



**SPECIAL AUDIT REPORT ON
RAILWAY CONSTRUCTIONS
PAKISTAN LIMITED**

(RAILCOP)

AUDIT YEAR 2016-17

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General of Pakistan conducts audit in terms of 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. The Special Audit of Railway Constructions Pakistan Limited (RAILCOP), a subsidiary company of Pakistan Railways, was carried out accordingly.

The Directorate General Audit Railways conducted Special Audit of RAILCOP during the year 2016-17 for the period July 2011 to June 2016 with a view to reporting significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects in business processes of RAILCOP. In addition, Audit also assessed, whether the management complied with applicable laws, rules and regulations in managing RAILCOP affairs. The Audit Report indicates specific actions that, if taken, will help the management realise the objectives of the RAILCOP. All observations included in this report have been finalised in the light of discussions in the DAC meetings.

The Special 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).

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

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Abbreviations and Acronyms

AGM	Annual General Meeting
BoD	Board of Directors
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
FTR	Final Tax Regime
FBR	Federal Board of Revenue
IFRS	International Financial Reporting Standards
MoR	Ministry of Railways
MD	Managing Director
PR	Pakistan Railways
PRFTC	Pakistan Railways Freight Transport Company
PRACS	Pakistan Railway Advisory and Consultancy Service, Limited
RAILCOP	Railway Constructions Pakistan Limited
REDAMCO	Railway Estate Development and Marketing Company
R&D	Research and Development
SECP	Securities & Exchange Commission of Pakistan
SRO	Statutory Regulatory Order
TOR	Terms of Reference
3Es	Economy, Efficiency and Effectiveness

EXECUTIVE SUMMARY

Director General Audit Railways conducted Special Audit of Railway Constructions Pakistan Limited (RAILCOP), a subsidiary of Pakistan Railways during April-May 2017. The main objectives of audit were to review performance of the company against intended targets and assess compliance with applicable rules, regulations, codal provisions and procedures.

Railway Constructions Pakistan Limited (RAILCOP) is a subsidiary of Pakistan Railways and 100% shares are owned by PR. The company was created in 1980 for Railway related works i.e. construction of rail lines, bridges etc. Major business activities of RAILCOP include operation of Track Workshop Raiwind, Track Machine Shop and construction of buildings and bridges etc. RAILCOP is earning more than 85% of its revenue from works/projects of Pakistan Railways.

Key Audit Findings

- i. Irregular expenditure of Rs 19.248 million was incurred on recruitment/promotion of staff without proper recruitment rules. ¹
- ii. Irregular expenditure of Rs 10.319 million was incurred on engagement of retired government employees after superannuation. ²
- iii. The Public Sector Companies (Corporate Governance) Rules, 2013 were not complied with in certain cases. ³
- iv. Cost of spare parts of Rs 573.467 million was irregularly recognised as revenue ⁴

¹ Para No. 4.1.1

² Para No. 4.1.2

³ Para No. 4.1.13

⁴ Para No. 4.2.1

- v. RAILCOP suffered loss Rs 30.672 million due to non-winding up of Saudi Arabia Branch.⁵
- vi. Company suffered loss of Rs 14.498 million due to forex rate fluctuations on Pound Sterling bank account maintained with foreign bank.⁶
- vii. RAILCOP suffered loss of Rs 8.821 million due to non-claiming of input adjustment of Sales Tax.⁷
- viii. Rs 8.225 million were irregularly transferred to a private person's account.⁸
- ix. Material valuing Rs 58.093 million was procured without open tendering.⁹
- x. Accounts Receivables of Rs 326.987 million are still outstanding.¹⁰

Recommendations

- i. RAILCOP should develop its Recruitment Rules/Promotion Policy so that recruitments/promotions may be made in a fair and transparent manner.
- ii. Retired government employees may be engaged after following instruction of Establishment Division.
- iii. Compliance of Public Sector Companies (Corporate Governance) Rules, 2013 may be ensured.
- iv. Revenue may be recognized in the financial statements as per International Accounting Standards and International Reporting Standards.
- v. Liquidation process of Saudi Arabia Branch may be expedited to avoid further losses.

