AUDIT REPORT
ON
THE ACCOUNTS OF
PAKISTAN RAILWAYS
AUDIT YEAR 2015-16

AUDITOR - GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

AEN	Assistant Executive Engineer
AGM	Additional General Manager
APPM	Accounting Policies and Procedures Manual
BPS	Basic Pay Scale
CA	Certification Audit
CCM	Chief Commercial Manager
CCTV	Closed Circuit Television
CFT	Cubic Feet
CSR	Composite Schedule of Rates
CHOT	Chiniot
DAC	Departmental Accounts Committee
DAEE	Divisional Assistant Electrical Engineer
DCOS	District Controller of Stores
DE Locomotive	Diesel Electric Locomotive
DEE	Divisional Electrical Engineer
DG Set	Diesel Generator Sets
DGM	Deputy General Manager
DRF	Depreciation Reserve Fund
DS	Divisional Superintendent
EFT	Excess Fare Ticket
ECNEC	Executive Committee of the National Economic Council
ET	Electric Traction
ECC	Economic Coordination Committee
FA&CAO	Financial Advisor & Chief Accounts Officer
FIRs	First Information Report
FIS	Financial Information System
FRM	Financial Reporting Manual
GM	General Manager
GPF	General Provident Fund
GST	General Sales Tax
HSD	High Speed Diesel
IG	Inspector General
IIMCT	Islamic International Medical College & Trust
KESC	Karachi Electric Supply Corporation
KUTC	Karachi Urban Transport Corporation
Loco	Locomotive

LPR	Last Purchase Rate
LPS	Late Payment Surcharge
MFDAC	Memorandum for Departmental Accounts Committee
MIS	Management Information System
MoR	Ministry of Railways
MS	Medical Superintendent
NAB	National Accountability Bureau
NAM	New Accounting Model
NSHB	Nishterabad
NHA	National Highway Authority
NR	Nominated Repair
OEI	Oil Engine Inspector
OL	Open Line
PAC	Public Accounts Committee
PC-I	Planning Commission Proforma-I
PD	Project Director
PIFRA	Project to Improve Financial Reporting and Auditing
PLF	Pakistan Locomotive Factory
PO	Principal Officer
POH	Periodic Overhauling
POL	Petroleum, Oil and Lubricants
PPRA	Public Procurement Regulatory Authority
PR	Pakistan Railway
PRACS	Pakistan Railway Advisory and Consultancy Services Limited
PRCM	Pakistan Railway Commercial Manual
PRP	Pakistan Railway Police
PVC	Polyvinyl Chloride
PWD	Pakistan Works Department
RAILCOP	Railway Constructions Pakistan Limited
RAR	Railway Audit Report
REDAMCO	Railway Estate Development and Marketing Company
RFD	Rehabilitation of Flood Damaged Assets
RTL	Railway Train Lighting
SFT	Square feet
SOP	Standard Operating Procedure
SRP	Superintendent Railway Police
SSP	Senior Superintendent Police
TLA	Temporary Labour Application

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 2014-15. 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 2015-16 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-III of the Audit Report. The audit observations listed in the Annexure-III shall be pursued with the Principle Accounting Officer at the DAC level and in such 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-

(Rana Assad Amin)

Dated: 10 MAY, 2016 **Auditor-General of Pakistan**

EXECUTIVE SUMMARY

The Director General Audit Railways (DGAR) 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), Railway Estate Development & Marketing 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 168 officers and staff utilizing 42,336 mandays, with annual budget amounting to Rs 143.50 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. Nine DAC meetings were held to discuss 164 audit observations for the finalization of this Report.

PR is a State Owned Enterprise (SOE) which is run as a Commercial Organization. Its mission is "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 Railway 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 2014-15, auditable expenditure and revenue under the jurisdiction of DGAR was Rs 95,383.639 million and Rs 28,000.00 million respectively covering 01 PAO comprising 211 formations. Of this, DGAR planned audit of

expenditure and revenue of Rs 58,761.46 million and Rs 6,931.13 million respectively in the first phase which, in terms of percentage, is 62% of auditable expenditure and 25% of revenue.

b. Recoveries at the instance of Audit

Recovery of Rs 8104.57 million was pointed out, out of which recovery of Rs 1045.97 million was effected during the year 2015-16 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 2015-16 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 Railway management has segregated public accounts from consolidated fund and opened a dedicated account for GPF.

e. Comments on Internal Control and Internal Audit Department

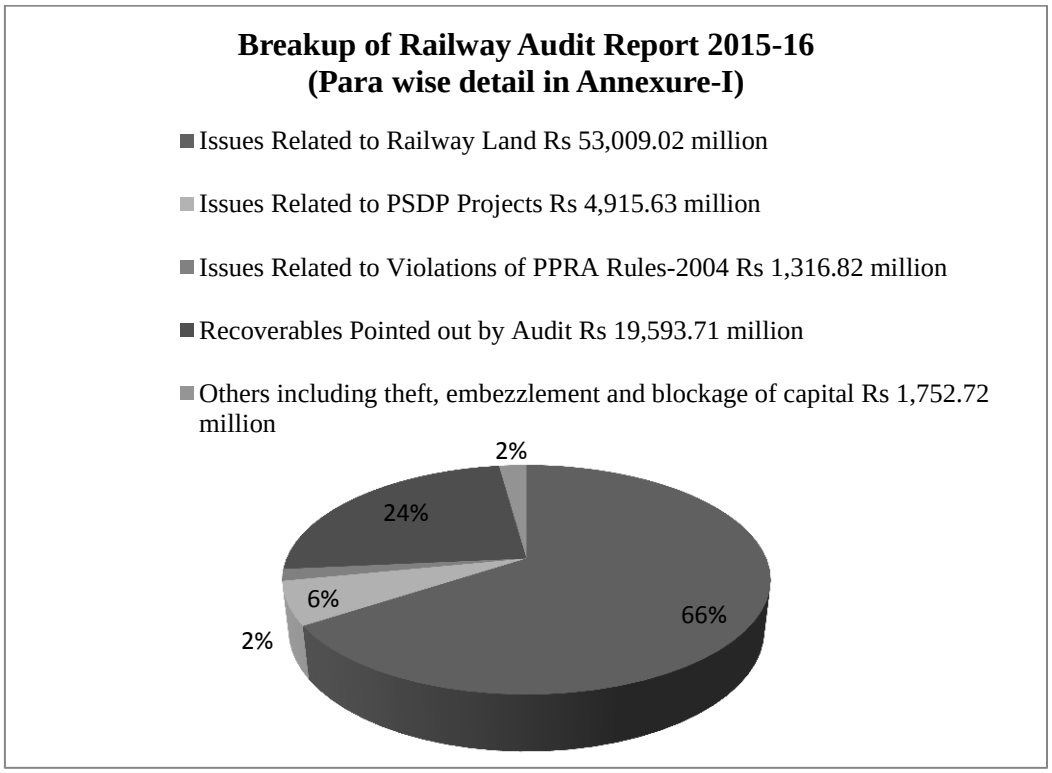
Internal control system refers to the policies and procedures adopted by the entity to assist in achieving, as far as practicable, the financial management and accountability objectives of the Government. The Principal Accounting Officer in conjunction with the Internal Audit organization is responsible 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 the offices which were audited showed a poor response towards internal audit. 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;

Audit findings categorized in five major areas are depicted in the following pie chart along with the total amount of that very sector. Para wise detail of the same is shown in Annexure-I.



The description is further elucidated in the following manner:

i. Encroachment of Railway land valuing Rs 48,761.13 million was noticed by Audit.[1]

[1] Para 2.4.80

ii. Title of 4147.85 acres land possessed by Railways in Dera Ghazi Khan Sub-Division was not transferred in the name of Pakistan Railways.[2]

iii. Recoverables amounting to Rs 18.70 billion were pointed out by Audit.[3]

iv. Railway management remained unable to recover its complete share from PRACS in respect of joint venture of Hazara & Rohi Express resulting into loss of Rs 807.57 million. [4]

v. Revenues generated by the land of Railway officers clubs were deposited in private accounts of clubs instead of Railway fund causing loss of Rs 37.96 million.[5]

vi. An Expenditure of Rs 3497.23 million was incurred on 75-DE Locomotives project without achieving any progress.[6]

vii. Railway management reduced the scope of work of a PSDP project costing Rs 2,216 million to one third without obtaining the approval of ECNEC.[7]

viii. An expenditure of Rs 60.39 million was incurred on purchase of assets for a project without any provision in PC-I. [8]

ix. Violations of cannons of financial propriety were noticed in procurement of Breakdown Cranes costing Rs 1142.00 million.[9]

x. Blockage of capital due to non-disposal of surplus material Rs 641.45 million.[10]

xi. Blockage of capital of Rs 187.76 million due to non-disposal of scrap.[11]

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[2] Para 2.4.6
[3] Para 2.4.68
[4] Para 2.4.10
[5] Para 2.4.16
[6] Para 2.4.7
[7] Para 2.4.8
[8] Para 2.4.11
[9] Para 2.4.9
[10] Para 2.4.46
[11] Para 2.4.47

xii. Railways suffered a loss of Rs 67.01 million due to purchase of material at higher rates. [12]

xiii. Five cases of splitting up of similar nature of works valuing Rs 42.62 million were noticed.[13]

xiv. Railways suffered a loss of Rs 185.01 million due to imposition of engineering speed restriction. [14]

xv. Nine cases of theft of Railway material valuing Rs 139.02 million were identified by Audit. [15]

xvi. Deficiencies of fittings in coaches and goods stock valuing Rs 31.07 million were noticed. [16]

xvii. Four cases of embezzlement of Railway revenue amounting to Rs 24.65 million were identified by Audit.[17]

xviii. Audit noticed four cases of burning of rolling stock which caused loss of Rs 48.90 million to PR. [18]

xix. Railways suffered a loss of Rs 37.90 million due to inefficiency of its management.[19]

xx. Inordinate delay as compared with standard time set by the Railway management in repair of rolling stock caused loss of potential earnings of Rs 39.78 million.[20]

xxi. Auditable record of important cases was not provided for audit scrutiny in violation of Section 14 (2) of the Auditor General's (Functions, Powers and terms of Service) Ordinance.[21]

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[12] Para 2.4.15, 2.4.53
[13] Para 2.4.13
[14] Para 2.4.48
[15] Para 2.4.1
[16] Para 2.4.2
[17] Para 2.4.4
[18] Para 2.4.70
[19] Para 2.4.51
[20] Para 2.4.50
[21] Para 2.4.5

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

Recommendations

Compliance with authority audit

i. 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 besides taking necessary corrective action in respect of all the deficiencies regarding title of land.

ii. System should be evolved for ensuring that all Railway revenues are correctly collected and properly deposited into Railway fund Disciplinary action should 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. An effective recovery policy should be evolved for Railway receipts such as lease/ rental charges of Railway land/shops could be collected timely to improve the financial position of PR.

iv. The Project Directors must ensure timely completion of projects so that the envisaged benefits are achieved and time and cost overrun is avoided. Deviations from PC-I & changes made in scope of projects unauthorizedly should be strictly dealt with.

v. Contract management may be strengthened to watch Railways interest.

vi. Observance of canons of financial propriety be ensured.

vii. Procurement of material and execution of works should be planned to avoid unnecessary piling up of inventory. Moreover, in all cases of procurement observance of Public Procurement Rules be ensured.

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

ix. Internal controls should be strengthened and security arrangements be improved to safeguard Railway land and other physical assets.

x. Management of Railways Workshops should be improved to achieve the given targets.

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	123,383.64*
2	Total formations in Audit Jurisdiction	211	123,383.64
3	Total Entities (PAOs) Audited	01	123,383.64
4	Total formations audited **	70	65,692.59
5	Audit & Inspection Reports	70	137,022.13
6	Performance Audit Report	-	-

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

** All 70 formations planned in Audit Plan were audited, thus 100% Audit Plan coverage was achieved.

Table 2 Audit Observations Regarding Financial Management

Sr. No.	Description	Amount Placed Under Audit Observation (Rs in million)
		2015-16
1	Unsound Asset Management	54,138.12
2	Weak Financial Management	4,915.63
3	Weak Internal Controls Relating to Financial Management	19,593.71
4	Others	1,940.45
Total		**80,587.91**

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	14,992.77	6,896.10	6,834.73	36,968.99	65,692.59	45,399.32
2	Monetary Value of Audit Observation	1.89	27.91	1.79	136,990.5	137,022.13	123,452.35 *
3	Recoveries Pointed Out at the instance of Audit	-	-	-	8,104.57	8,104.57	7,965.15
4	Recoveries Accepted/ Established at the instance of Audit	-	-	-	829.95	829.95	1,579.58
5	Recoveries Realized at the instance of Audit	0	0	952.29	93.68	1,045.97	1,680.02

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

Table 4 Irregularities Pointed Out

Sr. No.	Description	Amount placed under Audit observation
		2015-16
1	Violation of Rules and regulations as well as principle of propriety and probity in public operations.	47,009.16
2	Reported cases of fraud, embezzlement, thefts and misuse of public resource.	343.48
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.	40.47
4	If possible quantify weaknesses of internal control systems.	22,185.47
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies.	8,104.57
6	Non-production of record	153.98
7	Others, including cases of accidents, negligence etc.	59,185.00

Table 5 Cost-Benefit

Sr. No.	Description	Amount (Rs. in million)		
		2015-16	2014-15	2013-14
1	Outlay audited	65,692.64	45,399.32	30,761.75
2	Expenditure on audit	141.424	124.21	107.06
3	Recoveries realized at the instance of audit	*1045.97	1,680.03	360.65
4	Cost-Benefit Ratio	1:7.40	1:13.53	1:3.37

* The amount also includes recovery relating to previous Audit Reports which was verified during January to December, 2015.

Chapter-1 Public Financial Management Issues

Financial Advisor & Chief Accounts Officer, Pakistan Railways

1.1 Audit Paras

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

According to clause 16.55 of International Accounting Standards, depreciation begins when the asset is available for use and continues until the asset is derecognized, even if it is idle.

During review of the Commercial Accounts of the Pakistan Railways as on 30th June, 2015 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 Clause 2.2.7 of Financial Reporting Manual 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 off 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.

The matter was taken up with the management in December, 2015. It was replied that the NAM was planned to be implemented in Pakistan Railways under PIFRA-II but Railway Administration chose to engage consultants under Financial Information System/Management Information System (FIS/MIS) project keeping in view the unique status/requirements of Railway Department. The observation raised by the Audit will be cleared on the completion and implementation of the project of FIS/MIS.

The matter was discussed in the DAC meeting held on 21st Dec, 2015 wherein Audit point of view was accepted and it was replied that the depreciation was not being accounted for. DAC directed to provide the final outcome shortly.

Audit stresses that non-implementation of FIS/MIS is used as an excuse. The proper record of fixed assets should be maintained in compliance with Clause 2.2.7 of Financial Reporting Manual.

1.1.2 Non-adjustment of Miscellaneous advance due to less recovery/adjustment of advances for local purchase, utility charges etc. - Rs 1,909.56 million

Section 16.4.2.1 of Accounting Policies and Procedures Manual (APPM) stipulates that the Suspense Account should be cleared on monthly basis.

During Certification Audit for the year 2014-15, it was noticed that an amount of Rs 1,909.56 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 providers 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 was as under:

Sr. No.	**Suspense Head**	**Balance outstanding upto 30-06-2015 (Rs)**	
	Miscellaneous Advance (Revenue)	Cr	Dr
1.	Advance for Local Purchase	30,891,102	59,584,764
2.	Outstanding Electric Charges	187,457,668	41,304,089
3.	Outstanding Sui Gas Charges	36,155,560	1,503,435,295
4.	Outstanding Telephone Charges	190,472	129,231
5.	Other Items	180,698,926	740,495,351
Total		435,393,728	2,344,948,730
	Net outstanding balance under Suspense	**1,909,555,002**	

As the practice for less recovery was prevailing, the amount lying under Suspense Head had been increasing day by day since 1986-87. Furthermore, as most of the amount was recoverable from management, therefore, this issue had never been highlighted and corrected.

The matter was taken up with the management in December, 2015. It was replied that the Suspense accounts amounting to Rs. 1,909.56 million comprised a heavy amount of Sui Gas charges recoverable from the Railways staff. However, subject audit observation had been referred to all concerned for elaborating the factual position to Audit.

The matter was discussed in the DAC meeting held on 21st Dec 2015. It was directed that a letter be issued to all concerned by the Central Books Section to clear the amount within fifteen days. The division wise breakup of amount under suspense will also be provided to Audit.

Audit desires that corrective measures should be adopted for early clearance of balances outstanding under Suspense to avoid huge accumulation without further loss of time.

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

According to Clause 21.23 of International Accounting Standards, at each subsequent balance sheet date, foreign currency monetary amounts should be reported using the closing rate.

Closing balances of Foreign Loans and Credits under heads of Capital account amounting to Rs 26,174.99 million and Replacement/Improvement account amounting to Rs 3,173.33 million were not stated at the exchange rates prevailing on 30th June, 2015. 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.

The matter was taken up with the management in December, 2015. It was replied that all figures of foreign loans and credits were worked out by Aid and Loan Section of Ministry of Railways in consultation with Economic Affairs Division. In the financial statements of Pakistan Railways, the figures of foreign loans and credits were reflected on historical cost principle according to the disbursement advice issued by Director/F&B, Ministry of Railways (Railway Board) Islamabad. As no advice/directive was received from Aids & Loan section Ministry of Railways (Railway Board) Islamabad, so the difference of exchange rates was not taken into account.

The matter was discussed in the DAC meeting held on 21st Dec 2015. It was directed to provide the complete detail of foreign loans (relent + direct), repayment schedule, mode of payment (Pakistani currency or US dollars) forex rates applied, repayments made, balances

outstanding, amount of interest paid and outstanding etc. as on 30th June, 2015 to Audit. Mr. Sikandar Iqbal, Deputy Director, Ministry of Railways, Islamabad was deputed for the said assignment.

Audit stresses that non-implementation of FIS/MIS is not a bar in evaluation of foreign loans correctly. Therefore, it should be done without further loss of time and correct figure of foreign loans should be depicted in the balance sheet by using the latest forex rate.

1.1.4 Overstatement of Assets as well as Liabilities due to double accountal of Federal Government Investment - Rs 16,625.44 million

During review of the Commercial Accounts of Pakistan Railways as on 30th June, 2015 and respective notes therein, it was observed that an amount of Rs 31,366.20 million was booked under head, "Investment by Government" on liability side of the balance sheet. From this, an amount of Rs 16,625.44 million was again booked under Depreciation Reserve Fund on liability side of balance sheet which resulted in double accountal of this amount. The detail is as under:-

Rs in million

Balance sheet Liability Side	**Amount**
Total Investment by Govt. (Capital account + Replacement account)	31,366.20 (14,740.76 + 16,625.44)
Again shown as Depreciation Reserve Fund (DRF) on liability side. (Note-3- Federal Govt. contribution on replacement account)	16,625.44
Net overstatement on liability side of Balance Sheet.	16,625.44

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.

The matter was taken up with the management in December, 2015. It was replied that under the existing accounting procedure, to reflect the correct figure of each head, the receipt on account of Federal Government Investment and Replacement Account was booked to their respective heads i.e Federal Government Investment and Depreciation Reserve Fund respectively. If the figures of Federal Government Investment and Replacement Account were not booked on both sub-heads of liability, the accounts would remain understated.

The matter was discussed in the DAC meeting held on 21st Dec, 2015 wherein Audit view was accepted and it was directed that final outcome be provided to Audit shortly.

It is suggested that the investment made by Government should be booked to its proper heads only. In this way, the question of over/understatement would not arise.

1.1.5 Incorrect presentation of Current Assets by showing amount under Divisional Paymaster Account (DPM)– Rs 1,433.21 million

Pakistan Railways (PR) was disbursing its pension through National Bank of Pakistan (NBP) since 2006. Earlier, this job was done by the Divisional Paymasters throughout Pakistan Railways.

During the course of Certification Audit, it was observed that an amount of Rs. 1,433.21 million was appearing at the credit of Divisional Paymasters Account (DPM). Despite this, the job had been assigned to National Bank of Pakistan. Therefore, the matter of such a heavy amount with DPM was not justified. Actually, this amount was lying outstanding against National Bank of Pakistan (NBP) instead of DPM which occurred due to non-reconciliation between NBP and Pakistan Railways and was shown as an asset under "Current Assets".

The matter was taken up with the management in December, 2015. It was replied that prior to the year 2006, the work of disbursement of monthly pension to Railway pensioners was made by DPMs/SMs over Railway system. In the year 2006, the work of pension disbursement was awarded to National Bank of Pakistan. It was agreed that pension funds would be provided to NBP in advance at the end of each month for disbursement of pension in the ensuing month. The amount of pension funds paid in advance to NBP was kept under Head DPM Advance (Pension). As soon as pension paid vouchers are received in concerned pension offices, the suspense head of A/c DPM Advance (Pension) would be cleared through journal slip.

The matter was discussed in the DAC meeting held on 21st Dec, 2015. It was replied that the issue raised due to non reconciliation between

NBP and Pakistan Railway. However, the matter has been taken up at accounting units level and the amount will be reconciled shortly. DAC directed to do the needful at the earliest.

Audit desires that the reasons for such a heavy amount lying uncleared at the year end be explained. It should be cleared at the earliest under intimation to Audit as this amount relates to the NBP instead of DPM.

1.1.6 Non-realization of Bills Receivable-Rs 3,572.91 million

The position of "Bills Receivable" of Pakistan Railways as on 30 June, 2015 was Rs 3,572.91 million (2013-14: Rs 2,230.70 million).The increase in Bills Receivable i.e. 60% was alarming. These receivables related to different Divisions of Pakistan Railways**.** The aging of accumulation of these receivables started from 1967-68 to 2014-15. Major portion of Receivables pertained to Ministry of Defence, Provincial Food Departments, Highway Authority, and Oil Companies. It resulted into overstatement of assets as most of the balances were long outstanding and no plan of recovery of amount was in place.

The matter was taken up with the management in December, 2015. It was replied that function of bills receivable was a permanent feature of any commercial organization showing healthy financial activities. However, Pakistan Railways tried to manage its bills receivable by ensuring that figures did not exceed 1% of total assets of balance sheet each year. Pakistan Railways was pursuing concerned Government Departments vigorously to realize the receivables.

Audit emphasizes that the comparison of receivables with total assets is not meaningful as the assets are not shown fairly. Therefore, it is imperative to take appropriate measures to realize long outstanding dues through strenuous efforts.

Chapter 2 Pakistan Railways

2.1 Introduction

Pakistan Railways is a state enterprise 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), Railways Estate Development & Marketing Company (REDAMCO) and Karachi Urban Transport Corporation (KUTC) are 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. KUTC was established in 2008. Its main objective is to provide the local train facility to the general public of Karachi. 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 the 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 2014-15

Rs in million

Items	Original Allocation	Supple-mentary Allocation	Final Allocation	Actual Expenditure	Variation	
					Excess (Saving)	%age
Grant No. 089 Revenue Expenditure						
Voted	62,957.29	21.05	62,978.33	59,118.42	(3,859.91)	(6.13)
Charged	2,042.71	(21.05)	2,021.67	-	(2,021.67)	(100)
Total	**65,000.00**	**-**	**65,000.00**	**59,118.42**	**(5,881.58)**	**(9.05)**
Grant No.145 Capital Outlay on Pakistan Railways						
Voted (Capital)	20,276.20	(1,722.40)	18,553.80	6,196.19	(12,357.61)	(66.60)
Voted (DRF)	19,289.80	391.40	19,681.20	22,179.05	2,497.85	12.69
Total	**39,566.00**	**(1,331.00)**	**38,235.00**	**28,375.24**	**(9,859.76)**	**(25.79)**
Grand Total	**104,566.00**	**(1,331.00)**	**103,235.00**	**87,493.66**	**(15,741.34)**	**(15.25)**

The comparison between allocated budget and actual expenditure clearly showed that the actual expenditure incurred under “voted” portion of Revenue Grant was less than the final allocation and there was saving

of Rs 3,859.91 million i.e. (6.13%). The expenditure under "Charged" portion was not incurred at all and there was 100% saving i.e. Rs 2,021.67 million even though liability on account of interest on overdraft and foreign loans was outstanding. The saving under both heads of Revenue Grant was 9.05%.

