

However, refunds on account of overcharges, postponement of journey/ non-travelling etc. are accounted for in the period in which the cash payments are made to passengers/customers regardless of the period of earnings to which they relate.

c) Ghost freight earnings due to improper recognition of transactions relating to Railway Material Consignment (RMC)-Rs 946.460 million:

According to para 8 of IAS 18 Revenue, revenue should include only the gross inflows of economic benefits received and receivable by the entity on its own account. In view of the foregoing, revenue from Railway Material Consignments (RMC) should be eliminated at the entity level from the corresponding expense/account head.

Pakistan Railways provides transportation services for departmental commodities like fuel, stores, and spares for use by its projects, factories, workshops and other Railway Departments. Freight on these services is charged to projects/ users/ departments at public rates. The whole process takes place on book adjustments only and cash inflow/outflow is not involved. Due to improper recognition of RMC transactions, freight earnings were overstated over the years by substantial amounts. During the FY-2014-15, an amount of Rs 946.460 million was recorded as revenue earnings from RMC as given in Annexure -12.

d) Non-disclosure of selling commission-Rs 52.293 million:

In terms of IAS 18-Revenue, commission paid to booking agencies for sale of tickets should be presented and disclosed separately as a selling expense in the financial statements instead of deducting it from the gross revenue.

However, it was observed that revenue from the sale of tickets from booking agencies is recognized in the financial statements after deducting commission paid. During the financial year 2014-15, Rs 52.293 million was paid to City Booking Agencies as commission on sale of tickets which was not disclosed in the accounts. Detail of commission is given in Annexure-13

The matter was taken up with the Railway administration and it was replied in January, 2017 that the work on FIS/MIS was under process. Therefore, reporting system of Traffic Accounts was being done according to procedure adopted in Pakistan Railways. However, reporting system of Traffic Accounts would be implemented on FIS/MIS after the approval by Member Finance.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC was informed by the Railway management that the matter would be resolved on implementation of FIS/MIS. DAC directed the FA&CAO/Revenue that latest status regarding implementation of FIS/MIS may be intimated to Audit within a week. Compliance of the DAC directive was awaited.

Audit recommends that the implementation of FIS/MIS should be accelerated and FA&CAO/Revenue should pay enhanced attention to the status of module concerning revenue component. The latest status should be intimated to Audit.

4.6 Station Outstanding

Station outstanding denotes those earnings for which the concerned Station Master/Booking Staff were held responsible but due to one or more reasons, the earning could not be realized. There was a substantial amount of Station Outstanding as stated below.

4.6.1 Non-clearance of Station Outstanding-average monthly balance Rs 1,311.08 million

Para 29.28 of Pakistan Railway Commercial Manual obliges the Station Masters to submit to the Divisional Superintendents at the close of each month, immediately after the dispatch of their balance sheets, a report of all such items which are over a month old. Further, in terms of Para 29.29, the Divisional Superintendents would submit in a manuscript form to the CCM, every quarter, a complete list of stations on their Divisions of all items not cleared which are over three months old with explanation why these are still outstanding.

However, it was observed that heavy amount averaging Rs. 1,311.08 million per month was outstanding in respect of coaching as well as goods earnings at selected stations since long which depicted ineffective arrangements for clearance of station outstanding. The detail is given in Annexure-14.

The matter was taken up with the Railway administration and it was replied in January, 2017 that every effort was being made to reduce the station outstanding and it was reduced from Rs. 837.189 million in 2012 to Rs. 63.963 million in 2016.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the CCM that documentary evidence regarding clearance of station outstanding may be provided to Audit for verification within a week. Compliance of DAC's directives was awaited.

Audit recommends that the station outstanding should be promptly cleared in compliance with laid down provisions and amount realised so far be got verified from Audit.

4.7 Miscellaneous Issues

Pakistan Railways' system of revenue collection is a blend of obsolete and outdated components like printed card tickets, Blank Paper Tickets, Excess Fare Tickets, etc.

The partial usage of IT in passenger booking made the whole process more complicated. The computerized Reservation System is not backed by proper SOPs and manuals. Moreover, the use of IT is kept limited to Passenger Traffic and it has not been introduced in booking of Parcel, Luggage, Goods etc.