⁵ Para No. 4.2.2

⁶ Para No. 4.2.4

⁷ Para No. 4.2.6

⁸ Para No. 4.2.7

⁹ Para No. 4.3.2

¹⁰ Para No. 4.4.1

- vi. Extra funds available with the company may be utilised for profitable investment within the country rather than keeping it in bank accounts in foreign country.
- vii. Tax management of RAILCOP may be strengthened to avoid lapses and losses.
- viii. Transfer of funds in private accounts of RAILCOP employees may be discontinued.
- ix. Compliance of PPRA Rules-2004 may be ensured for transparent and economical procurements.
- x. Accounts receivable management may be improved to clear outstanding dues.

1. INTRODUCTION

Railway Constructions Pakistan Limited (RAILCOP) having registered office in Islamabad, was incorporated on 09.08.1980 as a public limited company in Pakistan under the repealed Companies Act 1913 (Companies Ordinance, 1984 and now Companies Act, 2017). The Company is a wholly owned subsidiary of Pakistan Railways. Its functions include construction, manufacturing, development, improvement and maintenance of Railways, of its rolling stock, bridges, workshops and other related activities.

RAILCOP had a branch in kingdom of Saudi Arabia operating under a commercial registration number 2050045829 which expired on 11.03.2013. It was decided in BOD meeting in September 2015 to liquidate Saudi branch office. RAILCOP executed Railways projects for Saudi Government and the last project was completed in 2002. Management of the company made heavy expenditure on renewal of commercial papers of Saudi Branch but due to change in rules and procedures of Saudi Government it became difficult for RAILCOP to work independently in Saudi Arabia.

RAILCOP manufactures track fittings and fastenings for Pakistan Railways in the Track Workshop, Raiwind. Pakistan Railways leased out this workshop to RAILCOP in the year 2001.

Maintenance and operation of track machines of Pakistan Railways was handed over to RAILCOP in 2009. Maintenance and periodical overhauling of track machines and cranes etc. was being carried out in Track Machine Shop, Lahore. These track machines were also being operated by the staff of RAILCOP and its cost plus profit was being reimbursed by the Pakistan Railways as per agreement.

2. AUDIT OBJECTIVES

The following were major audit objectives:

- i. Review compliance to applicable rules, regulations and procedures.
- ii. Assess effectiveness of agreements made with Pakistan Railways and other private organizations.
- iii. Assess the overall performance of RAILCOP with regards to achievement of its objectives and make recommendations for the company to achieve its goals.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

The Special Audit of RAILCOP was conducted during the year 2016-17 for the period 2011-16. Different locations were visited for the purpose of audit, i.e. Head Office Islamabad, Project Director Karachi, Project Director Sukkur, Project Director Lahore, Track Machines Shop, Lahore, Track Workshop Raiwind.

3.2 Audit Methodology

- i. Relevant files/record as provided by the management of the company were reviewed.
- ii. Site visits were made at various locations.
- iii. Discussions were made with the management of different projects.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

Human Resource plays an important role in the working and growth of any organization. An appropriate mix of technical and supporting staff was required to be made for better performance and results. During special audit, it was observed that recruitment and promotion processes were not transparent. Many irregularities pertaining

to human resource management were observed during special audit which are discussed in the following paragraphs:

4.1.1 Irregular recruitment/promotion of staff without framing recruitment rules – Rs 19.248 million

It was provided in the Establishment Division's Office Memorandum dated 22.10.2014 that initial appointment shall be made strictly in accordance with the provisions contained in the Recruitment Rules of the post concerned. In the absence of Recruitment Rules, Ministries / Divisions/ Attached Department / subordinate offices /Autonomous Bodies / Semi-Autonomous Bodies /Corporation/ Companies /Authorities etc. are first required to frame the Recruitment Rules and lay down the eligibility conditions for such appointments. No recruitment shall be made in the absence of approved Recruitment Rules.

During special audit of RAILCOP, it was observed that appointments in the company were made without framing recruitment rules and laying down the eligibility conditions. Employees were recruited and promoted in the company without following any merit or criteria (**Annex-1**).

The matter was discussed in the DAC meetings held in January 2018, (**Annex-1**).

Audit recommends that recruitment rules may be framed for the company and all recruitment and promotions be made in a fair and transparent manner.

4.1.2 Irregular engagement of retired government employee after superannuation - Rs 10.319 million

Establishment Division's U.O Note dated 27th July, 2002 provides that engagement of retired officers requires prior permission of Government invariably. Rules further provide that no employee be appointed on contract basis after attaining the age of 65 years. Besides, RAILCOP Service Rules-2002 provide that all employees shall retire on completion of 60 years of age, except where an employee is re-engaged on

contract for a fixed period and/or a particular project or assignment after prior approval of the Managing Director.