The actual expenditure of Capital outlay on Pakistan Railways under Capital head was less than the final allocation which resulted into saving of Rs 12,357.61million i.e. 66.60%. The expenditure under DRF head was more than the final allocation which caused into excess of Rs 2,497.85million i.e. 12.69%. The overall variation under both heads of Capital outlay resulted into savings i.e. 15.25%.

Audit emphasizes that the savings under both the above mentioned grants are not within permissible limits i.e. 5% in case of Revenue as well as Capital expenditure which should be avoided in future. This state of affairs indicates a failure on the part of the management which does not incur the expenditure according to the allocated budget. Similarly, many critical operations were badly affected due to non-availability of funds.

2.2.2 Comparative Analysis of Accounts of Financial Year 2014-15

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	2014-15	2013-14	2012-13	Variation	Variation (%)
1	**2**	**3**	**4**	**5 (2-3)**	**6**
Gross Earnings	31,924.76	22,800.22	18,069.55	9,124.54	40.02
Total Working Expenses	59,174.16	55,328.10	48,535.24	3,846.06	6.95
Operating Surplus/ (Loss)	**(27,249.41)**	**(32,527.88)**	**(30,465.69)**	**(5,278.47)**	**(16.23)**
Interest on Debt	-	3.72	47.02	(3.72)	(100.00)
Miscellaneous Receipts	2.62	4.40	8.37	(1.78)	(40.45)
Net Profit / (Loss)	**(27,246.78)**	**(32,527.20)**	**(30,504.34)**	**(5,280.42)**	**(16.23)**
Grant-in-Aid	27,246.78	32,527.20	30,504.34	(5,280.42)	(16.23)
Surplus/(Deficit)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

The profit & loss account indicated that:

i) Total operational working expenses amounting to Rs 59,174.16 million were much higher than the gross earnings of Rs 31,924.76 million. No doubt, gross earnings increased as compared to previous years but still the difference between working expenses and gross earnings was very high which resulted into operational loss of Rs 27,249.41 million i.e. 46.05%. This indicated that Railway administration failed to achieve the target of zero operating deficit. Audit emphasizes that the resources should be utilized fully to increase the earnings than expenditures.

ii) No interest on account of overdraft and foreign loans was paid by the management of Pakistan Railways during the whole financial year even though budget provision amounting to Rs 2,021.67 million was available under head “Charged” portion.Therefore, non-payments of interest on debt of both internal and external loans can attract penalties if not got re-scheduled. Audit, therefore, advises that the interest on loans should be paid as per agreements to avoid penalties.

iii) Pakistan Railways suffered a net loss of Rs 27,246.78 million (2013-14: Rs 32,527.20 million). To cover the loss, Federal Government provided Grant-in-Aid amounting to Rs 37,000.00 million. The loss was covered with the amount provided by the

Federal Government and the balance amount of Grant-in-Aid i.e. Rs 9,753.22 million was transferred to the Railway Reserve Fund. Audit, therefore, suggests that the loss should be minimized so that the amount of Grant-in-Aid could be avoided.

Balance Sheet:

Rs in million

Particulars	2014-15	2013-14	2012-13	Variation	
				Increase/ (Decrease)	Percentage
1	**2**	**3**	**4**	**5 (2-3)**	**6**
Liabilities					
Capital & Net Worth	118,440.13	87,073.93	64,965.71	31,366.20	36.02
Revenue Reserves	44,330.09	39,947.43	38,818.28	4,382.66	10.97
Long Term Liabilities	71,747.08	74,126.91	72,765.31	(2,379.83)	(3.21)
Current Liabilities	9,030.98	8,080.63	5,750.47	950.35	11.76
Total Liabilities & Capital	**243,548.28**	**209,228.90**	**182,299.77**	**34,319.38**	**16.40**
Assets					
Fixed Assets	96,445.22	90,249.04	81,482.49	6,196.18	6.87
Deferred Assets	81,753.74	65,128.30	51,323.22	16,625.44	25.53
Current Assets	65,349.32	53,851.56	49,494.06	11,497.76	21.35
Total Assets	**243,548.28**	**209,228.90**	**182,299.77**	**34,319.38**	**16.40**

The figures in balance sheet were reflective of the following:

i) Capital & Net Worth increased by Rs 31,366.20 million (36.02%) over the preceding year. The increase was due to booking of investment amount made by the Federal Government through cash release for development programmes which was provided in addition to Grant-in-Aid.

ii) Revenue Reserves increased by Rs 4,382.66 million (10.97%) over the preceding year. The increase was due to booking of excess amount of Grant-in-Aid i.e. Rs 9,753.22 million to Railway Reserve Fund and wrong booking of Federal Government Investment to Depreciation Reserve Fund.

iii) Fixed Assets increased by Rs 6,196.18 million (6.87%) over the preceding year. The increase was due to booking of amount received under Foreign Loans and Federal Government Investment on Capital Account.

iv) Deferred Assets increased by Rs 16,625.44 million (25.53%) 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	2014-15	2013-14	Variation	% age
Revenue from all operations	1,086.64	961.66	124.98	12.99
Less: Direct expenditure	876.72	865.76	10.96	1.27
Gross Profit	**209.92**	**95.90**	**114.02**	**118.89**
Less: Admin & General expenses	33.06	34.34	(1.28)	(3.72)
Operating Profit/Loss	**176.86**	**61.56**	**115.30**	**187.29**
Less: Financial Charges	-	-	-	-
Add: Other Income	59.27	61.23	(1.96)	(3.20)
Profit/(Loss) before Tax	**236.13**	**122.79**	**113.34**	**92.30**
Less: Taxation	89.28	47.90	41.38	86.39
Profit/(Loss) after Tax	**146.85**	**74.89**	**71.96**	**96.09**

PRACS generated overall revenue and direct expenditure as stated above by running six operations. No doubt, overall revenue from six operations was more than the direct expenditure but individually out of six, there were four operations where direct expenditures were more than the revenues which was not a favourable sign for the company. Direct expenses exceeded the revenue in consultancy services by 5.39%, catering and other services by 5.16%, business & development by 209.17% and Railway marriage hall by 88.17%. Other income also decreased by Rs 1.96 million i.e. 3.20%. Audit, therefore, recommends that

expenditures should be less than the revenues in each individual business activity to achieve better results.

2.2.4 Comments on the Financial Statements of RAILCOP

Profit & Loss Account:

Rs in million

Particulars	2014-15	2013-14	Variation	%age
Revenue	**915.84**	**778.73**	**137.11**	**17.61**
Cost	714.50	658.93	55.57	8.43
Gross Profit	**201.34**	**119.80**	**81.54**	**68.06**
Less Administrative Expenses	40.23	(42.39)	(2.16)	(5.10)
Profit from operating activities	**161.11**	**77.41**	83.70	108.13
Less: Finance Cost	3.23	(0.52)	2.71	525.04
	157.88	**76.89**	**80.99**	**105.33**
Add Other Income	17.76	23.01	(5.26)	(22.84)
Profit before Taxation	**175.64**	**99.90**	**75.74**	**75.82**
Less: Taxation	44.12	(44.56)	0.44	(0.98)
Profit after Taxation	**131.52**	**55.34**	**76.18**	**137.66**

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

i) The overall revenue was increased by 17.61% but the note No. 20 of Financial Statement showed that the revenue under head **"**Construction Contracts**"** was decreased by 27.10% which was the main business of the company (2014-15: Rs 272.70 million & 2013-14 Rs 374.09 million). Audit recommends that maximum resources should be utilized to enhance the revenue from construction contracts being main business of the company.

ii) The overall cost was increased by 8.43% which was rational as compared to sales/revenue but the major increases as per Note 21.1 under the head of accounts were; "Fuel & Power" by 151%, "Material Consumed" by 144%, and "Business Promotion" by 105%. Audit, therefore, suggests that increase in cost in each business activity should be watched individually keeping in view the cost benefit analysis.

iii) Note 4 and 14 of accounts showed "Investment in Pakistan Railway Freight Transportation Company" amounting to Rs 24.19 million on verbal assurance. The investment on verbal orders is highly risky and objectionable which may put the company into crises. Audit, therefore, suggests that taking actions on verbal assurance may be avoided in future.

2.2.5 Comments on the Financial Statement of REDAMCO

Profit & Loss Account:

Rs in million

Particulars	2014-15	2013-14	Variation	% age
Income/Revenue	54.13	35.73	18.40	51.50
Expenditures				
Marketing Cost	2.94	.08	2086	3575
Admn Expenses	50.00	35.10	14.90	42.45
Other Operating Expenses	0.00	0.00	0.00	0.00
Less: Total Expenditures	52.93	35.18	17.75	50.45
Profit/(Loss) before Tax	1.20	0.55	0.65	118.18
Less: Taxation	1.20	0.22	0.98	445.45
Profit/(Loss) after Tax	0.00	0.33	(0.33)	(100.00)

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

i) The income/revenue of the company increased by Rs 18.40 million i.e. 51.50% as compared to the previous year. However, none of the project of the company has matured since its inception. Audit, therefore, desires that system may be improved to complete the projects by observing timelines.

ii) As per Note 11 of the Financial Statement under head "income tax refund due from Government" was Rs 2.92 million in FY 2012-13, Rs 7.40 million in FY 2013-14 and Rs 11.07 million in FY 2014-15. This drastic increase is alarming for the company. The refunds should be collected timely from the Government to avoid accumulation.

iii) The working capital ratio is a ratio which is used to check the liquidity position of any company. Similarly, this ratio also

indicates whether company had enough current assets to meet current liabilities. As per International Accounting Standards the ideal ratio is 2:1. However, Financial Statements of the company showed that the working capital ratio was 1.06:1.00. It indicates the poor liquidity position of the company and is required to be improved by enhancing current assets.

2.2.6 Comments on the Financial Statement of KUTC

The annual accounts for the financial year 2014-15 were not provided to Audit with the remarks vide letter dated 14-12-2015 that the computer was under repair. Hence, this office was unable to comment on the accounts of KUTC.

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	% 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	27	14	66%
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	49	18	73%
10	1994-95	123	123	76	47	62%
11	1995-96	153	21	12	09	57%
12	1996-97	65	30	21	09	70%
13	1997-98	56	07	07	0	100%
14	1998-99	50	22*	0	0	0%
15	1999-00	58	56	32	24	57%
16	2000-01	48	48	28	20	58%
17	2001-02	28	28	10	18	36%
18	2003-04	24	05**	0	0	0%
19	2004-05	22	22	14	08	64%
20	2005-06(A)	46	46	27	19	59%
21	2006-07	34	34	16	18	47%
22	2007-08	68	29	0	0	0%
23	2008-09	101	101	43	58	43%

*PAC meeting held on 27.07.2015. PAC directives are awaited.

**PAC meeting held on 30.09.2015. PAC directives are awaited.

The pace of compliance of PAC directives was very slow which needed to be improved as many PAC directives of previous Audit Reports were awaiting compliance.

AUDIT PARAS

2.4 Audit Paras

Misappropriation

2.4.1. Loss due to theft/misappropriation of material – Rs 139.02 million

Para 1802 of Pakistan Railway General Code provides that any defalcation or loss of cash, from stores or other property belonging to Government, should be reported immediately after its discovery, to the head of division or department, and in serious cases to the General Manager. Copies of the reports should be sent simultaneously to Financial Advisor & Chief Accounts Officer. The General Manager should bring every important case to the notice of the Railway Board, as soon as possible. Furthermore, Para 372 of Pakistan Government Railway Code for the Accounts Department provides that the defalcation or loss should be reported to the Accounts Officer and Statutory Audit and should be investigated by the Executive in association with Accounts representative with a view to fix responsibility.

Following cases of theft were noticed during audit of different accounting units:

Rs in million

Sr. #	DP No.	Formation	Period of Audit	Description of material	Amount
1	6883	Civil Engineering Department, Quetta.	Aug-2014	Misc. items	112.77
2	7036	Divisional Telecom Engineer (DTE) Multan	Feb-2015	Misc. Items	0.17
3	7165	Divisional Signaling Engineer, Lahore.	Mar-2015	Misc. Items	5.10
4	7180	Divisional Telecom Engineer, Karachi.	Feb-2015	Telecom Equipment	0.84
5	7324	Civil Engineering Department, Rawalpindi	Sep-2015	Rails, trees & bricks	1.00
6	7406	Civil Engineering Department	Sept-2015	P-way material	3.92
7	7407	Civil Engineering Department, Peshawar.	Sep-2015	Rail	8.28
8	7464	Project Director, Doubling of Track, Lahore	Oct-2014	Fittings & Fasting	1.09

9	7508	Divisional Mechanical Engineer-II, Lahore	Nov-2015	Rolling Stock Fittings	5.85
				Total	**139.02**

The incidents at Sr. No 2, 3, 4 & 5 were discussed in the DAC meeting on 22nd January, 2016. It was intimated against Sr. No 2, 4 & 5 by the Railway management that an inquiry was being conducted to probe the issue. DAC directed that the inquiry should be finalized and shared with Audit within 15 days. DAC directed against Sr. No. 3 that reply to the para may be provided within 15 days. Against Sr. No. 1 & 6 to 9 the DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from sub offices. DAC directed to expedite the provision of reply.

Audit emphasizes that theft cases should be investigated to fix responsibility for taking appropriate action against the persons responsible for the loss and amount of loss may be recovered from the defaulters. Moreover, strict security measures should be adopted to safeguard the public assets.

2.4.2 Loss due to deficiencies in Coaching and Goods Stock – Rs 31.07 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 following formations of Pakistan Railways disclosed deficiencies of fittings, valuing Rs 31.07 million in coaching and goods stock. The details are given below:

Rs in million

Sr.#	DP #.	Formation Audited	Type of Material	Period of irregularity	Value of fittings
1	6751	Mechanical Department, Lahore Division.	Deficiencies in Coaching/ Goods	2012-13 to 2014-15	0.73*
2	6813	Divisional Mechanical Engineer, Rawalpindi.	Rolling stock fittings	2013-14	0.70*
3	6850	Divisional Mechanical Engineer, Multan	-do-	2011-12 & 2012-13	1.34*

4	7271	-do-	Deficiencies in Coaching/ Goods	2014-15	1.76
5	7357	Divisional Mechanical Engineer, Peshawar	Rolling stock fittings	2014-15	1.56
6	7365	Divisional Mechanical Engineer, Multan/ HTXR/Goods/ SMA	Rolling stock fittings	2014-15	0.20
7	7369	Divisional Mechanical Engineer, Multan	Deficiencies in Coaching/Goods Stock booked to MGPR/Workshops for POH/NR	2014-15	0.82
8	7460	Mechanical Department, Karachi	Deficiencies in Coaching/Good Stock	2014-15	11.14
9	7476	Mechanical Department, Rawalpindi	Deficiency in Coaching Stock	2014-15	1.17
10	7505	Divisional Mechanical Engineer, Lahore	Deficiency in Coaching & goods Stock	2014-15 to 2015-16	10.52
11	7515	Mechanical Department, Quetta Division.	Deficiency in Coaching Stock	2014-15	1.13
				Total	**31.07**

*Draft Paras related to previous years, which could not be included due to certain deficiencies.

The matter was taken up with the management in November 2014 and September 2015. It was discussed by the DAC in its meeting dated 22nd January, 2016. The DAC directed the Railway Police Department to probe into the matter and offer its comments besides improving the security arrangements of Railway yards.

Pakistan Railways is required to take the issue seriously and devise a strategy with the help of Railway Police and other concerned departments to minimize such losses. Security arrangements also need to be strengthened.

2.4.3. Suspected bogus expenditure incurred without documentary evidence – Rs 29.07 million

Para 320 (h) of Pakistan Railways Code for the Accounts Department provides that it is the responsibility of Accounts department to scrutinize the expenditure with a view to ascertain that the expenditure has been properly and fully vouched and the payment has been so recorded as to render a second claim on the same account impossible.

Audit inspection of Karachi Urban Transport Corporation (KUTC), Karachi revealed that the Divisional Accounts Officer Karachi, incurred an expenditure of Rs 29.07 million on behalf of KUCT management during the year 2004 to 2007. The KUTC management was requested for supply of record of Rs 29.07 million. The KUTC administration remained unable to provide any document regarding expenditure of Rs 29.07 million to Audit for scrutiny despite several written and personal contacts. The whole expenditure was suspicious as the amount was shown, as being paid to Workshops Division for refurbishment of coaches whereas KUTC did not own any coaching stock at that time.

The matter was taken up with the Railway management in April, 2015. It was replied that Divisional Superintendent (Workshop), Mughalpura and PRACS authorities were approached and record would be produced as soon as received from the concerned quarters. The relevant record should be provided to Audit for scrutiny.

DAC in its meeting dated 8th February, 2016 directed the management to submit a detailed reply to Audit for examination.

It is emphasized that the matter may be investigated at an appropriate level besides taking action against the persons held responsible.

DP# 7190

2.4.4. Embezzlement by the staff of Commercial Department – Rs 24.65 million

Para-1808 of Government of Pakistan State Railway General Code Vol-I 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 either directly by requiring him to make good in money a sufficient proportion of the loss, or indirectly by reduction or stoppage of his increments of pay. Para-1804 further provides that it is of the greatest importance to avoid delay in the investigation of any loss due to fraud, negligence, financial irregularity, etc.

During audit inspections of different units of Commercial & Transportation Department of Pakistan Railways, following cases of fraud/embezzlement were noticed:

Rs in million

Sr. #	DP No.	Formation	Period of Audit	Amount
1	7450	Station Superintendent, Rohri	Aug-2015	0.69
2	7141	Reservation office, Sukkur	Sep- 2014	1.76
3	7143	Transportation/ Commercial Department, Sukkur	Sep-2014	19.55
4	7133	Station Manager, Karachi	Sep-2014	2.65
			Total	**24.65**

The issues at Sr. No. 1, 3 & 4 were discussed by the DAC in its meeting dated 22nd January, 2016. Railway management intimated that the replies of Paras at Sr. No. 1 & 4 were being collected from subordinate offices and the same would be submitted in due course. It was also intimated that issue at Sr. No. 3 was in court. It was further informed that FIA and NAB were also probing the case. DAC directed the Railway management to provide reply within 15 days and to put in efforts to get early decision from the court. DAC on 8th February, 2016 discussed the Para at Sr. No. 2 and directed the management to update Audit about the current status of the matter.

Audit recommends that the amount involved may be recovered and internal controls be improved properly to avoid recurrence.

NON-PRODUCTION OF RECORD

2.4.5 Non-production of record

As per Section 14 (2) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, the 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 audit of following formations, the auditable record was not provided for scrutiny:-

Sr. #	DP No.	Formation
1	6403	Project Director Signaling, Lodharan-Khanewal, Section
2	6718	Managing Director, Pakistan Locomotive Factory, Risalpur
3	7007	Lahore Division Admn (DPO)
4	7213	Chief Controller of Stores, Lahore
5	7498	DS/ DPO, Lahore
6	7499	DS/ DPO, Peshawar
7	7500	Ministry of Railways
8	7502	Deputy General Manager, Lahore
9	7514	Project of Special Repairs of 150 DE Locomotives

The matter was reported to the management during December, 2013 to January, 2015 & July, 2015 and Paras at Sr. No. 1, 2 & 4 were discussed by the DAC in December, 2015 & January, 2016 respectively. The DAC directed the Railway management to ensure the provision of record to Audit teams at the time of inspection. CP&PO was nominated as focal person in this connection and he was advised by the committee to take immediate action on any complaint of non- provision of record by the executive to Audit. CP&PO was also advised to ensure the provision of record at the time of Audit inspections of Railway entities. The draft para at Sr. No. 3 was discussed by the DAC in January, 2016. The Railway management contended that Audit had not demanded the record. On production of evidence of requisitions of record by Audit to the DAC, the

committee showed its concern on wrong statement by the executive and directed the Divisional Superintendent, Lahore to clear his position before the DAC. Against Sr. No. 5 to 9 the DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from sub offices. DAC directed to provide the replies expeditiously.

It is emphasized that Railway administration may ensure timely provision of requisite record for audit scrutiny as and when required, enabling Audit to discharge its statutory duties. Disciplinary action needs to be taken against the persons at fault.

IRREGULARITY & NON-COMPLIANCE

2.4.6. Un-titled 4147.846 acre Railway land in Dera Ghazi Khan Sub-Division (Multan) – Rs 4,147.85 million

Para 803 of Pakistan Government Railway Code for the Engineering Department provides that "It is duty of every Railway administration to preserve the title of all land in its occupation and to keep it free from encroachment. Further, Para 1801 of General Code of Railway states, "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".

Audit of Property & Land, Multan revealed that the Railway land measuring 4147.846 acres worth Rs 4,147.85 million in Dera Ghazi Khan Sub-Division was untitled i.e. the title of land possessed by Railway department was not in the name of Pakistan Railways. Also, the land plans maintained by the Division were without signatures /attestation of concerned authorities. In the absence of valid legal ownership documents, the Railway land is very vulnerable to encroachers and Railway administration cannot defend the title of Railway land in the court of law.

The matter was taken up with the management in February 2015 and was discussed in the DAC meeting held on 11.01.2016. The DAC directed the Railway management to vigorously pursue the case regarding transfer of title of land in the name of Railways.

Audit stresses that effective measures may be adopted to transfer 4147.847 acres of land in the name of Pakistan Railways and action may be taken against the person(s) responsible for non-transferring the title of Railway land.

DP# 7145

2.4.7. Irregular expenditure on account of 75 DE Locos project – Rs 3,497.23 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.

Audit of the Managing Director, PLF Risalpur revealed that PC-I of the Project of 75-DE Locomotives was approved in Dec. 2005. While more than six years had elapsed, the manufacturing work of the Project had not been started up to Oct. 2015 and expenditure amounting to Rs 3,497.23 million was incurred till 30th June, 2015 irregularly.

The matter was taken up with the management in Oct 2015. The management replied that during this period due to non-availability of revenue head, only unavoidable expenditure was debited to the project of 75-DEL. The project had been reactivated during the year 2014-15 and it was expected to be completed by the end of June 2017. Reply of the executive is not satisfactory as no manufacturing work has been started in the Project of 75-DEL up till now (Oct-2015) while expenditure to the tune of Rs. 3,497.23 million has been incurred which is unjustified.

DAC in its meeting dated 8th February, 2016 directed the management to submit a revised reply justifying the action for examination by Audit.

Responsibility for the irregularity may be fixed besides taking action against persons responsible.

DP# 7488

2.4.8. Unauthorized reduction of approved scope of work and irregular transfer of material to other project/units of Pakistan Railways – Rs 1,300 million (approx.)

Para 4.12 of Planning Commission's Manual for the Development Projects provides that the physical and financial scope of a project as determined and defined in the project document (PC-I) is appraised and scrutinized by the concerned agencies before submitting it for approval of the CDWP/ECNEC. Once approved by the competent authority the executing agency is supposed to implement the project in accordance with

the PC-I provisions. It has no authority to change and modify the main approved parameters of the project on its own beyond permissible limit of 15%. Moreover, Para 4.13, of the manual states that if at any stage modification / changes become imperative then project authorities should revise the project and submit it for the approval of the competent authority.

As per approved PC-I of "Project of Replacement of Metal Sleepers with Pre-stressed Concrete Sleepers and Complete Track Renewal at Lodhran-Khanewal Section", Complete Track Renewal (CTR) was to be carried out on some portions of the section. The total length of track to be completely renewed was approximately 87 Kms.

Audit of the accounts of the said project revealed that instead of CTR, only Sleeper Renewal (SR) was carried out by the Railway administration. Thus, the scope of work of the project was reduced to 1/3rd. Neither the management got approval of new scope of work from ECNEC by revising PC-I, nor extra funds/allocations were surrendered. It was further observed that stone ballast valuing Rs 17.36 million and UIC 54 rails valuing Rs 763.40 million were also transferred to other projects/units of Pakistan Railways irregularly. This resulted into irregular expenditure of more than Rs. 1300 million incurred up till date of audit.

The matter was pointed out to the head of formation in December, 2014 and was taken up with the Senior General Manager, Pakistan Railways in December, 2015.