Resultantly, inconsistent application of rates and freight was observed in the booking of Parcel/Luggage traffic due to manual application of rates. Finally, the Railway needs an extensive overhauling and restructuring in order to upgrade its system in line with the modern Railway systems where the Automated Fare Collection Systems (AFCs) are deployed.

Some procedural violations were also observed in the current system of revenue collection which is given below:

4.7.1 Wrong credit of earnings due to non-acknowledgement of Cash Receipts –Rs 318.701million.

Para 25.58 of Pakistan Railway Commercial Manual provides, Cash Receipts received from the Cashier on account of station remittance should be attached to counter foils in Cash Remittance – Note Book immediately on receipt. If a Cash Receipt is not received back on due date, the Station Master should immediately report its non-receipt to the Cashier. It is further provided vide para 25.59 that the credit on account of cash and vouchers should be taken in the balance sheet on the basis of the Cash Receipts received from the Cashier and not on the basis of remittance.

It was observed during checking of cash remittance of selected Railway Stations that Cash Receipts in respect of remittances amounting to Rs 318.701 million were not available in the Cash Remittance Note Books. The detail is given in Annexure-15.

In view of the foregoing condition, the non-acknowledgment of Cash Receipts should have been reported to the Cashier by the Booking/Goods supervisor. However, no correspondence in this regard was found in record. Therefore, the credit taken in the balance sheets of subject stations was wrong in terms of the above-mentioned criteria.

The matter was taken up with the Railway administration and it was replied in January, 2017 that instructions had been issued to the Divisions to instruct station masters / CSR (B) for getting acknowledgment receipts and keeping the relevant record up to date.

The matter was discussed in the DAC meeting on 13.01.2017 and DAC directed the FA&CAO/Revenue that clearance on account of non-acknowledgement of cash receipts be made within one month and intimated to Audit.

Audit recommends that proper procedure should be adopted for complete cycle of cash remittance into Railway Fund. Acknowledgment receipts should be obtained and kept in the record for verification. The missing acknowledgment should be got verified by Audit as per directives of the DAC.

4.7.2 Improper security arrangements at Booking Offices

The clauses of Security and Discipline issued under Secretariat Instructions state that the security arrangements should be satisfactory and in accordance with the prescribed instructions; the character and antecedents of each functionary be verified; the staff is sufficiently security-minded. Security arrangement at Pakistan Railways' booking offices, is the responsibility of Railway Police.

During audit, it was observed that security staff was not found at their proper place of duty at Karachi Cantt Station at the time of physical inspection.

The matter was taken up with the Railway administration and it was replied in January, 2017 that constables were deputed round the clock and being checked constantly by the Pakistan Railway Police officers. SOP was being issued according to which staff would be sanctioned

category wise for security of booking offices of all Divisions including Karachi Division.

DAC was informed that SOP had been prepared for posting of security officials at booking offices. DAC directed the IG/Police that the same may be provided to Audit within a week. Compliance of the DAC directive was awaited.

Audit recommends that the SOP regarding security arrangements may be provided along with status of its implementation for verification by Audit.

5 CONCLUSION

Pakistan Railway revenue collection system is being operated on the basis of outdated legacy procedures designed during the British regime. However, with the emerging Computerised Reservation System (CRS) and E-ticketing etc. it was necessarily required that the whole system of revenue collection should have been reconstructed in line with modern procedures. PR needs to replace and upgrade the existing system enthusiastically to achieve accuracy, transparency and timeliness.