During special audit, it was noticed that thirty one (31) retired government employees were re-employed after superannuation without the approval of competent authority. Eighteen employees had crossed the age of 65 years. Furthermore, a retired company employee was re-engaged after superannuation w.e.f. 01.06.2016 without any justification/special assignment. Thus, irregular expenditure of Rs 10.319 million was incurred during a period from May 2016 to April 2017 due to irregular engagement of retired government employees in contradiction of rules (**Annex-4**).

The matter was taken up with the management in September 2017. Management replied in October 2017 that as per Service Rules of RAILCOP, no person beyond the age of 65 year could be appointed in the company. Approval of BOD was obtained for relaxation of this rule. Furthermore, Mr. M. Yasin was reengaged after retirement because he had vast experience of dealing with BOD meetings, correspondence with foreign companies. The reply was not acceptable because prior permission of Establishment Division was required in all cases. Further engagement after the age of 65 years was not allowed in any case. Besides, as per RAILCOP Service Rules-2002, retired company employees could only be re-engaged for a specific job and for a fixed term.

DAC, in its meetings held in January 2018, did not agree with the reply of RAILCOP and directed the PO to furnish revised reply alongwith documentary evidence to Audit.

Audit recommends that responsibility be fixed for irregular engagement of retired government employees without permission of competent authority. Recruitment beyond the age of superannuation be either regularized or terminated. Re-engagement of company employees after superannuation may be discouraged and qualified staff be recruited from open market.

4.1.3 Irregular expenditure on pay and allowances of a regular Railway employee - Rs 9.92 million

As per Ministry of Railways (Railway Board) letter dated 07.11.1995, the Railway Board in its meeting held on 01.10.1995 decided that posting/transfer of officers and staff in between the units established as an integral part of Railway system namely RAILCOP and PRACS should not be treated as deputation outside the Railways, but a routine transfer/posting within the organization. It was further decided that all postings and transfers in between various units of Railway system should be made with the approval of the Railway Board.

During special audit, it was noticed that Mr. Riaz Ahmad, Wireman joined RAILCOP Saudi Branch on 28.04.1994. He remained in Saudi Arabia till 21.05.2015 without approval of Railway Board, which was required after completion of first five years of service but the employee was irregularly allowed to continue service for twenty-one years. This resulted in irregular expenditure of Rs 9.01 million (SR 322,890 x 27.9) on his pay and allowances during the period from May 1999 to May 2015 (**Annex-5**). Furthermore, the employee was irregularly paid end service benefits of Rs 0.91 million by RAILCOP although he was a regular Railway employee and would later claim end service benefits i.e. gratuity and pension from PR.

The matter was taken up with the management in September 2017. Management replied in October 2017 that services of the employee were placed at the disposal of RAILCOP in April 1994 on deputation basis. Ministry of Railways decided in November 1995 that such postings between units of PR like RAILCOP would not be treated as deputation outside PR, therefore, the employee was allowed to remain in RAILCOP upto May 2015. Furthermore, end service benefits were paid to the employee as per Saudi Labour Law. The reply was not tenable because approval of Railway Board was required for retention of said employee after November 1995 which was not obtained. Besides, a regular Railway employee was governed by Pakistan Government's laws and not Saudi laws.

DAC, in its meetings held in January 2018, directed the PO to provide justification of continuation of services of Mr. Riaz with RAILCOP for 21 years and take up the matter with Chief Personnel Officer, PR to resolve the issue of end service benefits.

Audit recommends that responsibility may be fixed for irregular retention of services of Mr. Riaz and matter of payment of end service be resolved in consultation with Chief Personnel Officer, PR.

4.1.4 Irregular payment of piece work profit to labour of Tack Workshop - Rs 3.154 million

It was stated in the Ministry of Railways (Railway Board) letter dated 12.11.1985 that piece-work profit as prevalent in the Railway factories being continued to be paid to all the present recipients. Payment of piece work profit was discontinued for new entrants.

Special audit of the Track Workshop Raiwind revealed that piece work profit of Rs 3.154 million was paid to the labour during September 2014 to June 2015 despite the fact that this practice was discontinued by the PR in 1985. Furthermore, piece work incentive scheme was introduced without approval of Board of Directors. Post facto approval of this expenditure was obtained from BOD in its 94th meeting held on 10.08.2015. This resulted in incurrence of irregular and unjustified expenditure of Rs 3.154 due to mismanagement.