The matter was also discussed by the DAC in its meeting dated 30th November, 2015. DAC directed the AGM(I) to look into the matter and report to the DAC within 15 days. Later on DAC discussed the issue in its meeting dated 22nd January, 2016 and directed the management to get the PC-I revised. Compliance of DAC direction was awaited till finalization of Audit Report.

Audit emphasizes that the responsibility for irregular scope reduction and utilization of funds for other projects/works may be fixed.

DP # 7003, 6610, 6640&6615

2.4.9. Illegal/unjustified procurement of breakdown cranes Rs 1,142.00 million

According to Para 20 of PPRA Rules-2004, the procuring agencies shall use open competitive bidding as the principal method of procurement of goods, services and works."

International tender for the procurement of 3 Nos. Telescopic Boom Break Down Cranes (lifting capacity 10 tons) was floated on 04.10.2012 with the opening date 26.11.2012. Later on the quantity of Cranes was enhanced from 03 to 07 through corrigendum issued on 10.11.2012 against the following PSDP projects:-

i. Doubling of Track (Khanewal - Raiwind Section) = 1 No.

ii. Mechanization of Track Maintenance (Pilot Project) = 2 No.

iii. Replacement of 87-kms Metal Sleeper (LON-SDR) = 1 No.

iv. Rehabilitation of Track on KPR-LON section = 1 No.

v. Doubling of Track on SDR-LLM section = 1 No.

vi. Doubling of Track on SDR-FSLD section = 1 No.

The tender committee recommended 1st lowest offer of M/s KirowArdelt, Germany, for procurement of 7 Telescopic Break Down Cranes along-with spares etc. @ Euro 1,375,682.65 each with total cost of Euro 9,629,778.59 and letter of intent dated 22.01.2013 was issued in favour of M/s KirowArdelt, Germany.

Audit observed that out of 7 Cranes, 2 Cranes were procured against the projects mentioned at S. No. V &VI against which the work had been suspended since 2013. Similarly 2 Cranes had already been procured against the project at Sr. No.1 and the said project was near completion at time of processing of tender. There was provision for only one Track Crane regarding the project at S. No. iii above with its total cost of Rs 81.000 million in the approved PC-I against which an expenditure of Rs 200.55 million was booked in January 2015. An expenditure of Rs 133.75 million was also booked against the said project, which was not

covered under any provision/sanction. It was further observed that the cost of extra procurement of one crane was divided into three projects, i.e. (i) Project Director/MTM for Rs 267.49 million, (ii) Project Director/DOT for Rs 133.75 million and Rs 133.75 million against the Project Director/Complete Track Renewal 87-Kms (CTR) without any provision in the respective PC-I. Moreover, the Member Finance as member of Tender Committee did not sign the recommendations of the Tender Committee and endorsed her contradictory note thereon. Further, all above procurements were made without any demand/requisitions of the respective Project Directors, which proved that all scenarios were framed for extending undue benefits to the contractor, who earlier supplied the same Crane in Project of DOT. This resulted in illegal/unjustified procurement of extra cranes of Rs 1,142.00 million.

The matter was reported to the formation in July 2015 but no reply was received till finalization of Audit Report.

DAC in its meeting dated 8th February, 2016 directed that revised/comprehensive reply may be furnished to Audit for examination.

Audit, therefore, recommends that the matter may be examined in detail through an inquiry committee for fixing responsibility in the matter and also investigating the contractor who was accomplice in this case. The results should be brought to the notice of audit for onward submission to the parliament (PAC).

DP# 7144

2.4.10. Less recovery of revenue share of Hazara express and Rohi express from PRACS – Rs 807.57 million

Article 6.11 of agreement for joint venture between Pakistan Railways (PR) and Pakistan Railway Advisory & Consultancy Services Limited (PRACS) for passenger facilitation of 11-UP/12-DNHazara Express and 131/UP/132DN Rohi Express provides that on completion of one year's operations, PRACS would pay PR not only the fixed revenue returns as agreed upon for the first year, that is, 10% increase over and above the earnings of the base year,2004-05, but would also go into a revenue sharing formula on a 60:40 basis (60% to PR, 40% to PRACS).

The examination of record pertaining to Hazara Express and Rohi Express revealed that PRACS was paying 60% of net profit instead of revenue. This was in contravention of the contract agreement and undue favour to PRACS. Audit observed that during the period from 15.02.2006 to 14.02.2015 an amount of Rs 807.57 million was less paid by PRACS as revenue share to Pakistan Railway. Management failed to safeguard the interest of Pakistan Railways.

The matter was taken up with the management in January, 2016 but no reply was received till finalization of Audit Report.

DAC in its meeting dated 8th February, 2016 was intimated by the Railway management that replies were being collected from subordinate offices and the same would be submitted in due course. DAC directed the Railway management to provide reply within 15 days.

Audit stresses that less paid revenue share may be recovered from PRACS as per agreement and disciplinary action be taken against the persons responsible for wrong calculation of profit share of Railways.

DP# 7484

2.4.11. Unauthorized procurement of physical assets-Rs 60.39 million

In the revised PC-I of the Project of Rehabilitation of 27 HGMU-30 Diesel Electric Locomotives there was no provision for procurement of overhead cranes and Diesel Generators.

Further, in terms of Para 1010(f) ii of Pakistan Government Railway Code for the Engineering Department, the introduction or omission of any work, facility or group of inter-dependent works or facilities, involving a sum of Rs 1 lac and over, will be considered to be a material modification of a sanctioned project or work. Besides, Para 1009 stipulates that no material modification in a work or scheme, as sanctioned, should be permitted or undertaken without the prior approval of the authority who sanctioned the estimate.

Scrutiny of record of Rehabilitation of 27 HGMU-30 Diesel Electric Locomotives in October/ November 2015 revealed that there was

no provision for procurement of overhead cranes and Diesel Generators for Rehabilitation Shop but following machinery/ equipment was purchased from the project funds unauthorizedly:-

Rs in million

Sr. #	Item	Period of acquisition	Quantity	Amount
1	Overhead Electric cranes having capacity 40/5 tons	Nov-14	2	50.71
2	Diesel Generator 200 KVA	Jun-13	1	4.03
3	Diesel Generator 100 KVA	Mar-13	1	1.96
4	Diesel Generator 40 KVA	Mar-13	1	1.24
5	Fork lifter 3 ton	Dec-14	1	2.45
			Total	**60.39**

It was further noticed that Diesel Generators were unnecessarily purchased as 40KVA Diesel Generator was subsequently transferred to the Project Director Rehabilitation Office. This irregularity caused unauthorized expenditure of Rs 60.39 million on the procurement of physical assets without provision in the PC-I of the project.

The matter was taken up with the management in November, 2015 but no reply was received till finalization of Audit Report.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

It is recommended that responsibility may be fixed at first for non-inclusion of these items in the revised PC-I of the project if their procurement was unavoidable and secondly for unauthorized incurrence of heavy expenditure without provision in the PC-I.

DP# 7490

2.4.12. Irregular award of catering contracts by PRACS without fair competition and bidding in violation of PPRA Rules-2004 – Rs 58.94 million

Rule 20 of Public Procurement Rules-2004 provides that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Rule 12(2) stipulates further that all procurement opportunities over two million rupees should be advertised on the PPRA's website as well as in

other print media or newspapers having wide circulation. Moreover, PRACS Procedure for Purchase, Works & Services dated 13th April, 2012 provides that the works more than Rs 0.10 million should be awarded after calling tender.

Audit & inspection of PRACS in April, 2015 revealed that the PRACS management had awarded catering contracts of its six dinning cars valuing Rs 58.94 million to different contractors without observing open competitive bidding. This resulted in irregular award of contracts in violation of Public Procurement Rules. Had the Public Procurement Rules been observed, the more competitive offers could have been received.

The matter was pointed out to the formation in April 2015 but no reply was received till finalization of Audit Report.

The matter was discussed in the DAC meeting on 22nd January, 2016. DAC showed its concern on the issue and directed the management to provide comprehensive reply to Audit. Compliance of the DAC recommendations was awaited till finalization of the Report.

Audit advises that matter may be investigated at an appropriate level for irregular award of work in violation of PPRA-2004 Rules by fixing responsibility against the persons responsible and remedial measures be adopted to avoid such recurrence.

DP# 7168

2.4.13. Irregular splitting up of similar nature works - Rs 42.62 million

Rule No. 9 of PPRA Rules-2004 provides that a procuring agency shall announce in appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or re-grouping of the procurements so planned. Moreover, Para -950 of Pakistan Government Railway Code for the Engineering Department provides that when two or more works are so connected either by the situation or by the purpose or purposes which they are designed to serve, that the construction of one necessarily involved that of the others, the work should be considered as one scheme and aggregated cost of the work

so connected determine the authority competent to sanction expenditure on the scheme.

During audit of different accounting units following cases of splitting up of works of similar nature were noticed:

Rs in million

Sr. #	DP No.	Formation	Period	Nature of Work	Amount
1	7298	Civil Engineering Department, Multan	Aug- 2015	Construction of Check post & Boundary wall	5.05
2	7299	Civil Engineering Department, Multan Division	Aug-2015	Supply & Stacking of pitching Stone.	10.87
3	7354	Civil Engineering Department, Multan	Aug-2015	Procurement of Painting material	6.75
4	7465	MD, Carriage Factory, Islamabad.	Sep-2015	Artificial Leather.	11.24
5	7517	DME, Quetta	Nov-2015	Misc. mechanical items	8.71
				Total	**42.62**

The matters at Sr. No. 1 to 5 were discussed by the DAC in its meeting held on 8th February, 2016. Regarding Sr. No. 1 it was informed by the management that both the items were not of similar nature. Against Sr. No. 2 to 4 it was informed that the work could not have been completed in time in case the contract was awarded to only one firm. DAC directed the management that documentary evidence in support of the reply may be provided to Audit for examination. Against Sr. No. 5 DAC directed the management to provide a comprehensive reply to Audit for examination.

Detailed scrutiny of the works show that both the works were of same nature. Moreover awarding of work on the apprehension that the contractor would not be able to provide the stone ballast was also not justifiable. Audit emphasizes that responsibility for splitting up of work may be fixed, action against responsible persons be taken under the rules and the amount involved be regularized.

2.4.14. Un-justifiable payment of overtime – Rs 44.38 million

Para 460 of Pakistan Railways Code for the Mechanical Department (Workshops) provides that Workmen sent out from shops temporarily to work at their headquarters station should not be allowed overtime allowance unless they work beyond shop hours. Workmen sent out from shops with engines and vehicles on trial trips should be paid for the actual number of hours worked beyond shop hours.

Scrutiny of the record of different formations revealed following cases of payment of overtime & piece-work without any justification.

Rs in million

Sr. #	DP #	Formation	Period of Audit	Amount
1.	7491	Project Director Rehabilitation, Moghalpura	Nov-15	0.46
2.	7473	MD/ Carriage Factory, Islamabad.	Oct-15	2.67
3.	7466	Divisional Mechanical Engineer, Rawalpindi.	Oct-15	3.89
4.	6489	Project Director Rehabilitation, Moghalpura	Aug-13	2.91
5.	7472	MD/ Carriage Factory, Islamabad.	Oct-15	9.72
6.	7485	Project Director Rehabilitation, Moghalpura	Nov-15	4.07
7	7486	Mechanical Department, Karachi.	Nov-15	20.66.
			Total	**44.38**

DAC in its meeting dated 8th February, 2016 directed that revised/comprehensive reply may be furnished to Audit for examination.

Responsibility for the unjustifiable payment of overtime allowance may be fixed besides taking action accordingly.

2.4.15. Extra expenditure on procurement of ballast by road – Rs 40.40 million

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

During audit & inspection of accounts of the Civil Engineering Department in August, 2015, it was observed that different project authorities were procuring ballast by road with the administrative approval

of Additional General Manager/Infrastructure Business Structure. The rates of such procurements were 66% to 85% respectively higher than the rates accepted by divisional authorities during the same period as detailed below:

Rs in million

Procurement of ballast by PD/DOT	**Procurement of ballast by DS/Lahore**	**Variation**	**Extra amount involved**
Agreement No. 11/DOT/RND/2013 dated **07-9-2013** for supply of 1000000 cft. 2" stone ballast by road at okara Railway station @ Rs. 44.60/cft from M/s Javeed Associates.	Agreement No. 21(2012-13) dated **04/2013** for supply of 1500000 cft. 2" stone ballast from outside quarry Nishterabad @ Rs. 24.10/cft from M/s Ch. M. Sharif & Co.	85%	22.06
Agreement No.12/DOT/RND/2014 dated **30-8-2014** for supply of 1000000 cft. 2" stone ballast by road at okara Railway station @ Rs. 42/cft from M/s Ch. M. Sharif & Co.	Agreement No. 17(2013-14) dated**14-6-2014** for supply of 1500000 cft. 2" stone ballast from outside quarry Nishterabad @ Rs. 25.30/cft from M/s Ch. M. Sharif & Co.	66%	18.34
		Total	**40.40**

The irregularity was taken up with the management in October 2015.The matter was discussed by the DAC on 8th February, 2016. The management could not provide evidence in support of its contention that the procurements were undertaken due to issues relating to capacity of railway quarries and availability of rolling stock. The DAC directed to provide documentary evidence in support of management's reply along with the report of Committee constituted to probe into the matter for Audit examination.

It is emphasized that responsibility for loss may be fixed and persons at fault be taken up suitably.

DP # 7364

2.4.16. Loss of revenue earnings due to un-authorized utilization of Railway land and income generated thereon – Rs 37.96 million

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."

According to Para 819 of Pakistan Government Railway Code for the Engineering Department "Plots of vacant railway land may also be licensed to railway employees, or to such non-railway organizations as provided facilities to railway employees, for the purpose of playing games at a nominal rent, where necessary, provided that, it is made clear in the agreement in each case that the land will be resumed at short notice, not exceeding a month, without compensation for any buildings erected or improvements effected thereon."

The Railway Officers Clubs (Mayo Gardens Lahore, Rawalpindi, Multan, Peshawar, Quetta etc.) were set up on Railway owned land for the purpose of recreation/playing games etc. for the facilitation to railway officers only. However, it was observed by Audit that the clubs management had entered into agreements with private parties for event management and also allocated them a considerable portion of club premises for commercial purpose. The revenue derived from such activities had been deposited in private account(s) of the Officers Clubs instead of Railway Fund depriving PR from a substantial amount of Sundry Other Earnings. Further, it was also observed that the club management was utilizing such income for meeting their own expenditure without approval of the Ministry of Railways/ Finance Division in violation of General Financial Rules.

Audit observed in a specific case that Railway Officers Club (ROC), Multan transferred an amount of Rs 10 million from its private account maintained at First Women Bank Limited to the private account of Railway Officers Club, Mayo Gardens, Lahore under directives of the Senior General Manager, PR. Similarly, in another case, it was observed that eleven (11) tempered vehicles were procured in March, 2015 at the cost of Rs 0.27 million from Customs Authorities utilizing the funds available with ROC, Multan. Therefore, it was comprehended that

Railway Officers Club, Multan had derived a substantial amount of income from aforementioned commercial activities and utilized the same for private purposes instead of depositing it into Railway Fund.

Similarly, Railway Officers Club, Mayo Gardens, Lahore earned an income of Rs 27.69 million from leasing out of three lawns to a private party. However, the lease proceeds were never deposited into Government exchequer. Rather, the amount was deposited into the club's private account irregularly. During discussion of the issue with Secretary of the club it was replied that since this land had been allocated to the club, the same was entitled to make use of the lease proceeds.

The matter was pointed out to the formation in January 2016 but the reply was not received till finalization of the report.

The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from the quarters concerned. DAC directed to expedite the reply.

Audit contends that no rule allows club management to expend this lease amount and it has to be deposited into Railway Fund in any case.

DP# 7478

2.4.17. Irregular payment due to grant of extension without approval of the competent authority – Rs 26.05 million

It is mentioned in Para 2(iii) of instructions circulated by Additional General Manager (Infrastructure) Headquarter Office Lahore vide letter No.AGM/I(Misc) 2010 dated 15.07.2010 that any extension, beyond six months would be given with the approval of General Manager Operations.

During local audit of Civil Engineering Department, Quetta, it was noticed while reviewing the Case No.1012-WA/4/8(2007-08) regarding "Supplying, Stacking, Loading into Railway Wagons 6 (Six) lacs Cft 2" size stone ballast mechanically crushed stone from KLR Quarry on long term basis for three years (Renewable) year to year basis" that M/S Maqbool Ahmed & Co Railway Contractor was awarded contract of above stated work through Agreement No. 117 2009-10 dated 10.05.2010

and contractor was bound to complete the work within12 months. The contractor could not complete the work within stipulated time i.e. upto 12.05.2011. In June 2011, vide Addendum Slip No IV dated 03.04.2013, the contractor was allowed extension in time upto 30.08.2013 without the approval of competent authority i.e. G.M. Operations

The irregularity was taken up with the management in September, 2014 but no response was received till finalization of this report.

DAC in its meeting dated 8th February, 2016 directed that responsibility for non-compliance to the orders of G.M. Operations be fixed under intimation to Audit.

Audit stresses that reasons may be ascertained for not getting approval of G.M (Operations) by conducting inquiry and responsibility be fixed accordingly.

DP# 6881

2.4.18. Loss due to non-replacement of rejected material – Rs 14.61 million

As per warranty clause of purchase order, "it is the responsibility of supplier to replace all the defective material free of cost including all clearance charges". Para-19 of PPRA Rules-2004 describes that the procuring agency shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, such suppliers and contractors who consistently fail to provide satisfactory performances. Para 1801 of Pakistan Railway General Code provides that "means should be devised to ensure that every Railway servant realizes fully & clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part".

Audit of the Assistant Controller of Stores (ACOS), Central Diesel Locomotive (CDL) Workshop Rawalpindi in August, 2015 revealed that certain material was received in the store of ACOS/CDL/RWP which was rejected by the consumer on different grounds although pre-inspection was carried out. The material was returned to District Controller of Stores/Shipping Karachi for replacement from suppliers. Neither the

material was replaced by the suppliers nor the amount involved recovered by the Railway management. This not only resulted into loss of Rs 14.61 million to Railways but also caused delay in repair & maintenance of machinery & equipment for which the material was purchased.

The matter was taken up with the management in August, 2015 who replied that action from CCP office was awaited.

The matter was discussed in the DAC meeting on 22nd January, 2016. The DAC took the issue of non-provision of reply of Audit Para seriously and directed to submit the reply immediately.

It is emphasized that matter may be pursued vigorously and responsibility for delay be fixed.

DP# 7240

2.4.19. Irregular utilization of Railway Revenues and non-clearance thereof – Rs 12.65 million

Para 26.42 of Pakistan Railways Commercial Manual provides that the appropriation of departmental receipt to departmental expenditure or any other purpose is strictly prohibited, except for payment of pay & pension to a limited extent and for urgent departmental expenditure necessitated by floods, earthquakes and accidents with the approval of Railway Board and consultation with FA & CAO. In any other case prior approval of the President of Pakistan is required.

Audit of the record of Railway Stations revealed that amounts as detailed below were drawn from the earning in contravention to the above codal provision:

Rs in million

Sr. #	DP. #	Formation	Date of Inspection	Purpose of Drawl of Earnings.	Amount
1	7219	DCO, Rawalpindi	Sep, 2015	Local Purchase of Kerosene oil	0.93
2	7236	Station Superintendent, Multan.	Sep, 2015	Local Purchase of kerosene oil.	4.699
3	7252	Chief Commercial Manager, Lahore	Aug, 15	Food to labor, shifting passengers, electricity	7.018

				bills & other expenditure	
				Total	**12.65**

The matter was taken up with the management in August & October, 2015. No reply was received till finalization of Audit Report.

The matter was discussed in the DAC meeting held on 22nd January, 2016. DAC directed the Railway management to provide reply within 15 days. It was further directed by the DAC that all out efforts for clearance of the subject amounts be made.

Audit emphasizes that responsibility for utilization of Railway earnings in violation of codal provisions may be fixed and persons at fault be taken up suitably.

2.4.20. Irregular transfer of PSDP Funds - Rs 12.63 million

Para 821 of Pakistan Railway General Code provides that no liability, for which a provision does not exist or the provision for which is inadequate in allotment sanctioned by the General Manager should be incurred unless the necessary funds can be obtained either by re-appropriation or fresh allotment.

Audit of Project Director/Doubling of Track, Lahore, revealed that funds amounting to Rs 12.63 million out of the allocation made to Doubling of Track on Khanewal-Raiwind section for financial year 2013-14 were transferred to Dy. CEN/Bridges vide letter No. 211-W/3-2/DOT/Foot Over Bridge/CGM dated 24.12.2013 in connection with fabrication of span for foot over bridge at Railway Station Changa Manga. The transferring of funds for the above mentioned work, (for which no provision exists in the PC-I) of the DOT-II work (KWL-RND) was irregular.

The matter was taken up with the management in December, 2014. It was replied that the provision of the same existed in the approved PC-I against item No. 23 Appendix-A. An amount of Rs 15.00 million existed in the PC-I, out of which an amount of Rs 12.63 million was transferred to Dy. CEN/Bridges for fabrication of foot-over bridge at CGM Railway Station. The remarks offered are not acceptable, as no provision exists in

the PC-I regarding foot-over bridge at Railway Station Changa Manga. Incurring of expenditure on the said job was unjustified and irregular.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

Audit stresses that the matter should be investigated for irregular transfer of funds for foot-over bridge at Changa Manga station besides fixing responsibility.

DP# 7462

2.4.21. Loss due to undue favour to officers by monetizing the 26 vehicles of excess horse power in violation of monetization policy – Rs 12.52 million

According to clarifications issued by the Cabinet Division/Ministry of Railways vide letters No. 6/7/2011-CPC dated 30-12-2011 and No. G&C/2011-SC/15-B dated 08-1-2013:-

(i) An officer of BPS-20 was entitled to 1000 CC vehicle under Monetization Policy.

(ii) The Policy was not applicable on vehicles purchased against Deposit Works.

(iii) The policy was not applicable on project vehicles.

(iv) The Policy was not applicable in case of persons appointed on Health Personnel Scales.

During inspection/verification of "Monetization Policy" conducted in April, 2014 it was observed that by overriding the Policy, 16 vehicles of 1300 CC instead of 1000 CC, 8 vehicles purchased against Deposit Works and 3 project vehicles, were sold to Railway officers. Moreover, one vehicle was sold to Railway officer appointed on Health Personnel Pay Scales. This resulted in unauthorized monetization of vehicles valuing Rs 12.52 million.

The matter was taken up with the Ministry of Railways/Deputy General Manager through Inspection Reports in April/October, 2014

through the inspection report but no satisfactory reply of the management was received.

The matter was discussed in DAC meeting held on 28th December, 2015. DAC directed the Railway management that the authority under which the vehicles of Deposit Works and other projects were monetized may be provided to Audit for verification. Moreover rules under which vehicle was sold to a Railway officer appointed against Health Personnel Pay Scale may also be intimated to Audit. Compliance of DAC directives was awaited till finalization of Audit Report.

Audit desires that the matter may be investigated to fix responsibility for unauthorized monetization of vehicles by violating the provisions of Monetization Policy of Government of Pakistan.

DP# 6894

2.4.22. Loss due to non-execution of fresh agreements – Rs 11.08 million

In terms of Pakistan Railways Headquarters office letter No. 473-W/o/V/99/P&L, dated 23.7.2001, all old allotments of shops must be cancelled and no extension be given. All these shops should be licensed out through open auction. Furthermore, the shops should be licensed out to sitting person(s) at the new prevailing market rates and fresh agreements be executed and if the sitting persons are not willing to pay the rental charges at new rates then the shops should be got vacated and put to open auction. Further in terms of clause-9 of agreement framed by the Director Property & Land for lease/rent of Railway shops, the title of lease is transferable subject to payment of transfer fee equal to two years rent as premium or Rs 15,000 whichever is higher.

During audit of the Property & Land Peshawar Cantt, it was noticed that neither the old allotments of shops were cancelled for want of fresh auction nor the shops were leased out/transferred to sitting person(s) on receipt of transfer fee equivalent to two years rent as premium, in contravention of the policy ibid.

Twenty five years old agreements were unjustifiably extended in clear violation of the aforesaid policy and in number of cases the agreements were not executed. Had the shops been transferred to sitting persons in accordance with the policy in vogue, Railways could have earned an amount of Rs 11.08 million on account of transfer fee.