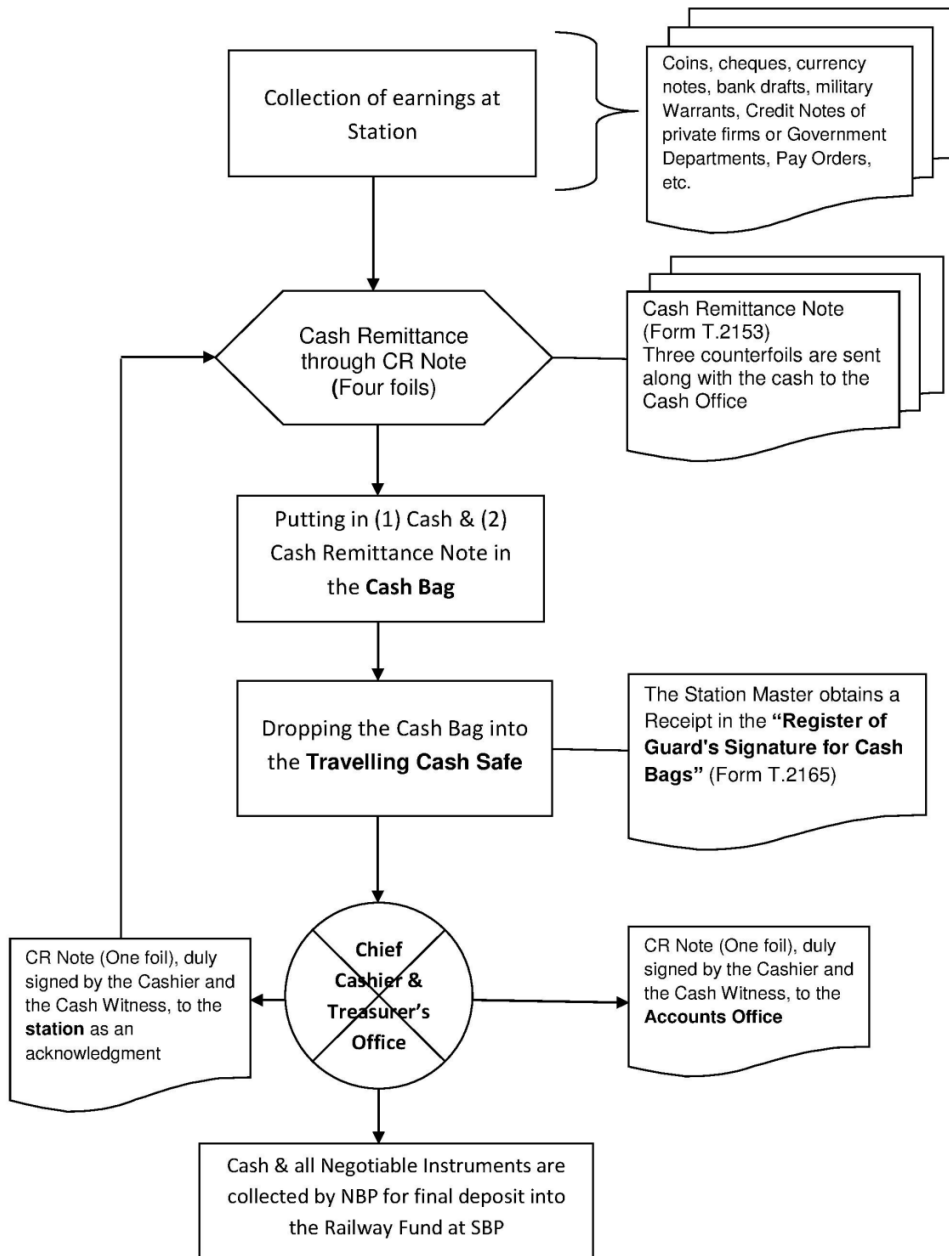
Pakistan Railways should adopt Automated Fare Collection (AFC) System besides implementation of FIS/MIS for correct reporting of revenue earnings and preparation of financial statements in accordance with the provisions of IFRS. For the sake of illustration, an AFC system designed for public transportation and micro-payment operations is given at Annexure-16 which can also be adopted by Pakistan Railways.