The matter was taken up with the management in September 2017. Management replied in October 2017 that incentive was offered to limited workmen for getting extra production and it was allowed with the approval of BOD. Reply was not tenable because payment of piece work was discontinued by PR and its prior approval was also not obtained from BOD.

DAC, in its meetings held in January 2018, directed the PO to fix responsibility for unjustified payment piece-work profit.

Audit recommends that responsibility may be fixed for irregular payment of piece work profit and amount irregularly paid be recovered from employees.

4.1.5 Loss due to irregular/unjustified introduction and payment of different allowances/benefits - Rs 2.886 million

It was provided in Finance Division (Regulations Wing) Office Memorandum No.F.1(1)Imp./94 dated 26.06.1999 that for revision of salaries, allowances and perquisites of Supervisory and Executive staff of public Sector Corporations, Autonomous/Semi-Autonomous Organizations clearance from Finance Division would be necessary. Further, as per Ministry of Railways (Railway Board) letter dated 07.11.1995, posting/transfer of officers and staff in between the units established as an integral part of Railway system namely RAILCOP and PRACS should not be treated as deputation outside the Railways, but a routine transfer/posting within the organization.

During special audit of RAILCOP it was observed that RAILCOP management had introduced following allowances/benefits without approval of Finance Division:

(Rs in million)

Sr. No.	Allowance/benefit	Description of allowance/benefit	Period	Amount
1	Transfer Allowance	After discontinuation of Deputation Allowance by MOR, monthly Transfer Allowance was introduced for Railway employees.	July 2012 to December 2016	1.362
2	Special Allowance	Special Allowance was introduced for Railway employees only	July 2016 to April 2017	1.300
3	House Repair Charges	House repair charges were allowed to employees of RAILCOP alongwith house requisition	July 2013 to December 2016	0.224
Total				2.886 (m)

The above issues were taken up with the management in September 2017. In October 2017, management replied against Sr. No.1 that BOD of RAILCOP was competent to approve pay and allowances for employees of company. The reply was not satisfactory because Ministry of Railways had already decided that no deputation allowance would be

paid to employees of PR posted in RAILCOP. Management replied against Sr. No.2 that Special Allowance was introduced to make salary of government officers working in the company slightly compatible with other private companies. The reply was not tenable because approval of Finance Division was necessary for introduction of new allowances. Management replied against Sr. No.3 that reimbursement of house repair and maintenance expenses was being made as provided in Service Rules. The reply was not satisfactory because house repair expenses could not be reimbursed in addition to housing subsidy. Furthermore, approval of Finance Division was required.

DAC, in its meetings held in January 2018, was not satisfied with the reply of RAILCOP and directed the PO against Sr.No.1 and 2, to stop payment of these allowances till approval of Finance Division. Against Sr. No.3, DAC directed the PO to revise Service Rules to exclude unjustified payment of house repair charges.

Audit recommends that responsibility may be fixed for unjustified introduction of Transfer Allowance, Special Allowance and house repair charges without the approval of Finance Division and their payment be stopped till approval is obtained.

4.1.6 Irregular working of RAILCOP employees for Kashmir Railway Pvt. Ltd. - Rs 2.52 million

FR 11 provides that unless in any case it be otherwise distinctly provided the whole time of a Government servant is at the disposal of the Government which pays him, and he may be employed in any manner required by proper authority, without claim for additional remuneration.

During special audit of RAILCOP in April 2017, it was noticed that eight employees of RAILCOP were irregularly working for Kashmir Railway Pvt. Ltd. and drawing pay and allowances from both companies. These employees had irregularly drawn an amount of Rs 2.52 million from Kashmir Railway Pvt. Ltd. (**Annex-6**).

The matter was taken up with the management in September 2017. Management replied in October 2017 that as a courtesy some staff of

RAILCOP provided assistance to the management of Kashmir Railways out of their duty hours without affecting official work of RAILCOP. The reply was not tenable because RAILCOP employees were not allowed to work for another independent company during duty hours and draw double remuneration.

DAC, in its meetings held in January 2018, did not accept management contention and directed the PO to stop irregular working of RAILCOP employees in Kashmir Railways and recover the amount irregularly drawn by them.