The irregularity was reported to the management in April 2014 but no response was received.

The DAC in its meeting dated 22nd January, 2016 directed the Railway management to provide the reply to Audit at the earliest. Compliance of the DAC directives was awaited till finalization of Audit Report.

Audit suggests that the matter may be investigated at appropriate level to fix responsibility for irregular extension of agreement(s) without recovery of transfer fee (premium) as per policy and action be taken accordingly.

DP# 6658

2.4.23. Irregular/unjustified expenditure on account of TA/DA – Rs 10.29 million

Para-1801 of Government of Pakistan State Railway General Code Vol-I 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 any other railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence".

During audit & inspection of Divisional Signal Engineer, Lahore in March/April, 2015 the TA/DA cases of gazetted and non-gazetted staff, were reviewed. It was noticed that there was not a single tour programme attached with the TA bills of gazetted and non-gazettted staff. 8 to 12 days

TA/DA was being drawn monthly by each employee of Signal Department. Signal Inspectors and their staff had been drawing TA/DA by showing their visit out of their beats/sections which was also irregular and un-justified. An amount of Rs 10.29 million was drawn on account of irregular/un-justified TA/DA during the years 2012-13 and 2013-14.

While reviewing the log books of Diesel Generators it was also noticed that the Diesel Generator set at Prem Nagar (PNX) Railway Station was not in working order from 06.06.2013 to 01.02.2015 as shown in the log book and stated by the staff concerned. Whereas the log book also showed that the said generator was being attended by the SES/Diesel and his staff regularly and certified satisfactory working of the same. In this way an amount of Rs 0.05 million approx: (2180x24) was drawn on account of un-justified/bogus TA/DA by staff of Sub-engineer/Diesel, Lahore by attending 16 times and showing satisfactory working of the out of order diesel generator set at PNX station which was not in operation from 06.06.2013 to 01.02.2015.

Matter was pointed out to the formation in April 2015 but reply was awaited till finalization of the report.

The matter was discussed in the DAC meeting on 22nd January, 2016. The DAC took the issue of non-provision of reply of audit para seriously and directed to submit the reply immediately. Compliance of the DAC recommendations was not received till finalization of the report.

Audit emphasizes that responsibility may be fixed besides taking suitable action against those held responsible and actual amount involved be recovered from the defaulters.

DP # 7170

2.4.24. Irregular expenditure on account of pay and allowances – Rs 10.02 million

S. No. 133 Chapter-II of Establishment Code regarding recruitment/appointments, seniority and promotions, provides that post for contract appointment should be advertised and selection should be made by the selection committee as per recruitment rules.

Audit of the record of Karachi Urban Transport Corporation conducted in January/February, 2014, revealed that staff was engaged on contract basis without advertisement and staff appointed did not possess required qualification/experience. This resulted in irregular expenditure of Rs 5.86 million on account of pay and allowances of 24 employees. Further, the pay of temporarily engaged contract employees was fixed irregularly at higher scale e.g. the pay of personal secretary was fixed in the scale 8 instead of 4. Almost all fixations were done irregularly. This resulted in irregular payment of Rs 4.16 million for the period from December 2011 to November 2012.

The matter was taken up with the management of Karachi Urban Transport Corporation in February 2014. It was replied that a consultant had been engaged for the development of "service rules" for the employees of KUTC which would be soon presented for approval before the Board of Directors. After the approval of service rules, the appointment of contract or regular employees would be made accordingly. The reply of the management was not tenable.

The management did not convene the DAC meeting, despite issuance of 6 reminders, till finalization of Audit Report.

Audit emphasizes that responsibility may be fixed for irregular appointments and action be taken against persons held responsible and the staff on posts may be appointed after adopting proper procedure.

DP# 6931

2.4.25. Loss due to award of contract at higher rates – Rs 8.92 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.

During audit of Works Accounts Branch, Lahore it was noticed that a contract agreement was signed on 16.05.2013 between the Railway administration and M/s Ch: Muhammad Sharif, a Contractor for the

supply of mechanically crushed stone ballast, @ Rs 25.90 per cft including all charges, from outside quarry at Nishterabad. Rate of this contractor was about 23% higher as compared to rates of already awarded contracts of the same nature, as detailed below:-

Rs in million

Description	Contract Agreement # & Date	Qty	Rate per Cft Supply	LD Charges	Total
Supply of mechanically crushed stone ballast including all charges from outside quarry at Chiniot	4 04.12.12	11,000,000	119.05	00.945 (19.95)	19.95
Supply of mechanically crushed stone ballast including all charges from outside quarry at Nishterabad	21 06.5.13	1,500,000	24.10	1.80 (25.90) 330% above	38.82

(25.90 – 19.95 x 1500,000 = 8.92 million)

The above position shows that Railway has sustained a loss of Rs 8.92 million due to award of contract at higher rates.

PO was directed to conduct inquiry in pre-DAC meeting held on 1st September, 2014. DAC meeting was held on 15th September, 2014 in which PO was directed to discuss the issue with Audit within two weeks. Deputy Chief Engineer/North replied on 30th September, 2014 that the supply of mechanically crushed stone ballast was made from outside Quarry Chiniot (CHOT) and from Nishterabad (NSHB) on long term basis. Reply was not acceptable as neither the inquiry was conducted nor the issue was finalized by the executive.

Matter needs to be investigated to fix responsibility and internal controls be strengthened.

DP# 6239

2.4.26. Loss due to procurement of material at higher rates without fair competition in violation of PPRA Rules-2004 – Rs 7.06 million

Rule 4 of Public Procurement Rules-2004 stipulates that procuring agencies shall ensure that the procurements are conducted in a fair and transparent manner, and the object of procurement brings value for money to the agency and procurement process is efficient and economical.

Audit of the record of Project Director, RAILCOP, Lahore in April, 2014 revealed that an advertised tender for the procurement of 1500 M.ton Spring Steel Flat was opened on 20th May, 2013. Two firms participated viz M/s Abbas Steel Group, Karachi and Peoples Steel Mills with their quoted rates at Rs 103,000 and Rs 118,520 per metric ton, respectively. Lowest offer of M/s Abbas Steel Group, Karachi was recommended by the Tender Committee on 6th June, 2013 for acceptance as it was responsive, more economical and less than the last purchase rate. Managing Director, RAILCOP did not accept the recommendations of the Tender Committee and gave the direction to re-evaluate the tender proposals as M/s Peoples Steel Mills, Limited reduced its rates to the level of lowest bidder. Tender Committee in its meeting held on 12th July, 2013 recommended to file the tender. Tender was again floated and opened on 10th October, 2013 for the procurement of 400 M. tons Spring Steel. The single offer of M/s Peoples Steel Mills, Karachi @ Rs 120,660 per metric ton with 50% advance payment was accepted by the M.D/RAILCOP on the recommendation of Tender Committee.

Audit observed that the above offer for procurement of 400 M. ton Spring Steel Flat @ Rs 120,660 from M/s Peoples Steel Mills was accepted on a higher rate as compared to the earlier lowest offer of M/s Abbas Steel Group Karachi @ Rs 103,000 per metric ton. This resulted in loss of Rs. 7.06 million due to acceptance of higher rates and non-adoption of fair competition.

The matter was taken up with the formation in June, 2014 and was discussed in the DAC meeting on 22nd January, 2016. DAC directed the RAILCOP management to provide the working regarding technical disqualification of M/s Abbas Steel Ltd.

Responsibility for violation of PPRA Rules-2004 may be fixed besides taking action against the persons at fault.

DP # 7105

2.4.27. Irregular/unauthorized enhancement of contract value – Rs 6.97 million

Rule 1(j) of PPRA Rules-2004 read with Rule 42 (c) (iv) stipulates that "repeat orders" means procurement of the same commodity from the same source without competition and includes enhancement of contracts and repeat orders should not exceed fifteen per cent of the original procurement. Rule 4 further stipulates that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner; the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of the Civil Engineering Department P.R. Peshawar Cantt conducted in August/September 2015, it was noticed that a contract worth Rs 6.97 million for rehabilitation of bridge No. 101 & 107 at Peshawar Division was awarded to M/s Ch. Muhammad Rasheed Arain, Multan vide Agreement No. 9-PSC/2014-15 dated 21.01.2015 with a completion period of 03 months which was irregular because the face value of the work was enhanced by 44 % after acceptance of tender. Audit observed that the tender for the said work was accepted in favour of the said contractor with the face value of Rs 1.29 million on 11-06-2013 without the approval of tracing plan. Later on, the face value of the work was enhanced from Rs 1.29 million to Rs 6.97 million due to change in design and instead of retendering, an agreement was signed with the same contractor on 21-01-2015, after a period of almost 19 months from the date of acceptance of tender which was a clear violation of PPRA Rules-2004. Thus, irregular/unauthorized enhancement in the face value of contract after acceptance of tender resulted into an irregular award of contract worth Rs 6.97 million.

This was pointed out to the formation in September, 2015. The para was discussed by the DAC in its meeting held on 8th February, 2016. The committee was informed by the management that the revised plan was got approved by the competent authority. DAC directed the management that a revised, comprehensive reply may be furnished to Audit for examination.

It was a fact that the face value of work was enhanced to the extent of 44% after finalization of the bid in violation to the PPRA Rules-2004. Responsibility for violation of the rules may be fixed besides taking action against the responsible persons.

DP# 7403

2.4.28. Loss due to irregular expenditure on account of pay & allowances – Rs 6.30 million

Para 807 (1) Government of Pakistan State Railway General Code stipulates 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. 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 they fall due.

Audit of office of the Managing Director PLF, Risalpur revealed that the employees of the workshop of PLF were working at PLF Schools which were controlled by the private administration since long causing loss of Rs 6.30 million as detailed in **Annexure IV.**

The para was discussed with the management in October, 2015 who stated that the PLF Schools were run by the PLF administration purely on self-help basis, i.e. "No profit, no loss basis". The employees of PLF are deputed for the purpose of security after the occurrence of terror incident at Army Public School, Peshawar in December, 2014. The matter was referred to GM/Dev & Special Initiatives PR, Lahore for taking over of PLF Schools. Reply is not satisfactory as PLF Workshop employees are working since long.

DAC in its meeting dated 8th February, 2016 directed the management to submit a revised reply justifying the action for examination by Audit.

Matter needs to be investigated at an appropriate level to fix responsibility besides taking suitable action.

DP# 7487

2.4.29 Irregular expenditure – Rs 6.23 million

Government of Pakistan, Ministry of Law, Justice & Parliamentary Affairs letters No. 20(1)/87-LA dated 22nd November, 2004 & 13th January, 2010 stipulates that no legal advisor or advocate shall be appointed by any department without the prior approval of Ministry of Law, Justice & Human Rights. Further, as per organization order No. 750 of September, 2009, mentioned in the 'Terms and Conditions of Railway Standing Counsels (B)', professional fee shall be paid at the rate prescribed in the Schedule of Fee of RCLs after finalization of the case on receipt of final fee bill. Moreover, Para 20 of Public Procurement Rules 2004 provides that the procuring agencies shall use open competitive bidding, as the principal method of procurement for the procurement of goods, services and work.

Audit & inspection of Karachi Urban Transport Corporation (KUTC), revealed that:

a. A legal advisor was appointed by KUTC management on a total monthly retainer-ship of Rs. 0.02 million on 20th January, 2010, without the prior approval of competent authority and without observing the procedure of appointment i.e. open advertisement, experience and qualification. Thus, an amount of Rs 1.70 million was paid to the legal advisor irregularly on account of retainer-ship fee and legal fee up to February, 2015. The legal advisor did not attend any case till 2014 whereas he was paid retainer ship fee of Rs 1.07 million for the whole period. Later on, in 2014-15, the consultant attended a few court cases on behalf of KUTC and was paid legal fee Rs 0.62 million, in addition to, the retainer-ship fee which was again irregular and unjustified. This resulted into a loss of Rs 1.70 million to PR. The matter was taken up with the KUTC management in April, 2015. It was replied that the KUTC had obtained legal opinion on several occasions. Therefore, the amount paid cannot be treated as wasteful. The remarks were not acceptable as the legal advisor was appointed irregularly.

DAC in its meeting dated 8th February, 2016 directed the management to submit a detailed reply to Audit for examination.

DP# 7192

b. An amount of Rs 4.53 million was spent by the KUTC on security services from M/s Frontier constabulary. The contractor was engaged without observing any procedure, mentioned in the Public Procurement Rules (i.e. advertisement, bidding evaluating etc.). This resulted into irregular expenditure. The matter was taken up with the KUTC management in April, 2015. It was replied that currently the security services were being engaged by fulfilling all the necessary formalities. The executive accepted the viewpoint of Audit.

DAC in its meeting dated 8th February, 2016 directed the management to submit a detailed reply to Audit for examination.

DP# 7191

It is emphasized that the responsibility for irregular expenditure may be fixed besides taking action against the responsible persons.

2.4.30. Irregular appointment of staff on TLA basis – Rs 4.87 million

As per Finance Division (Regulation Wing) letter No. F.4(9)R-3/2008-499 dated 12.08.2008, the staff for development projects funded from PSDP was required to be recruited from open market on Contract Basis. Besides, as per General Manager/Operations letter No. GM.Misc.07/2014 dated 07.07.2014, essential staff against work charged posts of the projects was required to be engaged on Contract Basis with due process following the laid down procedure for Contract Appointments with the approval of Chief Personnel Officer.

Furthermore, as per PC-I of the project of Rehabilitation of 27 HGMU-30 Diesel Electric Locomotives, only 48 employees of scale 1 could be engaged.

Scrutiny of record of the Project of Rehabilitation of 27 HGMU-30 Diesel Electric Locomotives in October/November, 2015, revealed that staff in three categories i.e. Skilled (BPS-06), Semi-Skilled (BPS-04) and

Muawan (BPS-01) was appointed on Temporary Labour Application (TLA) basis without observing the procedure laid down for such appointments on contract basis. It was observed that neither any advertisement for these appointments was made in the media nor any recruitment criteria was observed. The staff was engaged on TLA basis, as it was an easy option to accommodate people. It was also evident from the fact that Muawans (BPS-1) were engaged in excess of requirement as per provision in the PC-I because their appointment criteria could be fulfilled easily. 53 employees of scale-1 were engaged against the provision of 48 employees in PC-I. This resulted in irregular expenditure of Rs 4.87 million on the engagement of staff on TLA basis in excess of provisions of PC-I and without observing the procedure laid down for Contract Appointments.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

It is emphasized that the responsibility for the loss may be fixed besides taking action against responsible persons. **DP# 7489**

2.4.31. Non-forfeiture of security money – Rs 4.19 million

Terms & conditions of agreement executed between Pakistan Railways and the contractor show that if the contractor is fined three times, his contract will be terminated with forfeiture of security money without any compensation.

During audit of the Chief Commercial Manager, Railway Headquarters office, Lahore, in August, 2015, it was observed that in a number of cases of catering contracts of dinning cars, the contractors were fined three or more than three times for poor quality services but no action was taken. The contractors fined were as under:

Sr.#	Contractor	Security Money (Rs in million)	No. of Times Fined
I	M/s NabeelMehmood Caterer	0.77	06
ii	M/s Mehdi & Sons	1.35	04
iii	M/s Shakeel& Co.	1.355	05
iv	M/s Abdul Shakoor Arian	0.71	05
Total		**4.19**	

Neither the security money was forfeited nor contract was terminated in any case. This indicated that Pakistan railway failed to implement its agreement's provisions on its network resulting in non-forfeiture of security money amounting to Rs 4.19 million and termination of contracts.

The matter was pointed out to the formation in August, 2015 and was discussed in the DAC meeting on 22nd January, 2016. DAC was informed by the Railway management that the contract was not terminated in the public interest. DAC showed its concern on the issue and directed the PO to look into the matter and report to DAC.

Railway management remained unable to implement the clauses of the contract. Responsibility for the non-observing the provisions of contract agreement be fixed besides taking action against persons held responsible.

DP# 7287

2.4.32. Wasteful expenditure on boundary wall of P-way depot, Sukkur – Rs 3.94 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.

The scrutiny of record of Sub Store Keeper (SSKP) Permanent Way Depot, Sukkur, in September, 2013 revealed that condemned sleepers costing Rs 3.94 million were utilized for the construction of boundary wall of permanent Way Depot, Sukkur as detailed below.

Rs in million

Sr.#	Issue Note Number and Date	No of Sleepers	Total Cost
1	C-12/IOW/CSF/KWL/ 22.12.2008	1040	0.42
2	C-13/IOW/CSF/KWL22.12.2008	2160	0.83
3	C-II/IOW/CSF/KWL22.12.2008	6880	2.69
	Total	**10080**	**3.94**

Despite incurrence of such a huge expenditure, the boundary wall was not reliable and receipt of material into the depot was stopped by the railway management on the plea that the wall was vulnerable.

The unwise decision of the Management not only resulted in wasteful expenditure of Rs. 3.94 million but also caused loss as the depot was no more operational due to the condition of boundary wall.

The matter was taken up with the management in October, 2013. DAC in its meeting dated 8th February 2016 was informed that huge expenditure on boundary wall was avoided by utilizing condemned sleepers and to safeguard the operative depot. The DAC directed the Railway management to provide evidence in support of their contention.

As no evidence regarding operations of the Depot existed, the Audit's view of wasteful expenditure on boundary wall of a non-operative depot stood valid. Audit desires that responsibility for the decision/loss may be fixed besides taking action against persons held responsible.

DP# 6930

2.4.33. Loss due to defective agreement in I.T. Department – Rs 3.45 million

In terms of Para 807 of Pakistan Government Railway Code for General Department, 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.

During the audit, it was noticed that an agreement had been executed between Pakistan Railway and M/s LCU for repair of 85 printers at their locations. Pakistan Railway agreed to pay Rs. 3.45 million to the company on quarterly basis in advance against security equal to quarterly payment. Audit found three defects in this transaction as mentioned below:-

i) Keeping in view the cost of executing the agreement, the Railway administration could purchase more than 85 new printers which

would have been in addition to those in stock of the Railway I.T. system,

ii) Clause of advance payment in the agreement; and

iii) If any spare parts would be replaced, the old ones would become the property of the company

Furthermore, in terms of the agreement, the company was liable to repair the printers at the Railway locations over the system and if the fault is irreparable at Railway location then the company was liable to provide another printer as a stop gap arrangement and Railway authorities would utilize the same until the repaired printer was installed again.

Contrary to above, (agreemental clause 1), the Assistant Programmer, Karachi used to call the printers from other cities to Karachi and the company repaired the printers on the cost of Railway as they did not move anywhere. Thus, with the connivance of the officials of I.T. Department, Railways sustained a heavy loss.

Moreover, agreement was made for the maintenance of only 85 printers. Thus, the calculated repair cost of each printer came out to Rs 40,612. About 170 new printers could be purchased from the amount that was incurred only on the maintenance of these 85 printers.

The matter was taken up with the Railway management on 19th December, 2014 but the reply was not received till finalization of this Report.

Audit advises that responsibility may be fixed and action be taken against the persons held responsible.

DP# 6965

2.4.34 Irregular Procurement – Rs 3.39 million

Rule 13 (1) of Public Procurement Rules, 2004 provides that under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

Audit of Divisional Transportation / Commercial Officer, Quetta, revealed that a tender for purchase of 56 common user items costing Rs 3.39 million was floated by the divisional administration in April, 2014. The PPRA authorities also intimated the Railway management vide their letter dated 07.05.2015 that the response time given for the tender was less than 15 days and a violation of rules. The divisional management did not re-advertise the tender and went on for procurement of the material in clear violation of the PPRA Rules-2004.

The matter was brought into the notice of the management in August, 2015 but no response was received till the finalization of the report.

The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from sub offices. DAC directed to expedite the reply.

It is emphasized that the responsibility may be fixed for irregular procurement besides taking suitable action against the responsible persons.

DP# 7496

2.4.35. Loss due to non-recovery of liquidated damages charges – Rs 3.21 million

As per terms and conditions of the Purchase Order in the event of delayed delivery of stores by the contractor, the PR is entitled to recover Liquidated Damages (LD) charges @ 0.5% per week or part of the cost of stores delayed to compensate for the delay in use of stores subject to maximum of 10% of total cost of delayed supplies.

Audit of the Managing Director Concrete Sleeper Factories in September, 2015, revealed that two Purchase Orders were placed on M/s Nizami Steel Products, Lahore, for supply of 175 M. Ton MS Round 9.4

MM DIA Plain and 325 M.Ton MS Round 9.4 MM DIA Deformed on 14th April, 2014. The contractor supplied only 42.280 M. Ton and 95.680 M. Ton plain and deformed MS Round respectively uptill 31st July, 2014 i.e. delivery period. The contractor was awarded extension in delivery period without imposing LD charges. The Works Manager CSF Kohat intimated that the production had been reduced due to non-availability of the material in question. Audit is of the view that the extension granted by MD CSF to the contactor was unjustified and Railways suffered a loss in the shape of reduction in production due to non-availability of the said material.

The matter was pointed out to the formation in September, 2015 and was discussed in the DAC meeting on 22nd January, 2015. Railway management informed the DAC that the supplier supplied the material within the delivery period. The DAC directed the management to provide evidence to the effect that the material was provided within delivery period and not in extended delivery period.

Since no evidence could be produced as desired by DAC, Audit advises that responsibility for unjustifiable grant of extension and non-imposition of LD charges amounting to Rs 3.12 million may be fixed besides recovering the loss from the persons at fault.

DP # 7228

2.4.36. Irregular extension in lease period to M/s Mobilink and alleged misappropriation – Rs 3.15 million

The Policy regarding Temporary Licensing of Railway Land circulated by Director Property & Land vide letter No. 473-W/Stacking/Mul/03/(P&L) dated 12th December, 2003 provides that in case the land is required for use beyond six months period i.e. for a second term, it will be referred to the Headquarters for approval. No extension will be granted after 2nd term and the land in question will be leased through open auction as per commercialization policy. Moreover, Para-1402 of Pakistan Railway General Code stipulates that all transactions to which a Railway servant in his official capacity is a party, must without any reservation, be brought to account, and all amounts received should be

paid in full, without undue delay into the treasury or the bank, to be credited to the appropriate Head of Account.

During audit inspection of Deputy Director Property & Land, PR, Karachi, it was noticed that Divisional Superintendent, Karachi had allowed M/s Mobilink for placement of mobile BTS for a temporary period of six months (27.01.2011 to 26.06.2011) inside Pakistan Railways Police line, Karachi Cantt, at the rate of Rs 0.57 million. After expiry of the period, the Divisional Superintendent, PR Karachi, irregularly granted consecutive extensions uptill 31.10.2013 by giving undue favour to M/s Mobilink in violation of the policy, which was also pointed out by Headquarters Office, Lahore.

Moreover, Inspector General of Pakistan Railways Police, Lahore asked the Divisional Superintendent, PR Karachi, on 21st November, 2013, that in future income of signal tower of M/s Mobilink may be deposited in Inspector General A/c No.18821-9DIG/PRP-WSF) instead of Railways treasury. However, it was not evident from the record whether the rental income of Rs 3.15 million from November, 2013 to June, 2015 was deposited into IG/PRP's personal account or not. Thus the possibility of misappropriation of Rs 3.15 million could not be ruled out. The company also occupied additional land for placement of another mobile tower irregularly, as pointed out by Deputy Director Property & Land, Karachi.

The para was discussed with the Deputy Director Property & Land, Karachi, in March 2015. It was replied that the matter related to Pakistan Railways, Police as M/s Mobilink made agreement with Railway Police Department. Reply of the executive was not satisfactory as Property & Land Branch was responsible for leasing/auction of all the Railways land.

The matter was discussed in the DAC meeting on 22nd January, 2016. DAC directed that the matter may be taken up with IG/PRP for depositing of rental charges into Railway account. Moreover, additional land may also be got vacated and the progress be intimated to Audit. Compliance of the DAC recommendations was awaited till finalization of the report.

It is emphasized that the matter may be investigated at appropriate level and responsibility for misappropriation of government money and irregular extension of lease be fixed.