ACKNOWLEDGEMENT

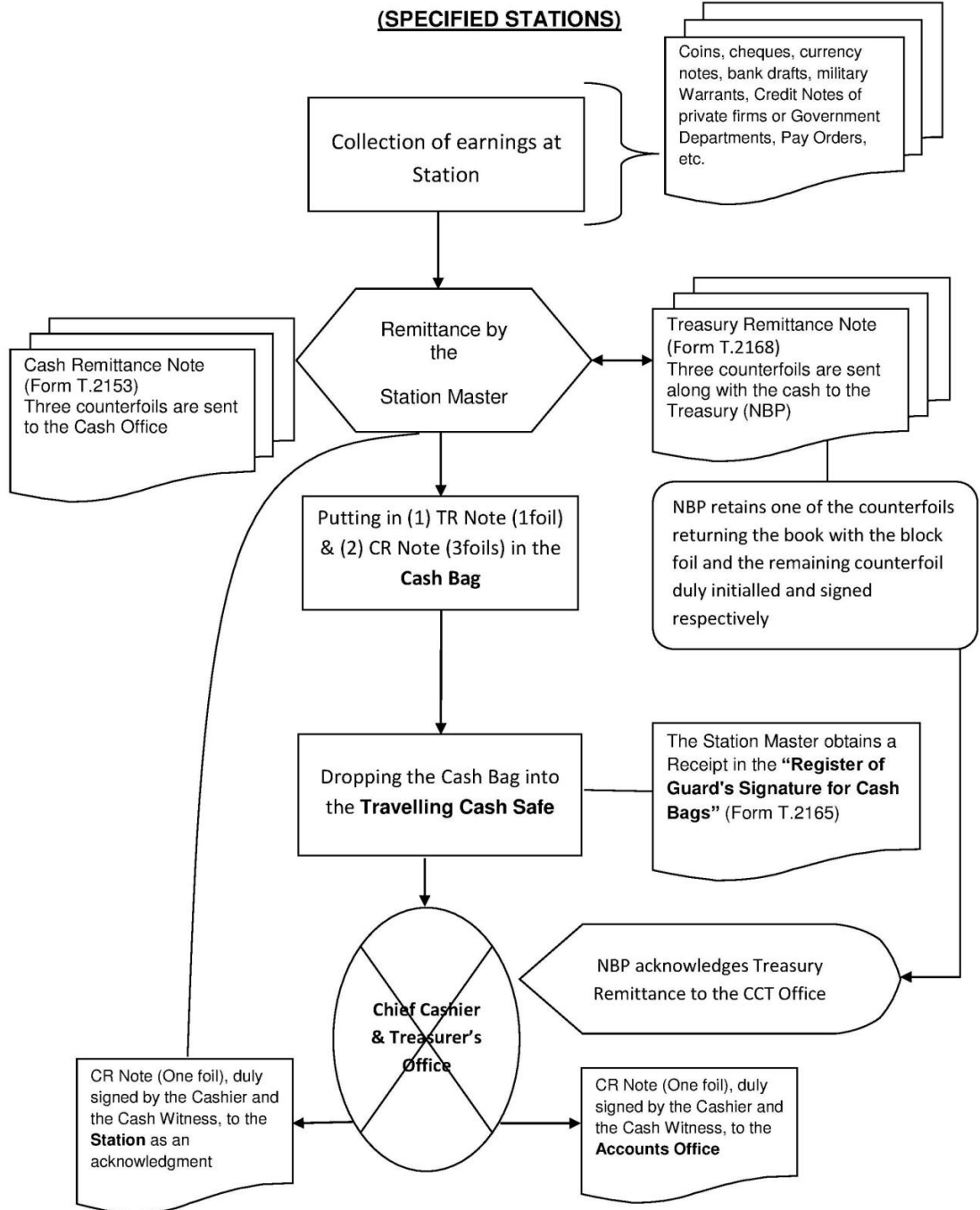
We wish to express our appreciation to the management and staff of Pakistan Railways (FA&CAO/Revenue, CCT Office and Commercial Department) for their assistance and cooperation extended to the auditors during this assignment.