Audit recommends that matter may be inquired for irregular working of employees of RAILCOP in Kashmir Railways and responsibility be fixed. Amount irregularly drawn by the employees from Kashmir Railways may also be recovered from them.

4.1.7 Irregular re-employment after pre-mature retirement - Rs 2.411 million

Establishment Division's OM dated 16.11.1996 provided that Prime Minister has been pleased to decide that requests for re-employment of ex-civil servants who have voluntarily retired from service shall be summarily rejected.

During special audit of Track Machine Shop working under RAILCOP, it was noticed that permanent track machine operations staff took premature retirement. Subsequently they were appointed on contract basis at the shop. This irregular practice resulted in incurrence of irregular expenditure of Rs 2.411 million during the period from January 2016 to April 2017 (**Annex-7**).

The matter was taken up with the management in September 2017. Management replied in October 2017 that retired operators were engaged by RAILCOP on contract basis in the interest of department to avoid holding up of track machine operation. The reply was not acceptable because re-engagement of employees who got premature retirement was not allowed under the rules.

DAC, in its meetings held in January 2018, directed the PO to provide revised reply showing reasons of premature retirement of operators. Reasons of non-appointment of fresh operators keeping in view the retirement of exiting operators may also be explained.

Audit recommends that the matter be inquired to ascertain the factual position and to fix responsibility for irregular appointments against the instructions of the Establishment Division.

4.1.8 Irregular reimbursement of medical charges - Rs 2.225 million

Para-1 of RAILCOP's Medical Attendance Rules provides that medical allowance would be admissible as per government rules applicable to cover cost of medicines. Finance Division vide office memorandum dated 24.03.2011 allowed reimbursement of amount spent on account of purchase of medicines for the medical treatment at OPD for chronic diseases mentioned in the OM.

During special audit, it was observed that consultation and lab charges were being reimbursed to RAILCOP employees irregularly. As per rule, only amount spent on purchase of medicines for chronic diseases could be reimbursed. There was no provision for reimbursement of consultation fee and in case of lab charges proper prescriptions issued by the authorised medical attendant were required. This resulted in irregular reimbursement of medical charges of Rs 2.225 million during the period from July 2012 to June 2016 due to negligence of management (**Annex-8**).

The matter was taken up with the management in September 2017. Management replied in October 2017 that cost of only those medicines were reimbursed which were included in the list of chronic diseases issued by Finance Division. Reimbursement of consultation fee and lab tests was made on the basis of cash receipts. The reply was not acceptable because consultation fee was reimbursed irregularly and lab test charges were reimbursed without any prescription and showing nature of disease.

DAC, in its meetings held in January 2018, directed the PO to furnish a revised reply supported by documentary evidence to Audit.

Audit recommends that the amount irregularly reimbursed may be recovered from the employees and rules and regulations be followed for reimbursement of medical charges in future.

4.1.9 Unjustified expenditure on salary of Saudi National - Rs 1.769 million

As per agenda item no. 5 of Minutes of 28th Annual General Meeting of RAILCOP Board of Directors held on 27.11.2008, it was decided that RAILCOP may process winding-up of its branch in Saudi Arabia and repatriate its staff to Pakistan.

During special audit, it was observed that Saudi Arabia Branch of RAILCOP was being operated without any revenue since 2002. Management failed to obtain any project, therefore, BOD decided in 2008 to wind up this Branch. Mr. Imran, Manager Saudi Branch hired the services of a Saudi national woman named Fakhira Salman AlSabti in 2013 as receptionist at a monthly salary of Saudi Riyal 2730 per month. Saudi Branch was running in loss and there was no business since 2002, therefore, hiring of additional employee was not justified. This resulted in incurrence of unjustified expenditure of Rs 1.769 million (Saudi Riyal 65,520 x Rs 27) during the period from July 2013 to June 2015.

The matter was taken up with the management in September 2017. Management replied in October 2017 that one Saudi National was appointed to comply with instruction of Saudi Labour Law and to get commercial documents renewed. The reply was not tenable because RAILCOP Saudi Branch had no business activity since 2002, therefore, appointment of Saudi National was not justified. Furthermore, Saudi Labour Law under which Saudi National was appointed was not provided to Audit.

DAC, in its meetings held in January 2018, directed the PO to provide a copy of relevant clause of Saudi Labour Law for appointment of Saudi National to Audit.

Audit recommends that the responsibility may be fixed for incurrence of unjustified expenditure on unjustified hiring of a Saudi national.