DP # 7173

2.4.37. Loss due to irregular appointment of advisor – Rs 3.07 million

As per letter of Ministry of Railway U.O.No. 24(4)/2014-E-1 dated 26th August, 2014, the Secretary Railway sent a summary for appointment of an advisor to the Prime Minister on the following grounds:

(i) Restructuring
(ii) Reforming
(iii) Revamping
(iv) Rebuilding

The Railway management also requested for the relaxation of the ban imposed on Contract Appointments in terms of Establishment Division Letter No F 53/1/2008-SP dated March 14, 2014.

During the audit of the Ministry of Railways, audit concluded that there was no significant work regarding the above mentioned activities where the role of an advisor was required in the above four strategies. Moreover, audit found a petition/complaint against the appointed advisor submitted before the Director FIA dated 25.09.2014 seeking probe into the allegations leveled against the advisor/former GM who caused heavy financial loss of more than Rs 10 million to the railways. Hence, the salary received during last six & half month was irregular.

The matter was reported to the formation in October, 2015 but no reply was received till finalization of Audit Report.

DAC in its meeting dated 8th February, 2016 directed the Railway management to provide the reply within 15 days.

Audit advises that the amount involved may be recovered from the advisor and practices of employing officers & staff unnecessarily be avoided to save Railways from loss.

DP # 7469

2.4.38. Irregular expenditure on account of advertisement – Rs 2.25 million

Rule 12 (2) of PPRA Rules-2004 specifies the method of advertisement wherein it is required that the procurement over Rs. 2.0 million should be advertised on PPRA website as well as in print media or newspapers having wide circulation. Rule 15 of PPRA Rules-2004 describes the methods of pre-qualification of firms.

During the audit and inspection of the REDAMCO, it was observed that the Ministry of Railways (MoR) vide letter no. G&C/2015-Adv/13 dated 03-02-2015, notified the appointment of five advertising agencies for MoR/ PR for a period of two years. The REDAMCO authorities selected M/S Manhattan Communications Ltd without obtaining the offer/ rates from other four advertising agencies which was against the spirit of PPRA Rules-2004.

Furthermore, it was observed that there was a shortfall of Rs. 0.56 million against available allocated budget of Rs 1.69 million under the head A03907 "Advertising & Publicity" but the management allowed the payment without re-appropriation of funds.

The matter was reported to the formation in May, 2015 and was discussed in the DAC meeting on 22ndJanuary, 2016. DAC directed the Railway management that clarification, if any, may be provided to Audit for examination.

Audit emphasizes that reasons may be ascertained for not seeking the rates / bids from all the prequalified firms as announced by the MoR, thus, avoiding a healthy competition and release of payment without availability of funds in the required head of account and intimated to Audit.

DP# 7068

2.4.39. Irregular allotment of Railway accommodation & provision of official transport facility to advisor – Rs 1.84 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.

As per Ministry's offered letter dated 6th February, 2015, Mr. Anjum Pervaiz (Ex-GM Operation) accepted and assumed the charge on 18th February, 2015, against the post of Advisor (MP-I scale) Ministry of Railway, Islamabad, on contract basis.

It was observed that Railway accommodation in Mayo Garden (Banglow No. 23) was still in occupation of Mr. Anjum Pervaiz and he was also receiving the House rent allowance of Rs 0.10 million per month. He was also using Railways vehicle and receiving Rs 0.09 million per month as per monetization of transport facility. The detail of recoverable amount is as follows:

Rs in million

Particulars	Per Month	Period		Total Month	Total Amount
		From	To		
House Rent	101,000	18-Feb-15	31-Oct-15	8.3	0.84
Monetization of Transport Facility	95,910	18-Feb-15	31-Dec-15	10.5	1.00
				Total	**1.84**

The matter was reported to the formation in October, 2015 but no reply was received till finalization of Audit Report.

DAC in its meeting dated 8th February, 2016 directed the Railway management to provide the reply within 15 days.

Audit emphasizes that the above said amount should be recovered from the advisor and such practices should be strictly eliminated by strengthening the internal controls.

DP# 7468

2.4.40. Un-authorized expenditure beyond PC-I – Rs 1.82 million

Para 821 of Pakistan Railway General Code provides that no liability, for which a provision does not exist or the provision for which is

inadequate in allotment sanctioned by the General Manager should be incurred unless the necessary funds can be obtained either by re-appropriation or fresh allotment.

Audit of Project Director/Doubling of Track, Lahore, revealed that an expenditure of Rs. 1.82 million was incurred in connection with the supply of M.S. Checkered Plate 8'x4'x1/4' thick at Changa Manga Railway Station in IFX Store and payment was made to M/s Mega Engineering through contractor bill No. FCC-1/29/2014 dated 1/2014, which was unauthorized as no provision existed in PC-I of DOT (KWL-RND) section. Scrutiny of the record further revealed that the said supply was made in connection with renovation work of Changa Manga Railway Station on the orders of General Manager/Operation.

The matter was discussed with the Assistant Engineer/DOT, Lahore in December 2014, who stated that the objection related to memo No.2 and item M.S. Checkered Plate 8x4x1/4' related with fabrication of Foot Over Bridge. An amount of Rs 15.00 million was available in PC-I, out of which an amount of Rs 12.63 million was transferred to Dy. CEN/Bridges for fabrication of Foot Over Bridge at CGM Railway Station. The remarks offered are not acceptable, as no provision exists in PC-I regarding Foot Over Bridge at Railway Station Changa Manga. Incurring of expenditure on the said job was unjustified and irregular.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

Responsibility needs to be fixed for such expenditure for which no provision exists in the PC-I. Internal controls need to be strengthened.

DP# 7463

2.4.41. Wasteful expenditure on consultancy – Rs 1.80 million

Para 807 (I) of Pakistan Railways General Code volume-I stipulates that every public officer should exercise the same vigilance in respect of the expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money, out of his own pocket .

Audit of Civil Engineering Department, Karachi, disclosed that the contract agreement for the consultancy services in connection with comprehensive design of Drainage System for Hyderabad Station Premises & Yard including Railway Colony at Hyderabad was awarded to M/s PRACS amounting to Rs 1.80 million despite the presence of a full-fledged Civil Engineering Department with expert engineers. Audit is of the view that Railway Administration should utilize the services from its existing fleet of Civil Engineers as they are in a better position to carry out any survey and prepare required Drawings of the site plan. Thus, payment made on account of consultancy services was irregular and unjustified.

The matter was taken up with the formation in September, 2015 to which no reply was received up till finalization of this report.

The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from sub offices. DAC directed to expedite the reply.

Responsibility for unjustifiable expenditure may be fixed and all the surveys/consultancy jobs for which Railways has its own resources be performed by utilizing its own resources.

DP # 7419

2.4.42. Recoverable amount on account of excess payment of house rent allowance – Rs 1.48 million

Para 1(ii) (a) Chapter III of REDAMCO Service Rules states that House Rent Allowance 45% of the basic pay is admissible under Government Rules.

Government of Pakistan, Finance Division vide OM No.F.1(5) Imp/2011-419 dated 4thJuly, 2011 announced revision in basic pay scales and allowances and at Para 9, it is stated that allowances admissible as percentage of pay including House Rent Allowance shall stand frozen at the level of its admissibility as on 30-06-2011.

During the audit & inspection of REDAMCO in May, 2015 it was observed that seven employees of REDAMCO were allowed to draw House Rent Allowance @ 45% of running basic pay whereas the

Government had frozen the HRA at the level of its admissibility as on 30-06-2011. Therefore, the amount paid in excess stood irregular and may be recovered from the employees concerned.

REDAMCO acknowledged the matter raised by Audit and contended that the issue would be settled on approval of revised Service Rules.

The matter was discussed in DAC meeting dated 08.02.2016. The DAC agreed with Audit contention and directed to initiate the recovery from the concerned officers/ officials.

Audit advises that reasons may be ascertained for overlooking the instructions of Ministry of Finance for calculation of HRA and action be taken for early recovery of excess payment.

DP# 7069

2.4.43. Loss due to irregular/unjustified payment of pay and allowances – Rs 1.10 million per annum

Para 111 of Pakistan Railway Establishment Code provides that the 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 Director General, Education, Headquarters Office, Lahore, in August, 2015 revealed that an amount of Rs 1.10 million was being paid per annum to the teaching and office staff irregularly/unjustifiably. Details of the irregularities are as under:-

(i) Pakistan Railway Primary Girls School at Faisalabad was established several years ago. With the passage of time, the number of admissions of students had decreased. At the time of audit, there was not a single student enrolled in the school but an amount of Rs 0.80 million was being paid per annum to the teaching and office staff. This caused a loss of Rs. 0.80 million per annum due to irregular / unjustified payment on account of pay & allowances.

(ii) As per sanctioned strength and on roll position provided by the officials of Director General, Education, Headquarters Office, Lahore, it was noticed that two numbers of office staff i.e. one Chowkidar and one Clerk were appointed and posted at Faisalabad School unjustifiably/irregularly and their payment was being made from F.T.F; whereas no post existed as per sanctioned strength. This caused a loss of Rs. 0.29 million per annum (12000+12500 = 24500 x 12) due to irregular payment of pay and allowances.

(iii) It was observed that millions of rupees per annum were also being spent on the school overhead charges i.e. electricity, Gas, water and building maintenance charges, although not a single student was enrolled in school. This caused a loss of millions of rupees to Pakistan Railways.

The above position clearly shows that an amount of Rs. 1.10 million was being paid on account of pay and allowances of teaching and office staff unjustifiably, which had caused a loss to the Railways.

The matter was discussed with the formation in August, 2015 but no reply was received till October 2015.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

Responsibility for irregular/unjustified expenditure on account of pay and allowances may be fixed and persons at fault be dealt with accordingly.

DP # 7376

2.4.44. Unjustified expenditure on the Korang Project – Rs 1.04 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.

Audit of the record of Managing Director/RAILCOP, Islamabad in March 2014, revealed that an expenditure of Rs. 1.04 million was incurred on account of POL charges, repair & maintenance charges, salary of staff and Imprest etc. on Korang Project during 2012-13, although the said project was completed on 31st December, 2011, and maintenance period of the project also expired on 31st December, 2012. This resulted in incurrence of unjustified expenditure of Rs 1.04 million on Korang project.

The matter was reported to the formation in June, 2014 but no response was received till finalization of Audit Report.

The DAC in its meeting held on 8th February, 2016 was informed by the management that the reply was being collected from the sub office. DAC directed to expedite the provision of reply.

Responsibility for unwise decision/ loss may be fixed besides taking action against persons held responsible.

DP # 7079

2.4.45. Rejection of technical proposal

Clause 30 of PPRA Rules-2004 states that all bids shall be evaluated in accordance with evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.

Audit of Project of Procurement of 50/58 Diesel Electric Locomotives conducted in September, 2014 revealed that as per CME - Loco letter No 494-W/453(M-4) dated 21-11-2012, the offers of M/S China Railways Material Group Hong Kong & Macau Co. China (CSR Qishuyan) & M/S Dongfong China for the supply of locomotives were evaluated on technical grounds. It was found that inspite of various reminders, both the firms had failed to provide the past supply record of DE Locos to foreign railroad alongwith performance certificates from end users as mentioned in Clauses 10.2, 13.2, 19.1, 20.1, & 28.1of the bid document. Also, the bidders in question had not supplied any locomotive of AC/AC to foreign railroads. Hence, the above offers were considered technically unsuitable.

Third offer of M/S CSR Ziyang China for the supply of 25 locomotives was examined/ evaluated technically and considered fit. Thus order was placed on M/S CSR Ziyang China.

Audit observed that despite the fact that M/S CSR Ziyang also failed to comply with the mandatory clauses, the contract was awarded to them which was not justified. Some of the discrepancies were as detail below:

Clause	Compliance	Maximum Marks	Obtained	% age	Remarks
5.1		800	525	66%	Necessary Calculation of load & speed have not been provided
10.2		500	500	100%	Experience Certificates other than CAT engine, speed of 140 KM per hour are irrelevant
10.3		1100	1100	100%	Down Time is very much on higher side
10.5		200	50	25%	Exhaust temperature is too high (700 Degree Centigrade)
11.2		1200	1000	83%	Fuel consumption is 20 % more as compared with Medium Speed Engine
11.4		200	200	100%	Operation & maintenance cost is considered quite higher
12.3		100	100	100%	Lube oil consumption is about 100 % higher than Medium Speed Engine
19.1		1100	900	82%	No inspection/Lubrication guide is provided
26.1		200	200	100%	No model of Air Brake system has been mentioned
28.1		500	500	100%	Bidder has not manufactured & supplied bogies for maximum speed of 140 KMs/h
29.1		300	300	100%	Stress Calculation at different points on mainframe have not been provided
35.3		50	50	100%	Bidder has not mentioned the type of joints which they adopt in piping

The matter was pointed out to the formation in January 2015.

The matter was discussed in the DAC meeting on 22nd January, 2016. The DAC directed the Railway management to provide the recommendations of the Technical Committee along with complete calculations etc. to audit for examination.

Audit desires that the matter may be investigated as to why all the bids were not evaluated on equal grounds and responsibility be fixed against the defaulters.

DP# 6923

PERFORMANCE

2.4.46. Blockage of capital due to non-disposal of surplus material – Rs 641.45 million

Para-118 of Government of Pakistan Railway Code for the Stores Department provides that surplus Stores are of two kinds, "Moveable" and "Dead". Moveable surplus Stores comprise items of Stores which have not been issued for a period of 24 months, but which, it is anticipated, will be used in the near future. Dead surplus Stores comprise items which have not been issued for 24 months and which, it is considered, are not likely to be utilized on any railway within the next two years. Para-119-S also provides that such surplus stocks may be the result either of changes in design, specification, etc. of the stock items of stores or of consuming departments returning to the depots special items or stock items of stores no longer required by them. Such stores have to be held in custody in stores depots and steps taken for their prompt disposal.

During audit and inspection of accounts of the Chief Controller of Stores, it was noticed that 4928 items of various stock codes valuing Rs 641.45 million were lying in different depots un-moved/un-used for 24 months and more. No concrete efforts were made by the Railway management for prompt disposal of the said surplus material in violation of the above stated rules. It resulted in blockage of capital.

The matter was discussed by the DAC in January, 2016. The DAC directed the CCS to offer consumer vise comments in respect of surplus stock.

It is emphasized that efforts may be made for early clearance of material in question.

DP # 7209

2.4.47. Non-disposal of scrap – Rs 187.76 million

Para 2403 of Pakistan Government Railway Code for the Stores Department provides that the Store Department should arrange for the regular collection of all scrap from consuming departments and for its disposal to the best advantage of the Railway. If the scrap is to be disposed

of by public auction, arrangements should be made for its collection at convenient points for the purpose of such sales.

Audit of the following formations revealed non-disposal of scrap of Rs 187.76 million.

Rs in million

Sr.#	DP #	Formation	Description	Amount
1	7328	Civil Engineering Department, Rawalpindi	Different types of released material	59.49
2	7452	Divisional Commercial Officer/ Divisional Transportation Officer, Peshawar	4-wheeled plain bearing goods stock, Narrow / Broad gauge goods stock, Steel scrap, timber scrap etc.	42.52
3	6880	Civil Engineering Department, Quetta.	Released Permanent way material.	40.06
4	7422	Divisional Mechanical Engineer, Peshawar.	Condemned Coaches & Goods Stock	29.32
5	7510	Divisional Mechanical Engineer, Lahore	Released parts of rolling stock	7.49
6	7385	Carriage & Wagons Store Depot, Moghalpura	Misc. Scrap, Scrap Wheel & Axle Scrap BF spring.	5.88
7	7224	Managing Director/Concrete Sleeper Factory	Misc. Scrap at sleeper factories Khanewal, Shahdhara, Narowal & Kohat.	2.60
8	7129	Divisional Signal Engineer, Multan	Scarp/Released material	0.40
			Total	**187.76**

The matter was reported to the management in November & December, 2014 and January, 2015. No reply was received till finalization of Audit Report.

The DAC in its meetings held on 22nd January & 8th February 2016 directed the Railway management to provide the reply of draft para at Sr. No. 1, 2, 4 & 8 and a clearance report of material at Sr. No. 3 & 5 to Audit at the earliest. Audit emphasizes to avoid unnecessary retention of material causing blockage of capital and take expedient action for beneficial disposal of scrap.

2.4.48. Loss of fuel due to speed restrictions – Rs 185.01 million per annum

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

During audit of accounts of the Civil Engineering Department P.R. Peshawar Cantt, in August/September 2015, it was noticed that speed restrictions were imposed by the Civil Engineering Department at Jand-Attock City (ATCY) section during the period 05-10-2008 to 22-09-2014. The restrictions were imposed due to ultrasonic flaws in rails, broken fish plates, non-supply of ballast and unserviceable bridge timbers etc. Assistant Executive Engineer Attock City (AEN/ATCY) letter dated 08-09-2014 indicated that 528 liters of fuel worth Rs 0.06 million per day was lost on account of each speed restriction. Thus imposition of speed restrictions due to improper maintenance of track resulted in loss of fuel worth Rs 185.01million.

The matter was pointed out to the formation in September, 2015. It was replied that most of the temporary speed restrictions were imposed due to high percentage of unserviceable material in the track. The said remarks were not acceptable because it was the prime responsibility of Civil Engineering Department to maintain the Railway track and ensure problem free, smooth train operations. Speed restrictions were imposed due to poor maintenance of track resulting in huge loss of fuel and only two restrictions were removed after a period of three years.

The matter was discussed in DAC meeting held on 8th February, 2016. The DAC directed the Railway management to provide a comprehensive reply in support of its contention that the speed restrictions were justifiable for audit examination.

The speed restrictions imposed in 2008 were not removed till 2015. This shows the inefficiency of management and requires, fixing of responsibility.

DP# 7404

2.4.49. Unnecessary procurement / Non-utilization of material resulting in blockage of capital – Rs 41.95 million

Para 131 (1) of Pakistan Government Railway Code for the Stores Department 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.

During audit of accounts of different units following cases of unnecessary procurement/ non-utilization of material were noticed:

Rs in million

S. No.	DP No.	Formation	Period of Audit.	Value of material blocked
1	7513	PD/ Railcop, Lahore	Feb-2015	20.79
2	7112	DCOS/ PLF Risalpur	Sep-2015	10.83
3	7507	DME/ Lahore	Nov-15	5.25
4	7408	Civil Engineering Deptt. Peshawar Cantt.	Sep-2015	2.40
5	7518	DME/ Sukkur	Nov-15	1.09
6	7506	DME/ Lahore	Nov-15	1.06
7	7427	DME/ Peshawar	Sep-2015	0.53
			Total	**41.95**

The matter was discussed in DAC meeting on 22nd January, 2016. DAC directed the Railways management to provide reply within 15 days. DAC meeting held on 08.02.2016 discussed the paras at Sr. No. 2, 4 & 7 above. Against Sr. No. 2 it was informed that the said material would be consumed in the upcoming projects. Fact remains that this material was procured un-necessarily. Against Sr. No. 4 the DAC directed to fix responsibility for negligence and shift / utilize the material within one month. Against Sr. No. 7 DAC was informed that the stated store items were made available as per their requirement and were being utilized. The DAC directed the management to ensure that no items are stored beyond their stock level/ requirement.

It is emphasized that blocked material may be utilized where needed, persons held responsible for unnecessary procurement should be accounted for and process of procurement should be improved to eradicate such practices in future.

2.4.50. Loss of potential earnings due to unnecessary detention of wagons – Rs 39.78 million

Para 1402 of Pakistan Railways Code for the Traffic Department (Commercial) provides that the period between the time when vehicles pick up a load and the time when, having made a trip, they are ready to pick up another load, is the turn-round. The quicker the turn-round, the fewer the vehicles required. On completion of safe and quick transit of loaded wagons by the Operating Department, it is up to the traffic or commercial staff to arrange for the quick unloading of wagons and their prompt release. This should be done by exercising a close supervision over the loading and unloading operations through the Wagon Transfer Register.

Audit of accounts of Station Superintendent Rohri revealed that 120 Wagons were placed for major or minor repair with Head Train Examiner Rohri and 159 repairable wagons were detained at Railway Station Rohri. A considerable period had passed but neither the same were repaired nor dispatched to MGPR, Lahore, causing loss of potential earnings amounting to Rs 39.78 million to Pakistan Railways.

The matter was discussed in DAC meeting held on 8th February 2016. The DAC was informed that the said repairs were delayed due to priority given to commercially viable stock, however 126 wagons had been dispatched to C&W Shops Moghalpura. The DAC directed to provide evidence in support of the stated facts which was awaited till finalization of Audit Report.

Fact remains that huge number of wagons could not be repaired just for delay in their dispatching to the C &W Shops. It is emphasized that responsibility should be fixed for unnecessary detention of wagons causing loss of potential earnings.

DP# 7447& 7448

2.4.51. Loss due to inefficiency of Railways management – Rs 37.90 million

Para 1801 of General Code of Railways states that "Means should be devised to ensure that every Railways servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence".

Audit observed that Pakistan Railways suffered losses due to inefficiency of its management as detailed below:

Rs in million

S. N.	DP. #	Formation	Amount	Remarks
1.	7274	Commercial & Transportation Department, Lahore Division.	10.91	Railway management did not auction the restaurant at Lahore Station. Pakistan Railways suffered loss due to slackness/ inefficiency of the management. The matter was discussed in the DAC meeting on 22nd January, 2015. Committee was informed that the restaurant was not auctioned in the public interest. The DAC directed that revised reply may be provided to Audit for examination. Compliance of DAC recommendations was awaited till finalization of the report.
2.	7132	Property & Land Multan	6.70	53 shops were auctioned at Pakpatan, Feroza and Hasilpur in 2005 & 2011 but possession could not be handed over to the successful bidders. The matter was discussed by the DAC on 22nd January, 2015. The DAC directed the Railways management to submit reply expeditiously.
3.	7396	Station Superintendent, Rohri.	6.01	Railway management remained unable to generate revenue by auctioning the wending stalls at Railway Station, Rohri resulting in loss to the Railways. The matter was discussed by the DAC on 22nd January 2016. The DAC directed the Railways management to submit reply expeditiously.

4.	7052	Property & Land, Sukkur.	5.37	Different pieces of land were auctioned but possession of the same was not transferred to the successful bidders during the period from 2008 to 2014. Thus Railways suffered loss due to inefficiency of its management.
5.	7393	-do-	3.15	Railways management remained unable to generate revenue by auctioning the wending stalls at Railway Station, Hyderabad resulting in loss to Railways. The matter was discussed in the DAC meeting on 22nd January, 2016. The committee was informed by the PO that the reply was being collected from the concerned subordinates. DAC directed to submit the reply at the earliest.
6.	7054	-do-	2.40	Railways suffered losses due to non-auctioning of 03 shops in different markets of Sukkur.
7.	7459	DCOS, General Store Depot, Moghalpura	1.36	An automatic offset printing machine was purchased for ticket printing which remained operational only for three years after installation. The machine went out of order 07 years ago and never got repaired. DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.
8.	7392	Station Superintendent, Hyderabad	1.18	Railways management remained unable to handle goods traffic at Hyderabad Station due to its slackness in provision of wagons resulting in loss to Pakistan Railways. The matter was discussed by the DAC on 22nd January 2015. The DAC directed the Railways management to submit its reply expeditiously. Compliance of DAC recommendations was awaited

				till finalization of report.
9.	7175	Deputy Director Property & Land, Karachi.	0.39	Agricultural land between Pithoro-Chhor Stations was leased out but its possession could not be handed over to the successful bidders. The matter was discussed by the DAC on January 22nd, 2015. The DAC directed the Railways management to submit reply expeditiously.
10.	7104	Divisional Signal Engineer, Multan	0.22	Loss suffered by the Railways management due to non-finalization of a tender within validity period of the bid. The matter was discussed by the DAC on January 22nd, 2015. The DAC directed the Railways management to submit reply expeditiously. Compliance of DAC recommendations was awaited till finalization of report.
11.	7321	Civil Engineering Department, Rawalpindi	0.21	Railway Land at Sihala Railway Station was auctioned in May 2012 but the possession could not be handed over to the successful bidders. The matter was discussed in the DAC meeting on 22nd January, 2015. Railways management informed the DAC that action was being taken against the IOW/ GKN & AEN/ JMP. DAC directed that final outcome be intimated to Audit at an earliest. Compliance of the DAC recommendations was awaited till finalization of the report.
		Total	**37.90**	

It is suggested that each of the above cases may be investigated to fix responsibility besides taking action against inefficient/negligent staff.