ANNEXURES

DAILY REMITTANCE OF STATION EARNINGS (ORDINARY STATIONS)



DAILY REMITTANCE OF STATION EARNINGS THROUGH NBP



Annexure-3(A)**NON ACHIEVEMENT OF REVENUE COLLECITON TARGETS BY
TICKET COLLECTORS****(Amount in Rs)**

Sr. No.	Station Name	Revenue Target to be Achieved by the TCRs	Revenue Actually Collected by the TCRs	Short Collection
1	Sahiwal	288,000	140,496	147,504
2	Bahawalpur	648,000	270,420	377,580
3	Karachi City	504,000	15,840	488,160
4	Multan Cantt	792,000	327,972	464,028
5	Shorkot	288,000	101,700	186,300
6	Sukkur	21,360	576,000	554,640
7	Karachi Cantt	1512,000	258,492	1253,508
8	LiaqatPur	108,000	71,148	36,852
9	Gujranwala	72,000	64,224	7,776
10	Landhi	432,000	250,752	181,248
11	Rawalpindi	864,000	396,900	467,100
12	Peshawar Cantt.	432,000	250,536	181,464
Total				4,346,160
Total Short Revenue Collection				4.346 million

IMPROPER FUNCTIONING OF TICKET COLLECTORS



Collected Tickets at Karachi Cantt Station



Unsorted PCTs not sent to Accounts Office

**SIGNIFICANT CASES OF FRAUD/ EMBEZZLEMENT OF
RAILWAY REVENUE**

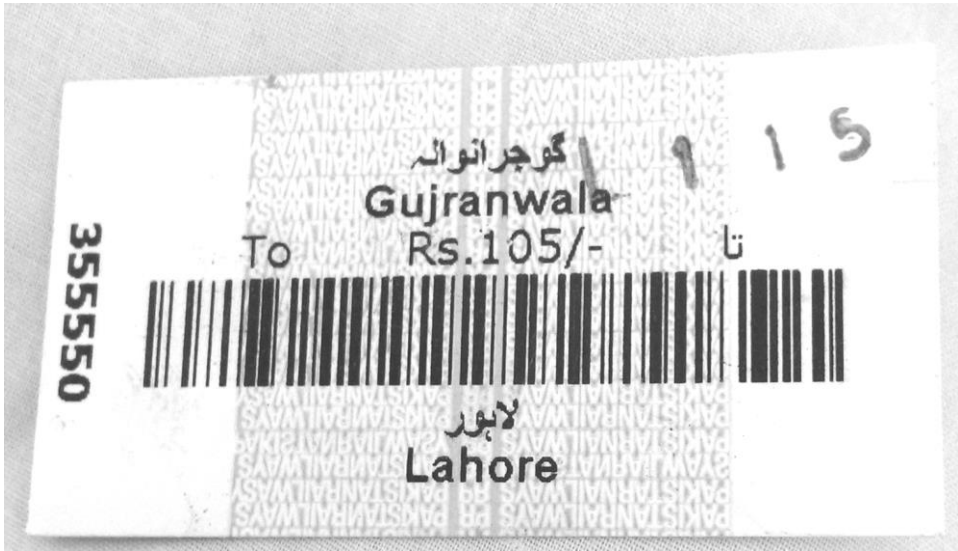
Sr. No.	Particulars of the case	Amount Involved (Rs)	Status
1	Misappropriation of Railway revenue by Commercial Staff of Mirpurkhas (FIR No.5 dated: 07.12.2013 at RPS/MPS)	893,000	Under trial in the Court of Law
2	Shortage of Cash at the time of surprise inspection of booking office, Karachi Cantt	2,616,075	
3	Misappropriation of Railway revenue by Booking Staff at Khanpur	19,549,071	
4	Misappropriation at Rohri Station	3,470,000	Under investigation

TOTAL: 26,528,146 (Rs 26.528 millions)

Annexure-5**STATEMENT SHOWING UNAUTHORIZED UTILIZATION OF
REVENUE EARNINGS AT QUETTA RAILWAY STATION**

Sr. No.	Station Name	Date	Purpose of utilization of Earning	Amount Rs
1	Quetta	19-09-2012	Demolishing of Encroachments	45,000
2	-do-	19-11-2012	Restoration of Gas Supply	765,692
3	-do-	31-12-2012	Restoration of Sui-Gas	926,780
4	-do-	06-02-2013	Payment of Sui-Gas Bill	908,405
5	-do-	12-03-2016	Reparation of breaches	50,000
Total				2,695,877 2.695 million