**4.1.10 Irregular grant of medical allowance on re-employment
Rs 0.493 million**

As per Finance Division O.M. No. 5(4)R-3/96 dated 16-4-1996, the allowances already included in the pension are not admissible in re-employment/contractual appointment.

During special audit of RAILCOP Sukkur Branch, it was noticed that Project Director who was re-employed after retirement from Pakistan Railways was being paid medical allowance in pension as well as in monthly salary w.e.f. 01.07.2010. This resulted in irregular payment of medical allowance to the employee amounting to Rs 0.493 million.

The matter was taken up with the management in September 2017. Management replied in January 2018 that the officer was paid medical allowance as per terms and conditions of agreement.

DAC, in its meetings held in January 2018, directed the PO to stop irregular payment of medical allowance and recovery of already paid amount be made.

Audit recommends that the irregular payment of medical allowance may be stopped henceforth and amount already paid be recovered under intimation to Audit.

4.1.11 Irregular expenditure on Air Travel - Rs 0.463 million

Boarding Card is required to be submitted along with bills for reimbursement of expenditure incurred on Air Travel.

During special audit of Sukkur Branch of RAILCOP, it was noticed that Project Director was frequently travelling by Air from Sukkur to Karachi and back but bills were being claimed without producing boarding cards and just basing on invoices issued by the travelling agent or online booking slips only which can be generated and cancelled any

time. This resulted in irregular incurrence of expenditure of Rs 0.463 million during the period from November 2015 to March 2017 (**Annex-9**).

The matter was taken up with the management in September 2017. Management replied in January 2018 the procedural irregularity has been committed by the Project Director.

DAC, in its meetings held in January 2018, directed the PO to get tickets verified from PIA and report to Audit within a week.

Audit recommends that the amount irregularly reimbursed on account of cost of Air Ticket may be recovered from the defaulters.

4.1.12 Irregular absorption of a RAILCOP employee in the Ministry of Railways

Employees recruited by the RAILCOP are governed under the Service Rules of the Company. Contract/Regular employees of the company were not eligible for transfer/absorption into government service (Ministry of Railways).

During special audit of RAILCOP in April 2017, it was noticed that Mr. Aamir Aslam Cheema was appointed on contract basis as Junior Assistant in December 2004. He was regularized in the company just after three months in March 2005. Later his services were transferred to MOR vide letter dated 11.01.2013 on temporary basis. It was stated in the letter that he would not claim for permanent absorption in the Ministry. Contrarily, the employee was permanently absorbed in the Ministry as Assistant (BS-14) w.e.f. 28.02.2013 irregularly. This state of affairs clearly indicated that Ministry of Railways exerted undue influence for his transfer and subsequent absorption of employee of RAILCOP. This resulted in irregular absorption of RAILCOP employee in MOR due to nepotism.

The matter was taken up with the management in September 2017. Management replied in October 2017 that Mr. Amir Aslam was transferred to Ministry of Railways on temporary basis. The reply was not acceptable because employee of PR could be transferred to RAILCOP but no RAILCOP employee could be transferred to PR.

DAC, in its meetings held in January 2018, decided to refer the para to Ministry of Railways for comments.

Audit recommends that the irregular absorption orders of the employees may be withdrawn and he may be reverted to his actual place of posting.

4.1.13 Non-compliance of Public Sector Companies (Corporate Governance) Rules 2013

Securities & Exchange Commission of Pakistan promulgated Public Sector Companies (Corporate Governance) Rules 2013 vide SRO 180(I)/2013 dated 08.03.2013 for transparent and improved governance of public sector companies.

During special audit of RAILCOP, it was observed that the provisions of Public Sector Companies (Corporate Governance) Rules 2013 regarding performance evaluation of BOD, setting up Board Committees, appointment of Chief Financial Officer/Chief Internal Auditor and preparation/uploading of quarterly/annual accounts on company's website etc. were not being complied with (**Annex-10**).

DAC, in its meetings held in January 2018, directed the management to ensure compliance of Public Sector Companies (Corporate Governance) Rules 2013 (**Annex-10**).

Audit recommends that compliance of Corporate Governance Rules-2013 may be ensured in its true letter and spirit.

4.1.14 Irregular appointment of Directors of the Board

Finance Division's SRO No. 997(1)2013 dated 20.11.2013 provides that no civil servant, other than the one appointed under statutory provisions, shall be appointed to or nominated by the Federal Government to the Board of Directors of more than one statutory corporation, company, autonomous body, institution, society etc., whether fully or partially owned or controlled by the Federal Government, in the interest of equality and justice.