2.4.52. Loss due to non-replacement of defective material – Rs 30.36 million

Para 761 of Pakistan Government Railways Code for the Stores Department stipulates that stores should be checked with the standard specifications or drawing on which the order is based. In rare cases where orders have been made to a sample, a standard sealed sample shall be held by the inspecting officer, and stores accepted only if they are up to the standard sample. Besides, according to clause 5 of enclosure to the Purchase Order the seller is responsible to replace the stores if found defective in material and workmanship or fail to comply with the required performance in the normal course of service.

Audit and inspection of accounts of the Chief Controller of Purchase, Lahore in August, 2015 revealed that the material costing Rs 30.36 million was supplied by the M/s Rail Products International, Lahore through M/s Canadian Allied Trading Canada, during August, 2008 to August, 2011 which was found defective by the consumer. More than five years have passed but supplier has not replaced the material.

The matter was reported to the formation in August, 2015 followed by reminder in September, 2015 but no response was received till finalization of the Audit Report.

The DAC in its meeting dated 22nd January 2016, directed the Railways management to provide the reply of draft para to Audit at the earliest.

Audit emphasizes that matter regarding non-replacement of defective material may be inquired to fix responsibility besides recovery of loss from the persons at fault.

DP # 7203

2.4.53. Loss due to purchase of stone ballast at higher rates –Rs 26.61 million

Rule 13 (1) of PPRA Rules-2004 specifies that the procuring agency may decide the response time for receipt of bids or proposals (including proposals for pre-qualification) from the date of publication of an advertisement or notice, keeping in view the individual procurement's complexity, availability and urgency. However, under no circumstances the response time shall be less than fifteen days for national competitive

bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

During audit of accounts of Works Accounts Branch, Karachi it was noticed that a Category-D program for the Karachi Division was prepared and approved for the year 2008-09. Due to some reasons the tenders could not be called for the purchase of stone ballast during the entire course of the program. Tenders were called for in the month of April 2013 and M/s Maqbool Ahmed & Company offered lowest rate @ Rs 28.00 plus loading charges Rs 2.90 per cft. The case was sent to the Headquarters office for getting approval of the competent authority. The competent authority delayed the case and sent approval after validity of the offer of the contractor i.e. three months. Resultantly, the contractor refused to supply the stone ballast. The contracts were awarded in the year 2014-15 at vey higher rates. Thus Pakistan Railways sustained a loss of Rs 26.61 million due to purchase of stone ballast at higher rates.

The matter was taken up with the Railways Administration in the month of September 2014, to which it was replied that the tenders called for procurement of ballast were filed by the General Manager/Operations vide CEN/Lahore's letter No.W-1661/KYC/20111/Confdl. dated 07.09.2011 due to financial constraint.

The DAC in its meeting held on 8th February, 2016 was informed that the contractor was asked to extend the validity but he refused. The DAC directed the Railway management to provide evidence in support of the fact that delay was not on part of management for Audit scrutiny.

Fact that the contractor was asked to extend the validity, showed that the delay was on part of Railway management. Audit, therefore, emphasizes that responsibility may be fixed and action be taken against the persons held responsible.

DP# 6871

2.4.54. Loss due to detention of trains and theft of overhead wires - Rs 25.24 million

Para 1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully that he will be held personally responsible for any loss sustained by Government through negligence on his part. Further, the Mechanical Department of Pakistan Railways, worked out that if a train runs after a brake, it consumes approximately 17 liters extra fuel.

Audit of Divisional Assistant Signal Engineer, Peshawar Cantt, revealed that PTCL Poles along with rails carrying the overhead wires between the Sumbal Hameed-Kundian (SHLD-KDA) Section were stolen resulting in failure of Neal Token instruments between the said section. Due to ineffective signaling system, the UP trains from Kundian and DN trains from SHLD were detained by issuing Paper Line Clearance (PLC) on regular basis w.e.f 02.09.2009 till November, 2013. The permanent issuance of PLC (OP-373) caused detention of UP/DN trains which resulted into financial loss of Rs 21.66 million on account of excess consumption of fuel w.e.f. 02.09.2009 till November, 2013.

Audit further observed that overhead wires between the said sections were stolen due to negligence of Railways management and thereby an estimate of Rs 3.58 million was framed on 02.01.2010 to provide underground wires to restore the signaling system, which also had not been finalized. Thus Railways sustained further loss of Rs 3.58 million on account of theft of overhead wires.

The matter was pointed out to the formation in November, 2013 and it was replied that the matter would be discussed with Divisional Telecom Engineer on priority to avoid huge loss to Pakistan Railways.

The matter was discussed again in the DAC meeting on 22nd January, 2016. Railways management informed the committee that signaling system could not be retrieved due to non-availability of funds. DAC directed that documentary evidence in support of reply may be provided to Audit for examination.

Audit stresses that matter may be investigated at appropriate level to fix responsibility for loss of POL charges on account of detention of

trains due to permanent PLC and responsibility be fixed for theft of valuable material.

DP# 6928

2.4.55. Loss due to non-conversion of boiler on Gas – Rs 12.36 million

Para 1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railways 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 Railways servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

Audit of accounts of the Divisional Mechanical Engineer Pakistan Railways, Quetta revealed that Additional General Manager/FBU Pakistan Railways H/Q Office Lahore suggested to convert boiler of Loco Shed into Sui Gas on top priority being economical as compared to furnace oil, vide letter dated 09/2000. Almost fifteen years had elapsed but no action had been taken by the Railways administration and boiler of Loco Shed Quetta was still using furnace oil. During the period between 10/2000 to11/2014 the boiler consumed 462.02 tones furnace oil. Pakistan Railways sustained loss of Rs 12.36 million due to non-conversion of boiler into Sui Gas.

The matter was pointed out to the formation in November 2014 but no reply was received till finalization of Audit Report.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

Audit emphasizes that boiler may be converted into Sui Gas immediately to avoid more loss and action be taken against the person(s) held responsible.

DP# 6904

2.4.56. Non-recovery from M/S Four Brothers for occupation of extra space at Karachi Cantt. Station – Rs 11.92 million

As per existing policy for occupation of covered and open space for staking of luggage Rs 60 per sft were fixed for covered area and Rs 35 per SFT for open space.

During audit of Station Manager, Karachi conducted in September, 2014 it was noticed that M/s Four Brothers, operators of Business Express Train had occupied covered as well as open space for different business activities on different locations in Karachi. An amount of Rs 11.92 million was due against the contractor up to September, 2014. It showed that either the rent was not paid or was recovered less than the prescribed amount.

The matter was taken up with the management in Sep 2014 to which it was replied that it related to the Headquarters Office. The remarks are not acceptable as terms and conditions are available with Station Manager, Karachi.

The management did not convene the DAC meeting, despite issuance of 6 reminders, till finalization of Audit Report.

Audit stresses that outstanding amount may be recovered from contractors. Matter needs to be investigated to fix responsibility and for taking appropriate action. Internal controls may also be strengthened to avoid recurrence.

DP# 6738

2.4.57. Un-authorized occupation of extra space by the luggage van contractors and outstanding rental charges – Rs 10.11 million

According to terms and conditions of the contract of luggage van contractors, they were allotted covered and open space for their business and Rs 60 per SFT for covered and Rs 35 per sft for open space were to be recovered per month from the them.

During audit of accounts of Station Manager, Karachi conducted in September, 2014, it was noticed that there were certain reports of Divisional Officers in which it was mentioned that cargo contractors were using extra space for which no rental charges were being paid. An amount

of Rs 10.11 million was due from contractors for utilization of extra space irregularly.

The matter was taken up with management in September, 2014 to which it was replied that the matter was already under pursuance.

The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected quarters concerned. DAC directed to expedite the provision of reply.

Audit stresses that the amount involved may be recovered besides fixing responsibility. Management needs to improve its monitoring.

DP# 6737

2.4.58. Misuse of public funds – Rs 6.08 million

Para 436 of Pakistan Railways General Code stipulates that it shall be the duty of the administration to see that the allotments made to them are fully expended to avoid lapsing. They shall be responsible for ensuring that money which is not likely to be needed during the year is promptly surrendered so as to allow of its appropriation for other purpose.

Audit of accounts of the Managing Director Concrete Sleeper Factories in September, 2015 revealed that Managing Director CSF transferred funds amounting to Rs 6.08 million to the Project Director (PD) Armed Vehicle Launched Bridge (AVLB) Workshops, Lahore for manufacturing of 6 moulds for Pre-stressed Concrete Sleepers (2600 mm) with the condition that debit on that account would be raised during financial year 2012-13. Not a single mould was manufactured by the PD/AVLB Shops during the year 2012-13. Funds amounting to Rs 2.70 million and Rs 3.38 million were again transferred to the PD/AVLB Shops during the year 2013-14 and 2014-15, respectively, as cost of 6 moulds. It was observed that handsome amount out of funds provided earlier was utilized by the PD/AVLB on the pay & allowances and other expenses of his organization. Thus, due to negligence of PD/AVLB Shops the funds amounting to Rs 6.08 million were either wasted or misutilized during the year 2012-13.

The matter was discussed with the formation in October, 2015.

The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from quarters concerned. DAC directed to expedite the provision of reply.

Audit emphasizes that responsibility for misutilization of funds may be fixed and persons at fault be dealt with suitably.

DP# 7201

2.4.59. Loss due to less charging of cost of rails– Rs 5.45 million

Para No. 936 & 933 of Pakistan Government code for Engineering Department provide that the rates of the various materials of works are intended to cover all charges necessary for the execution of the work. Para No.1720 of Engineering Code provides that the materials released from works should be valued at recent issue rates.

During audit of accounts of Civil Engineering Department Lahore conducted in August, 2014, it was observed that three Deposit Works of Level Crossing Nos. 28, 32 & 33 were undertaken during the year 2013-14. A quantity of 202,443 kgs rail was issued for these three works and charged @ Rs 28.10 per kg. As per prevailing market rates, the rate of rail was Rs 55 per kg. CSR-2003 was enforced over the system and tenders were awarded @ 160 % to 270 % above CSR-2003 while cost of rail was charged on the basis of price catalogue of 1996. This resulted in loss of Rs 5.45 million to Pakistan Railways.

It was reported to the DAC in its meeting held on 8th February 2016 that CSR 2003 was not applicable for permanent way portion. The DAC directed the management to provide comprehensive reply indicating the rule justifying the contention of management.

Audit recommends that responsibility for the same may be fixed and action be taken under the rules. Amount involved may also be recovered from the sponsoring agencies.

DP# 6775

2.4.60. Loss due to non-auction of vending stalls – Rs 5.38 million

In terms of General Manager Personnel's Organization Order No. 705 dated 23-06-2000, the matter related to vending stalls, station restaurants etc. should be dealt with the Divisional Superintendents concerned.

During audit of accounts of Station Superintendent, Hyderabad it was noticed that some vending stalls were closed and were to be re-auctioned during the year 2013-14 but Railway Administration did not auction the said stalls which caused loss of Rs 5.38 million.

The matter was taken up with the Administration in the month of December 2014 but no reply was received till finalization of this report.

The management did not convene the DAC meeting, despite issuance of 6 reminders, till finalization of Audit Report.

Responsibility may be fixed for non-auctioning of closed vending stalls. Management needs to focus on auctioning process to generate revenue for Railways.

DP# 6973

2.4.61. Wasteful expenditure – Rs 3.30 million

Para 807 of Government of Pakistan Railways 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 expenditure of his own money.

During inspection of accounts of the Divisional Assistant Signal Engineer PR Quetta, it was noticed that in March, 2013 and November, 2012 works of providing signaling material for level-crossing No.77 and 70-T was awarded to contractor at KM 434/10-11 and 406/7-8, respectively. An expenditure of Rs 3.30 million was incurred on these contracts. The reports of Signal Engineer PR Quetta dated 26-07-2013 and 03-10-2014 revealed that despite huge amount of expenditure and lapse of considerable time, the level crossing gates could not be put into operation.

The matter was reported to the formation, reply to which was awaited till finalization of Audit Report.

The DAC in its meeting dated 22nd January, 2016 directed the Railway management to provide the reply to Audit at the earliest.

Responsibility for wasteful expenditure may be fixed and amount be recovered from the persons at fault.

DP # 7185

2.4.62. Loss due to non-compliance of lease agreement – Rs 3.00 million

As per clause 23 of the agreement dated 3rd July, 2012 for renting out swimming pool in Sukkur on commercial rent the contractor was required to make an investment of Rs 3.00 million for the renovation of swimming pool. The lessee was required to submit the papers in this regard after completion of the work.

Audit of accounts of the Property & Land Branch Sukkur in April, 2015 revealed that the swimming pool was leased out to Mr. Abdul Khalique on meager rent of Rs 0.15 million per annum. The contractor was required to make an investment of Rs 3.00 million for renovation of swimming pool. It was noticed that the contractor had not made any investment. Moreover, the swimming pool was converted into marriage hall without obtaining permission. Divisional authorities failed to monitor the contract and contractor was unjustifiably allowed to work violating the terms and conditions of the agreement. This resulted in loss of Rs 3.00 million.

The matter was discussed in the DAC meeting on 22nd January, 2016. DAC was informed by the management that the matter was subjudice. DAC directed the management to pursue the court case vigorously.

It is recommended that responsibility may be fixed for not monitoring the compliance of agreement for maintenance and operation of swimming pool. The amount of Rs 3.00 million should also be recovered from the contractor.

DP# 7053

2.4.63. Wasteful expenditure on consultancy services for investigation of damaged bridges – Rs 2.35 million

Para-807 (i) of State Railway General Code Volume-1 provides that every public officer should exercise the same vigilance in respect of expenditure incurred from the Government revenues as person of ordinary prudence would exercise in respect of expenditure of his own money. Para 320 (e) of Pakistan Railway Code for the Accounts Department provides that it is the responsibility of the accounts department to scrutinize the expenditure to ensure that the expenditure does not involve a breach of the cannons of financial propriety.

In pursuance to decision of the Executive Committee of Railway Board in its meeting held on 18th October, 2008 the Railway Administration (through AGM/IBU) entered into a contract agreement on 14th January, 2009 with M/s PRACS for carrying out investigation of ten damaged bridges at a cost of Rs 4.7 million on Sibi-Khost section. As per agreement the work was to be completed within four months. The work was started in February, 2009 and abandoned in June, 2010 owing to security threats. Running payments of Rs 2.35 million were made to the contractor up to June, 2014. The intended objective for which the money was spent was not achieved. Thus, the entire amount spent on the work proved to be wasteful. It was noticed that prior to awarding the contract, the undertaking for security cover, was not obtained from the Provincial Government. In fact the work was required to be got done through FWO due to prevailing security conditions in Baluchistan. It was clear that the management did not exercise due professional care while executing the contract which resulted in wasteful expenditure.

The matter was discussed by the DAC on 8th February, 2016. The DAC directed that responsibility for wasteful expenditure may be fixed under intimation to Audit.

Audit is of the view that loss was caused by defective planning. It is emphasized that the responsibility for wasteful expenditure may be fixed, besides taking suitable action against the persons at fault.

DP # 7331

2.4.64. Less recovery of rental charges – Rs 2.35 million

As per FA & CAO (Revenue) letter No. IA/12627/GC/2014 dated 21st May, 2014 the rates of rental charges were revised as Rs 60 per SFT for covered area and Rs 35 per sft for open space w.e.f 1.8.2011.

During audit of accounts of the Station Manager, Karachi conducted in September, 2014 it was noticed that an amount of Rs 2.35 million was recovered less than the prescribed schedule of rental charges. This was irregular and caused loss to Railways.

The matter was taken up with management in September, 2014 to which it was replied that action would be taken as required under the rules and matter was under process with Headquarter office. No action was initiated till finalization of Audit Report.

The management did not convene the DAC meeting, despite issuance of 6 reminders, till finalization of Audit Report.

Responsibility needs to be fixed for less recovery of rental charges and amount involved should be recovered. Management needs to focus on fair deeds with the contractors.

DP# 6736

2.4.65 Loss due to allotment of vending stall at lesser rate – Rs 1.43 million

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

During audit of accounts of the Station Superintendent Rawalpindi in July-August, 2015 it was noticed that contract of vending stall No. 7 was allotted to Mr. M. Boota for one year from 01.12.2012 to 30.11.2013 @ Rs 72795 per month. The contractor was allowed to deposit 50% amount of approved rent/discount as per court orders. Period of 2 and half years had elapsed but full payment of contract was not obtained and the contractor was still enjoying the benefit of half payment. This resulted in loss of Rs 1.43 million to Pakistan Railways as detailed below:-

Name of contractor	Stall #	Rent with 15% increase (Rs)	Rent Deposited (Rs)	Diff (Rs)	Period	Amount Rs in million
M. Boota	7	72795	36400	36395	01.12.12 to 30.11.13	0.44
		83714	38420	45294	01.12.13 to 30.11.14	0.54
		96271	40500	55771	01.12.14 to 31.07.15	0.45
					Total	**1.43**

The matter was discussed with the Station Superintendent Rawalpindi in August, 2015 but no satisfactory reply was reply was provided.

The matter was discussed by the DAC in its meeting dated 22nd January, 2016. The Railway management intimated that the reply was being collected from the subordinate offices and the same would be submitted in due course. The DAC took the issue of non-provision of reply seriously and directed to submit the same immediately.

It is emphasized that the amount may be recovered from the contractor besides taking action against the employees at fault.

DP # 7389

2.4.66. Unauthorized payment prior to completion of a work – Rs 1.05 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.

Audit of the record of Divisional Assistant Signal Engineer (DASE), Quetta revealed that work regarding providing signal and interlocking along with the telephone facilities at upgraded level crossing gate No. 74-T between Bostan Yaru section was shown as completed on 17th May, 2010 on the final bill of the contractor, whereas the Signal Inspector made a complaint to the DASE, Quetta regarding non-completion of work vide his letter dated 28th March, 2011. This resulted in unauthorized payment prior to completion of a work costing Rs 1.05 million.

The matter was discussed in the DAC meeting held on 15th June, 2015 wherein it was directed to hold an inquiry for fixing responsibility of advance payment.

It is suggested that matter may be investigated at an appropriate level to fix responsibility for unauthorized payment and supervisory controls be strengthened to avoid recurrence

DP# 6538

2.4.67. Non-establishment of laboratories by the contractor – Rs 1.00 million (Approx.)

As per Clause 2 of specification special provisions regarding supplying, stacking and loading of crushed stone ballast 2" size at Chiniot and Nishterabad the contractor shall establish field testing lab at site within one month after signing of the agreement for carrying out relevant tests, Clause 2.8 provides that the supplier shall submit a complete list of equipments and apparatus.

During audit of accounts of Civil Engineering Department (CED) of Pakistan Railways Lahore Division, in Jul/August 2014, it was observed that tenders for supplying, stacking and loading into wagons 2'' size mechanically crushed stone ballast were called and opened on 04.3.2013. Being the lowest bidder the work was awarded to M/S Muhammad Sharif @ Rs 24.10 per Cft. Agreement was executed on 16.5.2013 and the contractors started the work w.e.f. 14.6.2013. A period of more than one year had elapsed but no field lab was established by the contractor. No action was taken by the Railway management against the contractor. The labs and equipment installed by the contractor would have become the property of Pakistan Railways after completion of the work. This reflects poor internal controls. Approximate cost of establishing two labs worked out to Rs 1.00 million.

The management did not convene the DAC meeting, despite issuance of reminders till finalization of Audit Report.

Audit requires that circumstances may be intimated under which laboratory was not got established by the contractor and responsibility be fixed for taking action under the rules.

DP# 6776

Internal Control Weaknesses

2.4.68. Loss due to non-recovery of recoverables from different entities –Rs 18.70 billion

Para 316 (a) of Pakistan Government Railway Code for the Accounts Department provides, "it is the responsibility of the concerned Railway officer/ official to make efforts for the recovery of Railway dues, so that the huge outstanding amount may not be accumulated."

During audit of different units of Pakistan Railways, it was observed that an amount of Rs 18.70 billion was recoverable from different entities as detailed in **Annexure-II**. Non-recovery of heavy outstanding amount is alarming for Pakistan Railways.

Audit emphasizes that serious efforts should be made to expedite recovery besides fixing the responsibility for non- recovery of dues in each case.

2.4.69. Loss due to deduction of dip shortage by PSO from freight bills – Rs 63.84 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 responsible for any loss sustained by Government through fraud or negligence on his part.

Scrutiny of record of the Chief Commercial Manager, Lahore in August, 2015, revealed that PSO authorities while making payment of bills of Pakistan Railways for the transportation of fuel and lubricants to different parts of the country, had deducted an amount of Rs 63.84 million up to June, 2015 on account of shortage of fuel on reaching the destination station. This resulted in loss of Rs 63.84 million to Railways. This depicted that the management had not taken appropriate steps to minimize the shortage of fuel and failed to resolve the issue with PSO authorities.

The matter was pointed out to the formation in August 2015, but no reply was received till finalization of this report.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

Audit recommends that the matter may be resolved with PSO authorities keeping in view the interests of Pakistan Railways and amount involved be recovered immediately.

DP# 7232

2.4.70. Excessive incidents of burning of rolling stock loss of – Rs 48.90 million

In term of Para 1802 of Pakistan Government Railways General Code , any defalcation or loss of cash, stores, other property belonging to Government shall be reported immediately after discovery to the head of the Division or Department and copies of the report should be sent simultaneously to the Financial Advisor & Chief Accounts Officer. Further, Para 337 of Pakistan Government Railway Code for Accounts Department stipulates that loss of deficiency should be recorded in the accounts in accordance with the classification of expenditure.

Following cases of burning of coaches causing loss of Rs 48.90 million were noticed by Audit:

Rs in million

Sr. #	DP No.	Formation	Date of Audit	Date of incident	Loss
1	6983	Station Superintendent, Rohri.	Sep-2014	13.01.14, 30.06.14 and 09.09.14.	20.50
2	7366	DME, Multan	Oct-2015	10.09.2014	4.30
3	6874	Station Superintenden Sukkur	Oct-2014	September, 2014	22.50
4	6849	DME, Multan	Oct-2014	23.05.2010	1.60
				Total	**48.90**

Against Sr. No.4 the DAC directed on 28.12.2015 that amount may be recovered from PRACS within 15 days.

The DAC in its meeting dated 22nd January, 2016 directed the Railway management to inquire the matters at Sr. No. 1 and 3 and share the report with Audit and Railway Police. DAC held on 8th February, 2016

discussed the para at Sr. No. 2 above whereby it was informed that an inquiry was underway to investigate the matter. The DAC directed to complete the same in one month.

Audit emphasizes to dig out the causes of increasing incidents of burning of coaches. Responsibility for poor security arrangements may be fixed and action be taken against negligent staff.

2.4.71. Un-authorized utilization of Railway land –Rs 32.23 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. Further, 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".

Audit of the accounts of the Deputy Director Property & Land, Rawalpindi, revealed that Railway land measuring 9.18 acres near Khushab Station was being utilized un-authorizedly by the Tehsil Management Officer, Khushab since 2005 for "Mela Mawaishian". Neither strenuous efforts were initiated for prompt realization of railway dues, nor action was taken to retrieve the railway land from Tehsil Management. This resulted in non-realization of Railway dues of Rs 32.23 million.

The matter was reported to the formation in March, 2014. Management replied that TMA had deposited rental charges amounting to Rs 0.96 million on 07.06.2012 in the court. Case had been moved to transfer the said amount to Railway account from court. Further, Railway land had been retrieved from TMA Khushab and is in the possession of Pakistan Railway.

DAC in its meeting held on 15th June, 2015 directed the Railway management to file the recovery suit against TMA Khushab. A policy may be prepared keeping in view such cases and viable course be adopted in

order to obtain revenue. Compliance of DAC directives were not made till finalization of this Audit Report.

Audit emphasizes that outstanding amount should be recovered and responsibility be fixed for non-realization of Railway dues well in time. This not only resulted in loss to Railways but also invited litigation.