Resale of sold unused Ticket at Gujranwala Station



Observed on 17th May, 2016

**STATEMENT SHOWING DETAIL OF UNAUTHORIZED
UTILIZATION OF PUBLIC MONEY DEPOSITED IN BANK
ACCOUNTS HAVING BALANCE UPTO THE DATES MENTIONED
AGAINST EACH**

Sr. No.	Station / Railway Officers Club Name	Private Bank Account No.	Date of Closing Balance available in Bank Statement	Balance Amount Rs. in million
1	Karachi	0492511071000457	06-04-2016	1.142
2	Sukkur	0129201010003017 MCB, Station Road, Sukkur.	30-11-2015	4.870
3	Quetta	4026587808 NBP, Lytton Road, Quetta	18-05-2016	3.695
4	Mayo Garden, Lahore	-	Audit Para No. 2.4.17 in RAR 2015-16	27.69
Total				37.397

**STATEMENT SHOWING THE DETAIL OF CASH HELD BY THE
NBP QUETTA DUE TO UNKNOWN REASONS**

Station	Dates of Detention of Cash		No. of Days of detention	Amount involved (Rs)
	From	To		
Quetta	26-07-2014	04-08-2014	09	1,458,966
	04-05-2015	18-05-2015	14	111,000
Total				1,569,966
Total Rs in million				1.570

Annexure-9**STATEMENT SHOWING DETAIL OF STATIONS FROM WHERE
NBP DID NOT COLLECT CASH ON SATURDAYS AND/OR
SUNDAYS**

Sr. No.	Name of Division	Number of Stations
1	Peshawar	07
2	Rawalpindi	12
3	Lahore	33
4	Multan	37
5	Sukkur	18
6	Karachi	16
7	Quetta	03
Total Number of Stations		126

NON-CREDIT OF COLLECTED EARNINGS GUJRANWALA
RAILWAY STATION IN THE PAKISTAN RAILWAYS
COLLECTION ACCOUNT

Sr. No.	Date	CR Note No.	NBP TR No. & Date	Amount Rs
1	01-11-2014	746013	269 02-11-2014	395,041
2	02-11-2014	746014	270 03-11-2014	375,772
3	03-11-2014	746015	7640	485,450
4	04-11-2014		05-11-2014	
Total				1,256,263 1.256 million

Annexure-11**DEPOSIT MISCELLANEOUS-RAILWAY FUND**

Sr. #	Month	Opening Balance Rs.	Addition Rs.	Clearance Rs.	Balance Rs.
1	July-14	217,210,494	337,896,432	120,283,815	434,823,111
2	August-14	434,823,111	--	--	434,823,111
3	September-14	434,823,111	138,381,496	144,349,387	428,855,221
4	October-14	428,855,221	176,836,294	163,336,486	442,355,029
5	November-14	442,355,029	248,539,479	173,421,679	517,472,829
6	December-14	517,472,829	213,479,477	211,272,538	519,679,768
7	January-15	519,679,768	312,986,672	164,156,551	668,509,889
8	February-15	668,509,889	375,089,777	147,544,946	896,054,720
9	March-15	896,054,720	192,307,025	173,501,016	914,860,729
10	April-15	914,860,729	194,691,658	139,734,832	969,817,555
11	May-15	969,817,555	192,490,049	166,276,386	996,031,218
12	June-15	996,031,218	187,574,270	155,046,117	1,028,559,371
Average balance of Deposit Miscellaneous					687,653,546 687.654 million

Note: Figures of July, 2014 were duplicated in August, 2014

Annexure-12

STATEMENT SHOWING THE DETAIL OF RMC (COACHING AND GOODS) FOR THE PERIOD FROM JULY, 2014 TO JUNE, 2015

S. No.	Month	Revenue from RMC		Total Amount (Rs)
		Coaching	Goods	
1	July-14	4,180,235	56,282,255	60,462,490
2	August-14	3,233,320	73,624,205	76,857,525
3	September-14	4,840,230	83,828,235	88,668,465
4	October-14	3,386,245	72,295,496	75,681,741
5	November-14	3,087,410	82,000,800	85,088,210
6	December-14	4,827,355	71,200,675	76,028,030
7	January-15	3,256,960	69,348,165	72,605,125
8	February-15	5,269,720	84,288,890	89,558,610
9	March-15	4,896,965	81,531,680	86,428,645
10	April-15	3,791,040	60,736,660	64,527,700
11	May-15	3,509,980	89,590,645	93,100,625
12	June-15	4,172,140	73,280,415	77,452,555
TOTAL		48,451,600	898,008,121	946,459,721
				946.460 million