During special audit of RAILCOP, it was observed that officers of Pakistan Railways i.e. Secretary/Chairperson, Senior General Manager and Additional General Manager/Infrastructure etc. who were on the Board of Directors of RAILCOP were also appointed Directors of Board of other subsidiary companies of PR i.e. PRACS, REDAMCO and PRFTC in violation of the above mentioned SRO.

The matter was taken up with the management in September 2017. Management replied in October 2017 that the aforementioned notification dated 20.11.2013 was not applicable to RAILCOP being a corporate sector organization. The reply was not acceptable because its applicability was extended to all public sector companies either fully or partially owned or controlled by the Federal Government.

DAC, in its meetings held in January 2018, observed that aforesaid SRO was applicable to RAILCOP being a government owned company. DAC directed the PO to provide latest rules of SECP for appointment of directors in government owned companies.

Audit recommends that Finance Division's notification may be implemented in its true letter and spirit.

4.2 Financial Management

Finance should be managed with due care to avoid losses and obtain profits. Many weaknesses relating to financial management in RAILCOP were noticed during special audit which are discussed in the following paragraphs:

4.2.1 Irregular practice of booking of expenditure as revenue inflating profit - Rs 573.467 million

International Accounting Standard-18 provides that revenue is income that arises in the course of ordinary activities of an entity. Revenue is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

During special audit it was observed that Track Machines Shop was booking the expenditure incurred on purchase of spare parts as revenue as a standard practice over the years on the last date of the financial year as follows:

Year	Amount (Rs)
2011-12	208,872,467
2012-13	3,754,337
2013-14	108,850,958
2014-15	105,694,875
2015-16	146,294,814
Total	573,467,451 573.467 (m)

Thus incorrect booking of expenditure incurred on purchase of material increased profit of the company and depicted a better financial position.

The matter was taken up with the management in September 2017. Management replied in January 2018 that revenue was recognized on accrual basis as per agreement made with PR. The reply was not correct because revenue could be recognised only when the rewards and benefits associated with the items sold or services provided were transferred.

DAC, in its meetings held in January 2018, did not agree to the reply and directed the PO to furnish revised reply in the light of International Accounting Standards and International Reporting Standards.

Audit recommends that this practice may be stopped and revenue be recognised as per International Accounting Standards.

4.2.2 Loss due to non-winding up of Saudi Arabia Branch - Rs 30.672 million

As per agenda item no. 5 of Minutes of 28th Annual General Meeting of RAILCOP Board of Directors held on 27.11.2008, it was decided that RAILCOP may process winding-up of its branch in Saudi Arabia and repatriate its staff to Pakistan.

Audit observed that management failed to initiate the process of winding up of its branch in Saudi Arabia upto the year 2015-16. RAILCOP suffered a loss of Rs 30.672 million (@ Rs 27 per Saudi Riyal) on unjustified maintenance of its Saudi Arabia branch, as detailed below:

Sr. No.	Year	Total Expenditure incurred (in Saudi Riyal)
1	2012	250,958
2	2013	213,917
3	2014	293,286
4	2015	228,587
5	2016	149,692
Total		1,136,440 1.136 (m)

The matter was taken up with the management in September 2017. Management replied in October 2017 that it was decided in BOD meetings dated 28.07.2010, 28.03.2013 and 28.11.2013 to continue Saudi Branch and to secure track renewal/maintenance projects by forming joint ventures. The reply was not satisfactory because RAILCOP was focusing on smaller projects in Pakistan and it had no capacity to compete in international market. RAILCOP Saudi Branch failed to obtain any project in Saudi Arabia after 2002, therefore, its continuance upto September 2016 was unjustified.

DAC, in its meetings held in January 2018, directed the PO to provide justification of continuation of Saudi Branch despite incurrence of heavy loss since 2002.

Audit recommends that the responsibility may be fixed for unjustified maintenance of Saudi Arabia Branch which resulted in huge loss to the company.

4.2.3 Unjustified retention of shares for non-operational Employees Empowerment Trust - Rs 23.999 million

As per Benazir Employees Stock Option Scheme introduced by the Privatization commission of Pakistan vide letter No. SFC/PC/Emp-SOEs/09 dated 24.08.2009, 12% shares of state owned entities were required to be transferred to an Employees Empowerment Trust.