DP # 6295

2.4.72. (i) Non-recovery of license fee of agreements of year 2012 made by REDAMCO – Rs 9.78 million

(ii) Non-transfer of refundable/performance security to Pakistan Railways received by REDAMCO – Rs 13.98 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.

During audit of accounts of the Chief Commercial Manager, Railway Headquarters office, Lahore in August-2015, it was observed that the job of signboards/billboard was transferred from REDAMCO to CCM on July 10, 2013 and an amount of Rs. 9.78 million was yet to be recovered on account of license fee in respect of agreements of 2012 made by REDAMCO, as per detail below:

Rs in million

Sr. No.	Licensee	Amount	Period
i	M/s Sahar Advertising Services	3.17	2013-14
ii	M/s Promo	0.72	2015
iii	M/s BTL Marketing concept	0.36	2015
iv	M/s Perfect Sign	2.03	2014-15
v	M/s Younas Advertiser	1.20	2014-15
vi	M/s Media Communication	2.30	2015
Total		**9.78**	

Furthermore, an amount of Rs 13.98 million was also with REDAMCO received on account of refundable security/performance security that was to be adjusted against the license fee recoverable. Thus, Pakistan Railway failed to recover license fee of Rs 9.78 either from licensee or deduct that amount from the performance/refundable security.

The matter was pointed out to the formation in August 2015, but no reply was received up till finalization of Audit Report.

The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from sub offices. DAC directed to expedite the supply of reply.

Audit emphasizes that amount may be recovered from the parties and refundable/performance security be transferred to Railways.

DP # 7467

2.4.73. Non-Recovery of Rental Charges from Oil Companies – Rs 16.03 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.

Audit of accounts of the Property & Land Department, Peshawar Cantt, in March, 2015, revealed that an amount of Rs 8.61 million and Rs 7.42 million had been outstanding for a long time against the Pakistan State Oil and Shell Pakistan Ltd. respectively. This situation indicated that adequate efforts were not made by the Railway administration to realize the Railway dues promptly from the concerned department.

This was pointed out to the formation in March, 2015. It was replied that rental charges bills had already been served to companies and efforts were being made to recover all the outstanding dues. Remarks were not acceptable because the Railway dues were outstanding since long and no efforts were made to realize the outstanding charges.

The matter was discussed in the DAC meeting on 22nd January, 2016. DAC directed that progress of recovery may be intimated to Audit. Compliance of the DAC recommendations was awaited till finalization of the report.

Audit emphasizes that efforts may be made to recover the outstanding rental charges without further delay and internal controls be strengthened to ensure prompt recovery in future.

DP# 7092

2.4.74. Loss due to outsourcing of ticket printing to M/s Pakistan Post Foundation Press – Rs 15.92 million

Para 807 (1) of Pakistan State Railway General Code (Volume-I) stipulates 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.

During scrutiny of record of Foreman Printing of District Controller of Depot, Mughalpura, Lahore, in October/November, 2015, it was observed that on roll staff of 58 members of different categories was at the disposal of Ticket Printing Section. The ticket printing was outsourced by the Railway in 2009-10 to M/s Pakistan Post Foundation Press and the machinery and staff working in Ticket Printing Section remained unutilized since 2010 but drew unjustified pay & allowances amounting to Rs 15.92 million per month for the last five years. Moreover, an amount of Rs 66.42 million was paid to M/s Pakistan Post Foundation Press for printing of tickets from 2010 to 2015.

The above state of affairs indicates poor financial and human resource management of Railway Administration, which resulted in a loss of Rs 146.01 million.

This was pointed out to the formation in September, 2015 who remarked that the ticket printing staff sorts, checks and distributes the Bar Coded Tickets for further disposal to the concerned indenting offices. Audit is of the view that since outsourcing of ticket printing, the machines are not in operation. The required job of ticket printing is not performed by the staff so the expenditure incurred on pay &allowances stands unjustified.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

Audit emphasizes that resources may be rationally utilized besides adopting procedures to avoid recurrence.

DP # 7458

2.4.75. Loss due to imposition of penalty by the PSO – Rs 7.57 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 responsible for any loss sustained by Government through fraud or negligence on his part.

Audit of accounts of the Chief Commercial Manager, Lahore, conducted in August, 2015, revealed that three complete loads of HSD oil were dispatched by PSO to its clients, WAPDA Faisalabad & Chakpirana which were utilized by Pakistan Railways in the year 2010-11. PSO authorities imposed penalty of Rs 7.57 million due to unauthorized utilization of fuel. Actual amount of HSD oil and penalty was deducted from the outstanding freight charges against PSO.

Besides loss, it was also an illegal act of Railways management to utilize the oil without prior permission of PSO. Further, appropriate steps were not taken by the management for waiver of the penalty.

The matter was pointed out to the formation in August 2015.

The matter was discussed in the DAC meeting on 22nd January, 2016. DAC directed that responsibility for the loss may be fixed under intimation to Audit.

Responsibility needs to be fixed against the persons for unauthorized/illegal utilization of HSD oil. The matter should be taken up with the PSO authorities for the waiver of the penalty charges. Internal controls need to be strengthened to avoid recurrence.

DP# 7233

2.4.76. Unjustified expenditure on account of pay & allowances – Rs 6.10 million per annum

Para 807 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.

Audit of accounts of the Superintendent Railway Police, Peshawar, conducted in November 2013, revealed that an amount of Rs 6.10 million per annum was being spent on pay & allowances of the police personnel who were deployed on duties at Lukimarwat – Bannu narrow gauge section, whereas the said section was closed in 1991. All track and allied material in the said section was already auctioned / disposed off. This resulted in unjustified expenditure of Rs 6.10 million per annum on account of pay & allowances paid to staff deployed on closed section.

The matter was reported to the formation in November, 2011. It was replied that though the Railway material had been auctioned/disposed off but Railway land and buildings were still there. Remarks were not acceptable as the staff was posted on closed section from where all the Railway material had already been auctioned.

The matter was discussed in DAC meeting held on 8th February 2016. The DAC directed the Railway management to rationalize the staff deputed at the closed section.

It is recommended that the compliance of DAC direction may be made immediately in order to avoid further wastage of resources.

DP# 6306

2.4.77. Un-authorized/mis-utilization of project funds on unapproved works – Rs 3.16 million

According to Ministry of Planning and Development Office Memorandum No. 4(3-308)/PC/T&C/2013 dated 28.10.2013, Pakistan Railways cannot change the scope of the approved project on its own adding part of un-approved project for execution.

During audit of accounts of Project of Rehabilitation of Flood Damaged Assets 2010, it was noticed that rehabilitation work of Dil Murad Station Building on Jacobabad-Kashmore Section was executed on the request of Ms. Ayesha Khoso, MPA (PS-131) irregularly which was not included in the approved PC-I of the project. The facts of the case are as under:

i) MPA requested for the change of name and repair of Railway station from Dil Murad to Khan Bahadar Dil Murad Khan Khoso. Estimated cost of repair and maintenance was worked out to Rs 8.37 million.

ii) Chief Engineer/O.L pointed out on 01.10.2012 that Jacobabad-Kashmore Section was not commercially viable and Dil Murad Station was only an operational station with zero earning. As such expenditure of this magnitude was not justified especially in view of resource constraint with Pakistan Railways and lean traffic on the Section.

iii) On 12.11.2012, DS Sukkur sent the Original Divisional Tracing Plan along with estimate and requested that the subject work may be included in approved PC-I and approval for floating of tender may be granted. Tender for the subject work was invited through advertisement, 4 tenderers purchased the tender documents and 02 participated. The lowest offer was recommended at the rate of Rs 1.89 million quoted by M/s M.M Godani Baloch.

iv) The contract agreement was made on the 21st day of May, 2013, at cost of Rs 2.89 million with completion period of 5 months. In August-2013, PD/RFD-2010 approved the addendum slip with increase of Rs 1.12 million in some items and decrease of Rs 0.84 million in others. Hence the contract price was revised to Rs 3.16 million.

The project of reconstruction of assets damaged during flood-2010 was approved by ECNEC in April, 2011, with a plan of two years. More than two years have elapsed and overall progress of the project is less than 5%. A number of approved works are still in hand and project

management is busy in execution/completion of un-approved works irregularly. Thus, Railway suffered a loss of Rs 3.16 million in a resource constraint situation.

The matter was taken up with the management in November, 2014 and it was replied on 03.11.2015 that the work execution was authorized with the approval of Chief Engineer/Open Line, AGM/I and in terms of directives of Ministry of Railway. The work was physically executed as urgency/site requirement. However, a committee was nominated to investigate the matter. No investigation report was furnished to Audit till finalization of Audit Report.

The management did not convene the DAC meeting, despite issuance of 6 reminders, till finalization of Audit Report.

Audit emphasizes that the matter should be investigated to fix responsibility for execution of such work which was not included in the PC-I. Internal controls may be strengthened.

DP #6719

2.4.78. Non-recovery on account of freight charges from Cabinet Division, Islamabad – Rs 1.84 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.

Audit of accounts of the Chief Commercial Manager, Railway Headquarters office, Lahore, conducted in August-2015, revealed that an amount of Rs 1.84 million was yet to be recovered from Cabinet Division, Islamabad, on account of freight charges accrued on goods transport donated by other countries for earthquake relief operation in 2005. Thus Pakistan Railway failed to recover Rs 1.838 million.

The matter was pointed out to the formation in August 2015 and was discussed in the DAC meeting on 22nd January, 2016. Railway management intimated that the issue regarding earthquake and PSO were

under correspondence. DAC directed that progress may be intimated to Audit.

Audit emphasizes that outstanding freight charges may be recovered and internal controls be strengthened to avoid recurrence.

DP# 7231

2.4.79. Non-recovery of admitted error – Rs 1.53 million

As per Para 862 of Commercial Manual of Pakistan Railway, prompt clearance of outstanding is most essential for the efficient working of a Station Master.

During audit of accounts of the Station Superintendent, Hyderabad, it was noticed that an amount of Rs 1.53 million was reflected in the balance sheet for the month of September, 2014, as admitted error which could not be recovered. This shows poor internal control of executive offices.

The matter was taken up with the Administration in the month of December, 2014, but no reply was received till finalization of Audit Report.

The management did not convene the DAC, despite issuance of 6 reminders, till finalization of Audit Report.

Audit stresses that the amount should be recovered and responsibility be fixed.

DP # 6975

Others

2.4.80. Unauthorized occupation of Railway land – Rs 48.76 billion

Para 803 of Pakistan Government Railway Code for the Engineering Department provides 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.

During Audit of accounts of different units of Pakistan Railways, following cases of encroachment of Railway land valuing Rs 48.76 billion were noticed:

Rs in million

Sr.#	DP.#	Division	Area under encroachment	Cost of Land under encroachment	Remarks
1	6657	Peshawar	6944 sft	7.27	Additional land was encroached by a lessee at Charsadda. The lessee expired but neither leased out nor encroached land was vacated by heirs of the lessee. The matter was pointed out to the formation in March, 2014 and was discussed by the DAC on 22nd January, 2016. The DAC directed that efforts be made to get the amount recovered under intimation to Audit. Compliance of DAC recommendations was awaited.
2	6986	Multan	153.26 acres	1,839.36	153.26 acres Railway land worth Rs 1839.36 million was encroached by different parties including Kachi Abadies. The matter was brought into the notice of Railway management who replied in September, 2015 that the land would be got vacated with the help of Railway magistrate and Railway Police as and when available. DAC in its meeting dated 8th February, 2016 directed that documentary evidence in support of vacated land may be furnished to Audit for examination.
3	7032	Karachi	43.11 acres	2,008.28	M/s Gul Ahmad Textile Mills Karachi illegally occupied 43.11 acres Railway land at Juma Goth since long due to negligence of Railway administration. No strenuous efforts were made by the management for its retrieval. The matter was discussed with Deputy Director P&L Karachi in March, 2015. He stated

					that enquiry was conducted and the matter was referred to NAB Sindh for investigation. DAC directed the Director Property & Land to re-examine the inquiry report within 15 days with a view to ascertain the requirement of denovo inquiry as the DAC was of the view that a low level subordinate cannot alone be responsible for such a huge encroachment extended through a period of two decades. Railways management was unable to protect the interest of Pakistan Railways.
4	7033	Karachi	181.33 sqy	1.84	A Railway accommodation is under illegal occupation of Sindh Police but no action has been taken by the Railway administration. The matter was brought into the notice of railway management who stated that Inspector General Police, Sindh was approached for the vacation of railway building but the matter was still unresolved. The matter was discussed by the DAC on 11.01.2016. PO informed the DAC that matter was in the court. DAC directed the Director General, Legal Affairs to follow the court case for early decision. Compliance of DAC directives is awaited.
5	7089	Peshawar	3.04 kanal	104.50	3.04 kanals (60.8 Marlas) commercial land at Tehkal bala Jamrud road (Hayatabad) Peshawar was encroached by M/s Deans Complex for construction of Deans Flars and Silk Executive Apartments. The land was encroached in September, 2012 but the Railway management failed to retrieve the valuable land and the encroachers were constructing flats & apartments on the Railway land. This was pointed out to the formation in March, 2015 and it was replied that ownership of land was disputed and issue had already been taken up at all levels. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from sub offices. DAC directed to expedite the reply.
6	7091	Peshawar	17.309 Kanal	29.36	Communication & Works Department Highway Wing Mardan illegally occupied 17.309 Kanals Railway land worth Rs. 29.360 million in May, 2012

					for construction of road without approval of concerned Railway authorities. Neither the amount was deposited nor the lease agreement executed by the department. This was pointed out to the formation in March, 2015 and it was replied that matter was taken up with concerned authorities but response was awaited.
7	7094	Peshawar	91.638 Kanal	23.62	C&W Department Khyber Pakhtoon Khawah (KPK) constructed road on 91.638 kanal railway land illegally. The matter was taken up with the Railway management in March, 2015. It was replied that all out efforts were being made to retrieve the Railway land. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from sub offices. DAC directed to expedite the reply.
8	7117	Peshawar	0.851 Kanal	5.79	Railway land was encroached by Pakistan Air Force (PAF), at Hashim Killa Station, Peshawar Cantt in year 2012. Neither lease charges were deposited nor the land was vacated. The matter was taken up with the Railway management in March, 2015. It was replied that efforts were being made to retrieve the Railway land. DAC in its meeting held on 8th February, 2016 directed the management to make all out efforts to resolve the matter.
9	7120	Peshawar	5.802 Kanal	7.37	Railway land was encroached by the Communication and Works (C&W), Noshera in May, 2014 for construction of road. The matter was discussed in the DAC meeting held on 22nd January 2016. DAC directed the Railway management that reply to the para may be provided within 15 days.
10	7135	Karachi	2000 sqy	4.40	ARY Digital networks administration constructed illegal boundary near Orangi station at 16/1-2 on Karachi Circular Railway Track. The matter was discussed by the DAC on 11.01.2016. PO informed the DAC that matter was in court. DAC directed the Director General, Legal Affairs to follow the court case for early decision. Compliance of DAC directives is

					awaited.
11	7150	Peshawar	55.43 Kanal	36.75	The land was encroached by the Cadet College, Kohat in 2005 by constructing a boundary wall. The matter was taken up with the Railway management in March, 2015 who remarked that all out efforts were being made to finalize the issue. The matter was discussed in the DAC meeting held on 22nd January 2016. DAC directed the Railway management that reply to the para may be provided within 15 days.
12	7198	Lahore	825 acres	44,692.59	Encroached land includes 302 acres residential, 10 acres commercial and 513 acres agricultural land. The matter was taken up with the Railway management in Feb, 2015, response to which was awaited. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies were being collected from sub offices. DAC directed to expedite the reply.
			Total	**48,761.13**	

The matters at Sr. No. 4, 6, 7, 8 & 10 were discussed in the DAC in its meeting dated 22nd January, 2016. The Railway management intimated that the replies were being collected from the subordinate offices and the same would be submitted in due course. DAC directed the Railway management to provide reply of Paras at S. No. 4, 7, 8 & 10 within 15 days and to take action in respect of Paras at Sr. No. 1, 5 & 6 expeditiously.

The situation is alarming because huge chunk of land is still under encroachment despite many anti-encroachment campaigns initiated by the Railway administration. Audit, therefore, advises that action may be taken for early retrieval of land.

2.4.81. Recoverable amount on account of wrong/defective material – Rs 30.36 million

Para 761-S of Store Code of Pakistan Railways stipulates that store should be checked with the standard specification or drawing on which the order is based. In rare cases, where orders have been made to sample, a

standard sealed sample shall be held by the inspecting officer, and stores accepted only if they are up to the standard sample.

Further, Para 762-S provides that rejected stores should be removed from the store premises by the contractor within 14 days from date of rejection.

It was observed that huge quantities of various materials were procured from M/S Canadian Allied Trading Inc., Canada International (Local Agent at Lahore). Some of the material was declared as defective by the consumer/ indenter i.e. Works Manager/CDL/RWP. This material was required replacement from contractor but not a single item was got replaced despite lapse of considerable period.

The Chief Controller of Purchase, Lahore vide letter No. 19/0081/01-0/3-2011 dated 27-03-2014, requested the Secretary / Chairman Railway Board to take up the matter with Canadian High Commission at Islamabad, for recovery of landed cost amounting to Rs 30.36 million from the supplier, on account of defective/wrong supply of material lying in Main Store/Depot of Assistant Controller of Stores Central Diesel Locomotive Workshops (ACOS/CDL).

The matter was taken up with the formation in November 2014, It was informed by the management that the security money amounting to Rs 1.00 million was forfeited and efforts were being made to recover the balance amount.

The matter was discussed by the DAC on 8th February, 2016. The DAC directed the Railway management to inquire the matter trough a committee to ascertain the factual position regarding supply of defective material by the firm. The forfeited amount may also be got verified from Audit.

Audit emphasizes that responsibility for non-replacement of defective material may be fixed besides arranging the recovery of landed cost from firm.

DP# 6801

2.4.82. Allotment of book stall to National Book Foundation on free of cost basis – Rs 4.87 million

Para 807 of Pakistan Government Railway Code for Engineering Department provides that all Railway land should be managed on commercial lines and administration should endeavour 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. Such land is called "available land".

Audit of accounts of the Commercial and Transportation Department, Pakistan Railways, Lahore in August, 2010 revealed that Book Stall at platform No. 2 was donated to National Book Foundation free of cost for ten years whereas the last bid prior to giving above said stall was Rs 0.97 million per year. The management of National Book Foundation is running a commercial business by selling newspapers, magazines and other books and is earning profit. The very purpose of giving book stall to National Book Foundation was defeated due to its commercial activities. Doing a commercial business at the above said Book Stall was a clear violation on the part of National Book Foundation. Had the concerned Railways authorities auctioned the above said Book Stall, the Railway Administration would have earned revenue at least to the tune of Rs 4.87 million.

The matter was pointed out to the formation in September 2015 and was discussed in the DAC meeting on 22nd January, 2016. DAC was informed by the Railway management that the agreement was made for public service. DAC showed its concern on the issue and directed the PO to look into the matter and report to the DAC.

Fact remains that Railway management allowed the National Book Foundation to carry out commercial business in the premises of Railways causing losses to organization. It is emphasized that the responsibility for the loss may be fixed besides taking action against the responsible persons.

DP# 7303

2.4.83 Inefficient working and unjustified deployment of EFO & loss due to irregular procurements – Rs 3.44 million

As per existing rules, the period of stay of an official posted at an office / station should not exceed more than three (03) years. On completion of three (03) years period of stay at a station / office, the official is required to be transferred to another office / station to avoid any discrepancies. Moreover, 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.

a. During audit of accounts of Electrical Department at Mayo Garden, it was noticed that EFO Mayo Garden was posted there 17 years ago on 7.10.1998. The official had never been transferred from there in violation of rules/policy. Despite his extra-ordinary stay, the official's record keeping/working was also found non-transparent. Some of the discrepancies noticed during test check were as detailed below:

   i) No record was maintained viz. requisitions/ requests for electrical material, Material issued tickets, Complaint Registers, Gate Passes, TLA Registers, Initial record of T&P items.

   ii) Six transformers were not taken on books; 11 were available on site whereas the books showed only 05.

   iii) 19 buildings including EFO office had been declared as service buildings yet but no meters were installed in them despite the fact that large number of 3 phase electricity meters were available in stores.

   iv) Multiple leger cards were maintained for various costly electrical items leaving a room for misappropriation of these items as detailed in the following table:

Sr.#	Description	No. of Ledger Cards prepared
1	Energy Saver 23 Watts	03
2	Energy Saver 42 Watts	02
3	Energy Saver 45 Watts	02
4	PVC Cable Insulator & sheathed size 3/0.029 Single Core	06

5	PVC Cable size 7/0.064 Single Core	03
6	Capacitor for AC 45 uf	03
7	Capacitor for AC 45 uf	04
8	Compressor (02 ton Capacity for split type AC)	03
9	AC kwh meter 10/40 AMPS	03

b) Rule 9 of PPRA Rules-2004 provides that a procuring agency shall announce in appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or re-grouping of the procurement so planned. Contrary to this, electric appliances and material worth Rs 1.90 million were procured in small quantities by splitting the expenditure to avoid approval of higher authority.

In addition to above, 04 cases of special repair estimates were sanctioned for bungalows No. 25-A, 9-B, 9-B SQ and 7-A. For these an amount of Rs 0.53 million was provided for electrical portion. However, in violation of rules, the material was purchased by splitting up the expenditure instead of calling tender. In another case, EFO purchased items worth Rs 1.01 million from a supplier other than the lowest offering agency.

The matter was reported to the formation in January, 2016. No reply was received till finalization of Audit Report.

DAC in its meeting dated 8th February, 2016 directed the management to provide a comprehensive reply to Audit for examination.

Audit emphasizes that EFO may be immediately transferred out of Mayo Garden and action be taken against him for non-transparent working and violation of rules. Responsibility may be fixed for letting the official stay for 17 years in sheer violation of rules. Action may also be taken against the person responsible for splitting up the expenditure to avoid sanction of higher authority.

DP# 7521

2.4.84. Loss due to payment of commission to City Booking Agency at higher rate – Rs 1.82 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/ Transportation Officer, Peshawar Division conducted in July/August, 2015 disclosed that M/s Haji Abdul Rahim & Sons were allowed to run a City Booking Agency (CBA) in Peshawar from June, 2009 at 6% commission of the total passenger earnings by terminating the contract of M/s PRACS who were working at 4% commission only. Furthermore, performance of the CBA was also not satisfactory because only about 50% of the allocated quota was being utilized. Thus, Pakistan Railways suffered a loss of Rs. 1.76 million from January, 2013 to May, 2015 on account of payment of commission to the contractor at a higher rate.

The matter was reported to the Management through DP # 6000 in 2013 and the DAC in its meeting held on 3rd February, 2014 directed the PO that the agreements be cancelled immediately. In contravention to the DAC directives, agency was allowed to continue its business till June, 2015, causing a loss of Rs 1.82 million to Railways. Furthermore, some of very important record i.e. CR Notes, Refund Books and computerized tickets, was lying with the City Booking Agency until August, 2015.

The matter was brought into the notice of the management in September, 2015.

The matter was discussed by the DAC in its meeting dated 22nd January 2016. Railway management intimated that the replies were being

collected from the subordinate offices and the same will be submitted in due course. DAC directed the Railway management to provide reply within 15 days.

Responsibility for the loss and non-implementation of the DAC directives may be fixed besides taking suitable action against the responsible persons.