**STATEMENT SHOWING COMMISSION PAID TO CBAs ON
ACCOUNT OF SALE OF TICKETS DURING FINANCIAL YEAR 2014-**

15

Sr. No.	Name of Booking Agency	Amount of Commission paid (Rs.)
1	PLHR	14,338,190
2	PLHR A	2,246,277
3	LRGT	914,615
4	RRAP	1,737,850
5	PRND	1,572,927
6	RDGM	1,136,672
7	FSLP	988,628
8	RAKC	2,602,988
9	KRST	2,821,331
10	RKCC	1,063,732
11	RMKC	1,294,590
12	KRPS	905,315
13	AMKK	1,300,908
14	NKRR	3,320,584
15	RQCK	1,127,539
16	RRMC	523,580
17	RRIQ	1,607,452
18	RRSP	406,996
19	RRII	1,629,916
20	RRPI	1,296,575
21	RRIR	1,571,720
22	PRWP	7,885,006
Total Commission paid		52,293,391
		52.293 million

Annexure-14**STATION OUTSTANDINGS
(Admitted, Objected and B-Class Outstanding)**

Sr. #	Month	Opening Balance	Addition	Clearance	Balance
1	July-14	1,252,428,472	36,766,794	379,795,878	909,399,388
2	August-14	909,399,388	540,145,393	420,657,236	1,028,887,545
3	September-14	1,028,887,545	219,770,073	4,209,995	1,244,447,623
4	October-14	1,244,447,623	287,541,267	3,623,457	1,528,365,433
5	November-14	1,528,365,433	436,563,085	293,421,401	1,671,507,117
6	December-14	1,671,507,117	312,755,293	21,481,239	1,962,781,171
7	January-15	1,962,781,171	62,353,638	698,949,002	1,326,185,807
8	February-15	1,326,185,807	264,299,092	25,789,026	1,564,695,873
9	March-15	1,564,695,873	70,130,033	278,966,605	1,355,859,301
10	April-15	1,355,859,301	3,272,837	540,238,107	818,894,031
11	May-15	818,894,031	244,589,348	7,239,195	1,056,244,184
12	June-15	1,056,244,184	356,084,617	146,633,916	1,265,694,885

Average outstanding during the FY-2014-15 Rs 1,311,080,197
(Rs 1,311.08 million)

Annexure-15**DETAIL OF CASH REMITTANCES AGAINST WHICH ACKNOWLEDGEMENT
WAS NOT RECEIVED**

S.No.	C.R Note No.	Date	Amount	Total
KARACHI CITY				
1	706996	12-Oct-14	4,054,816	
2	706997	13-Oct-14	2,447,424	
3	706998	14-Oct-14	4,299,474	
4	706999	15-Oct-14	5,363,463	
5	707000	16-Oct-14	14,823,008	
6	707001	17-Oct-14	7,814,271	
7	707008	24-Oct-14	4,366,175	
8	707009	25-Oct-14	1,837,889	
9	707010	26-Oct-14	3,578,632	
10	707011	27-Oct-14	1,852,979	
11	707084	9-Jan-15	2,707,962	
12	707085	9-Jan-14	2,513,274	
13	767801	24-Jan-15	2,182,726	
14	767814	7-Feb-15	1,551,450	
15	767815	9-Feb-15	1,925,066	
16	767850	15-Mar-15	2,000,987	
17	767851	16-Mar-15	3,207,475	
18	774426	30-May-15	2,837,556	
19	774427	30-May-15	2,284,306	
20	774428	31-May-15	3,932,998	
21	774443	14-Jun-15	3,803,424	
22	774444	16-Jun-15	1,965,199	
23	774449	20-Jun-15	2,391,562	
24	774450	21-Jun-15	4,190,706	
25	774457	28-Jun-15	3,778,941	
26	774458	29-Jun-15	2,298,832	94,010,595