DP # 7453

Annexure-I

Area wise segregation of Audit Paras (Pie Chart Data)

Land		Irregularities related to PSDP		Others including theft, embezzlement, and blockage of capital.		Recoverable		Violation of PPRA	
AP	**Amount**	**AP**	**Amount**	**AP**	**Amount**	**AP**	**Amount**	**AP**	**Amount**
2.4.6	4147.85	2.4.7	3497.23	2.4.17	26.05	2.4.10	807.57	2.4.12	58.94
2.4.37	3.15	2.4.8	1300	2.4.19	12.65	2.4.32	4.19	2.4.13	42.62
2.4.53	37.9	2.4.11	60.39	2.4.21	12.52	2.4.36	3.21	2.4.9	1142
2.4.65	3	2.415	40.4	2.4.22	11.08	2.4.58	11.92	2.4.18	14.61
2.4.74	32.23	2.4.20	12.63	2.4.29	6.23	2.4.59	10.11	2.4.25	8.92
2.4.75	23.76	2.4.42	1.82	2.4.33	3.94	2.4.67	2.35	2.4.26	7.06
2.4.83	48761.13	2.4.80	3.16	2.4.43	1.8	2.4.71	18704.6	2.4.27	6.97
				2.4.46	1.045	2.4.76	16.03	2.4.34	3.45
				2.4.50	185.01	2.4.81	1.84	2.4.35	3.39
				2.4.52	39.78	2.4.82	1.53	2.4.39	2.25
				2.4.54	30.36	2.4.84	30.36	2.4.55	26.61
				2.4.57	12.36				
				2.4.61	6.08				
				2.4.62	5.45				
				2.4.63	5.38				
				2.4.64	3.3				
				2.4.66	2.35				
				2.4.68	1.43				
				2.4.69	1.05				
				2.4.70	1				
				2.4.72	63.84				
				2.4.73	48.9				
				2.4.78	7.57				
				2.4.77	15.92				
				2.4.3	29.07				
				2.4.48	641.45				

				2.4.49	187.76				
				2.4.51	41.95				
				2.4.1	139.02				
				2.4.2	31.07				
				2.4.16	37.96				
				2.4.56	25.24				
				2.4.4	24.65				
				2.4.14	44.39				
				2.4.23	10.29				
				2.4.24	10.02				
				2.4.28	6.3				
				2.4.30	4.87				
				2.4.38	3.07				
				2.4.41	1.84				
				2.4.44	1.48				
				2.4.45	1.1				
				2.4.79	6.1				
Total	**53,009.02**		**4,915.63**		**1,752.72**		**19,593.71**		**1,316.82**

Annexure-II

Detail of Recoverables

Rs in million

Sr. #	DP. #	Formation	Period of Audit	Amount Rs. in million	Remarks
1	6241	Works Accounts Branch, Lahore	Oct, 13	8.15	The amount is due against establishment and maintenance charges of level crossing in Lahore division. Matter was discussed in DAC meeting on 15th September, 2014. DAC directed the Railway management to discuss the issue with Audit within two weeks. Compliance of DAC recommendation was awaited till finalization of Audit Report.
2	6674	Station Superintendent, East Wharf, Keamari.	Sep, 14	2.06	An amount of Rs 2.068 million is outstanding for the period from 1973 to 1977 against Karachi Port Trust. The DAC meeting held on 8th February, 2016 directed the management to resolve the matter without further delay.
3	6713	Property & Land Branch, Peshawar	Apr ,14	16.24	21000 sft Railway commercial land on PSC-LKL section was leased out to Khyber Teaching Hospital (KTH) for vehicle/Car parking. In the year 1998, the KTH administration encroached the adjacent 13600 sft Railway land and rented out the entire 34,600 sft (21000+13600 sft) land to the private contractor on commercial basis without approval of Railway authorities. The Railway management not only failed to retrieve its valuable land from the Khyber Teaching Hospital, but also failed to realize an amount of Rs 16,238,440 (Rs 15,120,400 + Rs 1,118,040) on account of commercial rent from the Khyber Teaching Hospital as well as from

					the private contractor. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
4	6739	Station Manager, Karachi	Sep, 14	0.48	Contract agreement for installation of four Kiosks of Coca Cola was executed. Contractor used extra space of 530 SFT without paying any rent causing a loss of Rs 0.477 million to Railways. The matter was taken up with management in Sep, 2014 to which it was replied that no extra space has been acquired by the contractor. The remarks were not acceptable as evidence of occupation of extra space was available.
5	6818	Divisional Mechanical Engineer, Rawalpindi.	Nov, 14	0.41	The amount is due against a coal contractor for damage occurred to rolling stock due to mishandling during unloading of coal at Gharibwal. The issue was discussed by the DAC on 15.06.2015. It was directed by the DAC that prompt efforts should be made for the recovery of loss with one month and final outcome be intimated to Audit. Compliance of DAC recommendations was awaited till finalization of report.
6	6837	Civil Engineering Department, Multan	Aug, 14	21.92	An amount of Rs 21.916 million is outstanding on account of lease charges against various lessees for leasing of Agriculture, Nursery, and Shops/Khokha Shops & Stacking. The matter was discussed with the respective AENs in August, 2014 but no satisfactory explanation was forthcoming. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
7	6958	Station Superintendent,	Nov, 14	0.21	An amount of Rs 0.215 million was outstanding against the vending

		Hyderabad.			contractors of Hyderabad Station for the period from May 2011 to July, 2014. The matter was discussed in the DAC meeting held on 22nd January 2016. DAC directed the Railway management that reply to the para may be provided within 15 days.
8	7042	Divisional Telecom Engineer, P.R. Multan.	Feb,15	8.00	The amount is due against PTCL, on account of charges of cable / communication system laid on Railway Land at Multan for the period from 2007 to 2012. The matter was discussed in the DAC meeting held on 22nd January 2016. DAC directed the Railway management that reply to the para may be provided within 15 days.
9	7049	Property & Land Branch, Sukkur	Jul, 13	12.09	Audit of the revealed that revised rates of commercial rent of quarters w.e.f. were approved by the Divisional Superintendent Sukkur, but commercial rent of Railway quarters leased out to outsiders was not being collected properly. Commercial rent for same class of quarters i.e. Q.26, Q.27 etc was being recovered at different rates from different persons. Thus, due to apathetic attitude and carelessness of concerned employees, PR suffered loss of Rs 12.09 million on account of less recovery of commercial rent during the period from July, 2013 to December, 2014. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
10	7055	-do-	Apr, 15	3.79	Audit of the Property & Land Branch Sukkur in April 2015 revealed that an amount of Rs 3.79 million was outstanding against the lessees of land for agricultural purposes in the Sukkur Division.

					Divisional authorities failed to recover the outstanding Railway dues despite lapse of considerable period of time. This resulted in non-recovery of rental charges of Railway land leased out for agricultural purpose amounting to Rs 3.79 million for the period upto December, 2014. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
11	7057	-do-	-do-	1.53	Scrutiny of record of the Property & Land Branch Sukkur revealed that Railway quarters under unauthorized occupation of ex-Railway employees and outsiders were regularized on recovery of fine. It was observed that an amount of Rs 1.53 million was outstanding on account of fine upto March, 2015. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies are being collected from sub offices. DAC directed to expedite the reply.
12	7059	-do-	-do-	1.81	Audit of the Property & Land Branch, Sukkur revealed that an amount of Rs 1.81 million was outstanding against the lessees of Railway Quarters in Sukkur Division. It was observed that recoveries were not being made in time. The lessees of Railway Quarters were allowed to deposit delayed monthly rent without penalty charges. This resulted in non-recovery of Rs 1.81 million on account commercial rent of Railway quarters allotted to outsiders. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest

13	7060	-do-	-do-	1.04	Audit of the Property & Land Branch, Sukkur revealed that an amount of Rs 1.04 million was outstanding against the lessees of Railway Shops in Sukkur Division for the period from April, 2012 to March, 2015. It was noticed that the late payments were being received without charging penalty as required under the terms and conditions of the agreements. This resulted in non-recovery of rental charges of Railway shops amounting to Rs 1.04 million. DAC was informed that efforts are being made to get the amount recovered. DAC directed to expedite the recovery.
14	7071	Managing Director, REDAMCO, Islamabad	May, 15	483.043	Audit of Managing Director / REDAMCO, Islamabad, it was noticed that an amount of Rs 633 million on account of Rent/penalty are receivable from different lessees since long but no efforts were made by the company to realize the said amount. This violation of rules indicates ineffective internal controls. DAC held on 08.02.2016 directed the management to vigorously pursue the matter and expedite the recovery.
15	7330	Director Property &Land, Lahore	Nov, 15	622.07	The amount was outstanding against different Government departments on account of lease charges/rent. The DAC in its meeting held on 8th February, 2016 directed that the recovery be vigorously pursued.
16	7073	Director Property & Land, Lahore	Nov, 15	16331.67	The amount is outstanding against different Federal and Provincial departments on account of lease charges / rent as on October 31st, 2015. Matter was pointed out to the head of formation in November, 2015 reply to which was awaited till finalization of Audit Report.

					DAC was informed that efforts are being made to get the amount recovered. DAC directed to expedite the recovery.
17	7076	Deputy Director Property & Land, Karachi.	Mar, 15	15.35	The amounts are due against oil marketing companies in Karachi Division. The detail is as under: a) An amount of Rs 1.696 million is due against PSO Standard Waccum for the period from 01.07.2012 to 30.06.2015. for the land leased out at Hyderabad. b) An amount of Rs 4.563 million is due against M/s Shell for the period from 01.07.2004 to 30.06.2015 for the land leased out at Karachi Cantt. c) An amount of Rs 5.351 million is due against M/s Shell Islamabad for the period from 01.07.2001 to 30.06.2015 for the land leased out at Hyderabad. d) An amount of Rs 3.744 million is due against M/s Caltex Oil Company for the period from 01.07.07 to 30.06.2010 for the land leased out at Hyderabad. The matter was discussed in the DAC meeting held on 22nd January 2016. DAC directed the Railway management that reply to the para may be provided within 15 days.
18	7084	Property & Land Branch, Quetta	-do-	2.56	Audit of Property & Land, Quetta revealed that Railway Administration allotted Shops in Hurnai on rent basis but most of the shop holders did not pay rent of shops. Thus an amount of Rs 2.561 million was outstanding against the shop holders. The matter was discussed in the DAC meeting held on 22nd January,

					2016. DAC directed the Railway management that reply to the para may be provided within 15 days.
19	7122	Director Property & Land, Peshawar.	Mar, 15	0.63	Amounts of Rs 0.381 million and Rs 0.253 million were outstanding against occupants of rented out quarters in the area of Assistant Executive Engineer (AEN), Attock City and AEN Daudkhel. The matter was brought in the notice of management in march 2015, but the reply is still awaited. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
20	7136	Railway Estate Development & Marketing Company (Private) Limited.	Apr-May, 15	0.93	Pakistan Railways leased out 8986 Sq. Yds of its property at I IChundrigar Road to Employee's Old-Age Benefits Institution (EOBI), in July 2008. As per clause 5 of agreement, "the lessee shall additionally pay by the way of penalty the sum of Rs 500 per day for the duration of the default period. An amount of Rs 0.927 million on account of penalty for the period from 2008-09 to 2011-12 is recoverable from the lessee. The matter was highlighted to the management in May, 2015 they remarked that the matter has been taken up with the management with the EOBI. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
21	7140	Divisional Commercial Officer, Sukkur.	Oct, 10	0.29	Railway management remained unable to collect Rental Charges of car parking at Nawab Shah for the period from July, 2012 to September 2013. The parking was rented out to him @ of Rs. 1140 per day. The matter was discussed in the DAC meeting held on 22nd January

					2016. DAC directed the Railway management that reply to the para may be provided within 15 days.
22	7183	Deputy Director Property & Land, Karachi	Mar, 15	1.05	Land measuring 522sft leased out to Mr. Rizwan Ahmad w.e.f. 01.10.2002 @ Rs 78,300 per annum on year to year basis with an increase of 25% for subsequent three years. The land was handed over to the lessee without singing the lease agreement due to negligence of railway administration. An amount of Rs 1,048,617 was required to be recovered from the lessee from 01.10.2002 to 30.10.2015 (13 years).The matter was taken up with Deputy Director Property & Land Karachi in March 2015 but reply was awaited till finalization of Audit Report. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies are being collected from sub offices. DAC directed to expedite the reply.
23	7229	Chief Commercial Manager, Lahore	Aug, 15	4.16	The amount is due against thermal power authority, Muzafargarh and Fauji Fertilizer company Mir PurMathelo for the period from July to November, 2014 and 1995-96 respectively. Matter was pointed out to the formation in August, 2015 reply to which was awaited till finalization of Audit Report. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
24	7230	Chief Commercial Manager, Lahore	Aug, 15	564.12	An agreement was made in 2007 between Pakistan Railways and United Mobile for publicity, branding and advertising on an exclusively basis on Pakistan Railway Network for three years (2007-10) at an annual rent of Rs 107.529 million with 20% penalty

					clause for making defaults in payments. The United Mobile deposited first year annual rent successfully but failed to deposit 2nd and 3rd year annual rent by due dates and subsequently filed a court case. It indicates that Pakistan Railways failed to recover its dues timely. DAC held on 8th February, 2016 directed the management to update Audit regarding current status of the case.
25	7245	Station Manager, Karachi Cantt	Sep, 15	0.47	An amount of Rs 0.472 million was recoverable from M/s Vintage Limousine Radio Cab Services on account of rental charges of excess area occupied for the period November 2008 to September 2013. Pakistan Railways failed to recover the amount from the contractor. The matter was reported to the formation in September, 2015 but no reply was received till finalization of Audit Report. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
26	7273	Commercial & Transportation Department, Lahore Division	Sep, 15	6.34	Security services for Business Express, Shalimar Express and Night Coach were being rendered by Railway Police Department and an amount of Rs.6.343 million was outstanding against the managements of the trains. The DAC in its meeting dated 22nd January 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest
27	7278	Commercial & Transportation Department, Lahore Division	Sep, 15	2.01	The amount of Rs.F26,46,720/- was outstanding against M/s Latif Wardit and M/S Shiek Saleem Ali on account of outstanding Storage Charges which needs to be recovered under intimation to Audit.

					The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies are being collected from sub offices. DAC directed to expedite the reply.
28	7323	-do-	-do-	0.45	Railway Land at Jhelum Railway Station was auctioned for one year @ Rs. 130,000 per month After expiry of lease period the auction was not carried out andthe contractor failed to deposit the rent. After forfeiting of security deposit of contractor, the balance amount was still recoverable from the contractor. The matter was pointed out to the formation in September, 2015 and no reply was received till finalization of Audit Report. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies are being collected from sub offices. DAC directed to expedite the reply.
29	7346	Commercial & Transportation Officer, Multan	Aug, 15	5.20	Railway administration has failed to recover the rental charges amounting to Rs 5,195,625 form vending contractors. This showed failure of P.R. administration of Multan Division in securing financial interest of the organization and an extreme negligence in management of the affairs. The matter was taken up with the management in August, 2015, it was replied in the DAC meeting held on 8th February, 2016 that cases were pending in the courts. The DAC directed to pursue the cases vigorously.
30	7363	Station Superintendent, Keamari East Wharf, Karachi	Oct, 15	399.13	The amount is outstanding against PSO and Karachi Port Trust. The DAC in its meeting dated 22nd January, 2016 directed the Railway management to provide the reply of draft para to Audit at the earliest.

31	7399	Civil Engineering Department, Peshawar Cantt	Aug-Sep, 15	15.17	An amount of Rs 15.174 million was outstanding on account of assisted sidings over Peshawar Division up to 30-06-2014. Bills for realization of maintenance charges for the period from 01-07-2014 to 30-06-2015 were not issued to the concerned departments till date of Audit which shows laxity on the part of Railway management. This was pointed out to the formation in September, 2015 and it was replied that most of the outstanding dues had already been recovered by making regular meetings with the concerned Military authorities. Remarks are not acceptable because a huge amount is outstanding on account of operational charges of assisted sidings and no efforts seem to be made by the management for realization of outstanding charges. DAC in its meeting held on 8th February, 2016 directed the Railway management to make all out efforts to get the amount recovered.
32	7410	Civil Engineering Department, Peshawar	-do-	1.23	Rental charges of Railway quarters in the section of Assistant Inspector of Works, Kohat was outstanding for 04 years. This was pointed out to the formation in September, 2015 and it was replied that efforts are being made to recover the rental charges from all the outsiders. Remarks are not acceptable because the rental charges were not promptly realized from the outsiders. No reply is received yet. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies are being collected from sub offices. DAC directed to expedite the reply.

33	7494	Commercial & Transportation Dept. Rawalpindi.	Sep, 15	0.35	The amount is due against the cargo contractor of Hazara express for the period from September 2011 to October 2013. Railway management failed to recover the dues. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies are being collected from sub offices. DAC directed to expedite the reply.
34	7495	Mechanical Deptt. Headquarters office, Lahore	Nov, 15	158.41	The amount is due against the Defense Department on account of maintenance charges of army owned/ dedicated rolling stock for the year 2013-14 & 2014-15. DAC was informed that efforts are being made to get the amount recovered. DAC directed to expedite the recovery.
35	7504	Study on Remission and abandonment of claims.	Nov, 15	12.24	The amount is outstanding on account of demurrage / wharfage / storage charges against different parties at Mughalpura, Margalla and Peshawar Dry Ports for the year 2014-15. The DAC in its meeting held on 8th February, 2016 was informed by the management that the replies are being collected from sub offices. DAC directed to expedite the reply.
			Total	**18,704.603**	

Annexure-III

Detail of Paras included in MFDAC

(Rs in million)

Sr. #	DP #	Subject	Amount
1.	6628	Potential Loss of Rs 9.021 Million Due to Short Composition of Coaches	9.021
2.	6647	Temporary misappropriations of government money of Rs 1.297 million	1.297
3.	6651	Loss of Rs 3.422 million due to supply of substandard material	3.422
4.	6672	Loss of Rs 12.731 million (approx) due to mis-utilization of manpower	12.73
5.	6678	Non-Recovery of Rs 1.39 for Civil Engineering Department	1.39
6.	6683	Loss of Railway earnings amounting to Rs 1.84 million due to cancellation of 168/dn	1.84
7.	6688	Unauthorized/irregular allotment of 08 stalls as fast food counters amounting to Rs 0.850 million	0.85
8.	6760	Irregular procurement from other than 1st lowest quotationer Rs 0.59 million	0.59
9.	6767	Loss of Rs 3.500 million due to expenditure on litigation	3.50
10.	6808	Non-recovery of general sales tax (GST) amounting to Rs 1.99 million from the parking contractor	1.99
11.	6810	Loss of Rs 10.87 million due to poor management of commercial department	10.87
12.	6812	Loss of potential earning Rs 1,405.64 million due to delay in repair of locomotives	1,405.64
13.	6816	Irregular procurement of Rs 0.953 million without granting extension of delivery period and non-imposition of I.D charges amounting to Rs 95,321	134,112
14.	6835	Irregular payment of pay and allowances of Rs 229,659	0.229
15.	6842	Irregular issuance of material valuing Rs 9.17 million through issue notes without approval of ‘a’ class indents (material requisitions)	9.17
16.	6844	Loss of potential earnings due to termination of freight train service-Rs 291million	291.00
17.	6862	Threat of loss due to unauthorized occupation of land by NLC - Rs 549 million	594.0
18.	6870	Less recovery of Rs 481,800 on account of rest house charges	0.481
19.	6872	Irregular purchase of painting material – Rs 1.593 million	1.593
20.	6879	Blockage of capital due to non-completion of work – Rs 6.247 million	6.247
21.	6943	Irregular/ un-economical procurement of material valuing Rs 15.811 million without competition	15.811
22.	6948	Irregular/un-economical procurement of material valuing Rs 7.814 million without healthy competition	7.814

23.	6959	Un-sanctioned expenditure of Rs 1,390,885 due to non-availability of posts	1.391
24.	6960	Irregular/uneconomical procurement of material valuing Rs 0.750 million without competition	0.75
25.	6992	Non-recovery of Rs 2.727 million on account of rental charges from private parties	2.727
26.	6994	Inordinate delay in execution of a project causing cost over run of more than Rs 2890.64 million	2890.64
27.	6997	Bogus irregular purchase of material on fak quotations Rs 87120	87120
28.	7014	Irregular/uneconomical procurement of material valuing Rs 0.480 million without competition	0.48
29.	7017	Irregular/uneconomical procurement of material without healthy competition valuing Rs 7.031 million	7.031
30.	7018	Irregular/uneconomical procurement of material without healthy competition valuing Rs 7.733 million	7.733
31.	7020	Irregular/uneconomical procurement of material valuing Rs 0.873 million without competition	0.873
32.	7027	Irregular/unjustified expenditure of Rs 392,778 by splitting up in local purchase case	0.392
33.	7041	Loss of Rs 4.284 million due to extravagant license of billboard at Karachi	4.284
34.	7044	Loss of Rs 232,791 on account of charge LDC over and above the sanctioned strength	0.232
35.	7066	Non-recovery of penalty amounting to Rs217,000 from the catering contractor	0.217
36.	7086	Less recovery of fine from unauthorized occupants of Railway quarters – Rs 0.99 million	0.99
37.	7095	Apprehension of loss of Rs 486.161 million due to declaring Railway land as KachhiAbadies on political ground in near future	486.161
38.	7106	Unjustified expenditure of Rs 346,270 on account of TA/DA	0.346
39.	7107	Non accountal of local purchase material from cash imprest amounting to Rs 0.9 million	0.9
40.	7108	Irregular/bogus payment of TA/DA amounting to Rs 132,855	0.132
41.	7109	Irregular drawl of TA allowance by an officer amounting to Rs 0.062 million	0.062
42.	7110	Non-realization of potential earning amounting Rs 92.06 million due to non-auction of vacant land measuring 9154.666 acres	92.06
43.	7114	Loss of potential earning due to mismanagement – Rs 8.365 million	8.365
44.	7128	Loss of potential earning due to non recovery of rental charges amounting to Rs3.780 million from District Police Mach	3.780

45.	7138	Non-recovery of Rs 3.846 million on account of fraud cases of employees	3.346
46.	7155	Loss of Rs 1.810 million on account of POL charges without entitlement and log books	1.81
47.	7156	Avoidable expenditure of Rs 8.929 million per annum due to irrational engagement of staff	8.929
48.	7157	Wasteful expenditure of Rs 272.550 million	272.55
49.	7160	Irregular grant of loan/advance amounting to Rs 4.230 million to the temporary staff	4.23
50.	7161	Suspected misappropriation of material valuing Rs 0.477 million	0.477
51.	7163	Loss of Rs 40.593 million on account of detention to trains due to failure of signal system	40.593
52.	7166	Non-execution/ completion of a work valuing Rs 0.461 million resulting expected extra expenditure lacs of rupees	0.461
53.	7167	Irregular/ uneconomical procurement of material valuing Rs 6.850 million	6.85
54.	7178	Loss of Rs 591,839 on account of short receipt of profit / interest	0.591
55.	7179	Loss of Rs 2.303 million due to unjustified/irregular appointment of Manager Marketing in RAILCOP	2.303
56.	7181	Irregular procurement of material Rs 2.342 million due to splitting of local purchase cases	2.342
57.	7182	Loss of Rs.1.584 million per annum to the railway department due to non-leasing out commercial land at Hyderabad	1.584
58.	7184	Non-execution of upgradation of level crossing no 66-b at Quetta chaman section worth Rs 9.148 million	9.148
59.	7194	Irregular expenditure of Rs 8.64 million on procurement of different items and non-recovery of sales tax amounting to Rs 1.48 million from non-registered suppliers	1.477
60.	7197	Loss of potential earning of Rs 2.100 million due to cancellation of bid	2.1
61.	7202	Loss of Rs 1.83 million due to acceptance of material at higher rates	1.83
62.	7204	Irregular procurement of material costing Rs 852.661 million by splitting	850.661
63.	7205	Unauthorized acceptance of material valuing Rs 7.60 million	7.6
64.	7211	Loss of Rs 1.085 million due to payment of storage / demurrage charges	1.085
65.	7214	Loss of Rs 12.667 million due sale of scrap at lower rate	12.667
66.	7223	Loss of Rs 5.712 million due to un-justified waiver of demurrage/wharfage charges	5.712

Annexure-IV

Detail of irregular expenditure on pay & allowances

Sr. No	Name M/s	Designation	Place of Working	Since Working	Amount (Rs)
1	Iqtidar Ali Shah	Fitter/Fab	PLF School (Girls Section) as Clerk	09/2005	2,655,347
2	Shah Hussain	Fitter/Fab	PLF School (Boys Section) as Lab Assistant	07/2014	317,636
3	Masaud Khan	D/Fitter	PLF School (Boys Section) as Mali	3 Years	1,330,010
4	Ashfaq-ud-Din	D/Fitter	PLF School (Girls Section) as Security Guard	07/2014	314,426
5	Umar Ilyas	D/Fitter	PLF School (Girls Section) as Security Guard	4 Years	1,678,657
				Total	**6,296,076**