S.No.	C.R Note No.	Date	Amount	Total
KARACHI CANTT				
27	715824	25-Dec-14	3,022,820	
28	715825	26-Dec-14	2,518,965	
29	715826	27-Dec-14	2,476,335	
30	715827	28-Dec-14	2,287,870	
31	715828	29-Dec-14	2,502,915	
32	715829	30-Dec-14	2,954,675	
33	715830	31-Dec-14	2,949,800	
34	715893	4-Mar-15	2,586,745	
35	715894	5-Mar-15	2,770,735	
36	715895	6-Mar-15	4,116,935	
37	715896	7-Mar-15	2,492,380	30,680,175
ROKC				
38	660730	25-Dec-14	3,164,657	
39	660731	27-Dec-14	2,994,340	
40	660732	27-Dec-14	2,998,325	
41	660733	27-Dec-14	2,762,518	
42	660734	29-Dec-14	3,203,993	
43	660735	29-Dec-14	2,522,441	
44	660736	1-Jan-15	2,817,913	
45	660737	1-Jan-15	3,146,041	
46	660738	1-Jan-15	3,004,611	
47	660739	5-Jan-15	3,061,791	
48	660740	5-Jan-15	2,715,883	
49	660741	5-Jan-15	3,133,296	
50	660742	5-Jan-15	2,397,734	
51	660743	9-Jan-15	4,094,822	
52	660744	9-Jan-15	4,079,840	
53	660745	9-Jan-15	3,837,561	
54	660746	9-Jan-15	3,774,878	
55	670449	23-Apr-15	3,365,977	
56	670450	23-Apr-15	3,610,954	
57	670471	15-May-15	3,928,260	
58	670472	15-May-15	3,527,627	
59	670473	17-May-15	4,472,031	
60	670474	17-May-15	4,573,249	
61	670485	29-May-15	4,522,920	
62	670486	29-May-15	4,189,904	85,901,566
KEAMARI EAST WHARF (KEW)				
63	622424	11-Jul-14	641,790	
64	622457	30-Aug-14	5,300,000	
65	622465	9-Sep-14	4,632	
66	622479	27-Sep-14	23,640	
67	622562	24-Jan-15	5,005,088	

S.No.	C.R Note No.	Date	Amount	Total
68	622572	10-Feb-15	98,123	
69	675119	21-Apr-15	34,224	
70	675120	22-Apr-15	10,000,000	
71	675120	22-Apr-15	6,221,664	
72	675122	27-Apr-15	10,432,694	37,761,855
DRIG ROAD				
73	780058	16-Jun-15	781,476	
74	780059	16-Jun-15	1,147,613	
75	780060	16-Jun-15	873,868	
76	780061	16-Jun-15	1,194,136	
77	780072	29-Jun-15	981,877	
78	780073	29-Jun-15	709,787	
79	780074	29-Jun-15	771,976	
80	780075	29-Jun-15	947,271	
81	780076	29-Jun-15	979,628	8,387,632
KARACHI BANDAR (GOODS)				
82	661811	-	3,292,429	
83	661812	24-Feb-15	3,142,208	
84	661813	24-Feb-15	2,733,920	
85	661823	13-Mar-15	2,593,824	
86	661823	13-Mar-15	3,002,112	
87	661824	14-Mar-15	3,422,760	
88	661825	16-Mar-15	3,630,134	
89	661829	24-Mar-15	3,278,304	
90	624797	-	3,002,112	
91	624798	6-Feb-15	3,826,688	
92	661854	5-May-15	3,278,304	
93	661854	5-May-15	3,006,112	
94	661862	26-May-15	3,142,208	
95	661862	26-May-15	3,414,592	
96	661863	27-May-15	3,142,208	
97	661864	27-May-15	3,414,400	51,322,315
KARACHI BANDAR (DRY PORT)				
S.No.	C.R Note No.	Date	Amount	
98	655444	11-Mar-15	3,673,768	
99	655445	13-Mar-15	3,285,456	
100	655446	17-Mar-15	3,677,784	10,637,008
Total:				318,701,146
				318.701 million

An Automated Fare Collection (AFC) System