During special audit, it was observed that 2,399,998 shares valuing Rs 23.999 million were transferred to the newly created RAILCOP Employees Empowerment Trust. This trust was got registered in April 2011. The Trust was not operational but shares of the company were being shown in the name of this trust. This resulted in unjustified retention of shares of company valuing Rs 23.999 million.

The matter was taken up with the management in September 2017. Management replied in January 2018 that a summary to decide status of the scheme was submitted to Privatization Commission which was pending for decision.

DAC, in its meetings held in January 2018, directed that matter may be pursued to decide final fate of the scheme and furnish revised reply alongwith documentary evidence to Audit.

Audit recommends that if this scheme has no legal status then shares should be transferred back to the PR.

4.2.4 Loss due to maintaining bank accounts in Pound Sterling- Rs 14.498 million

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

During special audit, it was noticed that RAILCOP was maintaining two bank accounts in Pound Sterling in London and Lahore.

RAILCOP suffered loss of Rs 14.498 million during the period from July 2014 to June 2016 due to devaluation of Pound Sterling as detailed below:

Sr. No.	Year	Bank Account	Amount of Loss (Rs)
1	2014-15	UK Pound Sterling Account HBL London	4,260,531
2	2015-16	UK Pound Sterling Account HBL London	6,746,449
3	2015-16	UK Pound Sterling Account Soneri Bank Lahore	3,490,552
Total			14,497,532 14.497 (m)

The matter was taken up with the management in September 2017. Management replied in October 2017 that due to separation of UK from the European Union value of Pound Sterling was decreased from Rs 160 to Rs 142. The company had also gained profit of Rs 5.54 million from this investment since 2011-12. The reply was not tenable because maintenance of account in a foreign country was not justified and RAILCOP suffered loss of Rs 14.498 million during the period financial years 2014-15 and 2015-16 but management failed to take corrective action to avoid further loss.

DAC, in its meetings held in January 2018, directed the PO to justify maintenance of accounts in Pound Sterling in Habib Bank Limited, London and Soneri Bank Limited, Lahore.

Audit recommends that reasons of maintenance of foreign bank account may be explained and responsibility be fixed for not taking appropriate action in time to avoid loss.

4.2.5 Loss due to less payment by PR - Rs 13.606 million

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

Scrutiny of record of Track Machines Shop revealed that RAILCOP submitted bill of Rs 283.399 million during the period July

2010 to December 2016 to PR but management paid only Rs 269.793 million after deducting an amount of Rs 13.606 million. This resulted in loss of Rs 13.606 million to RAILCOP (**Annex-11**).

The matter was taken up with the management in September 2017. Management replied in October 2017 that major amount of Rs 12.299 million was withheld by Railway management against bill of repair of Track Machine No.3082 for the year 2013-14. Matter was under pursuance with Railway for recovery of said amount. The reply was not acceptable because RAILCOP failed to realize outstanding amount despite lapse of three years.

DAC, in its meetings held in January 2018, directed the PO that balance amount may also be recovered at the earliest under intimation to Audit.

Audit recommends that outstanding amount may be recovered without further delay.

4.2.6 Loss due to non-claiming of input adjustment of Sales Tax– Rs 8.821 million

Sales Tax Guide issued by FBR provides that in a particular tax period, a registered person can claim input tax adjustment paid on goods and services purchased from local market, imported from abroad and goods purchased in auction during that tax period. He/she can also claim input tax paid in the immediate twelve preceding tax periods by mentioning the reasons for not claiming it earlier on the sales tax return.

Audit observed that input adjustment of sales tax amounting to Rs 8.821 million for the month of June 2015 was not claimed upto May 2017 (date of inspection). Thus, RAILCOP suffered loss of Rs 8.821 million due to negligence of management.

The matter was taken up with the management in September 2017. Management replied in January 2018 that input sales tax credit was not carried forward by the IT department of FBR. The reply was not satisfactory because RAILCOP management failed to claim input sales tax credit despite lapse of two and half years.

DAC, in its meetings held in January 2018, directed that matter may be taken up with FBR for input adjustment of sales tax.

Audit recommends that the matter may be investigated to fix responsibility for non-claiming of input adjustment of sales tax and matter be taken up with FBR for proper adjustment of tax.

4.2.7 Irregular transfer of money to a private person's bank account - Rs 8.225 million

RAILCOP had its official bank accounts at all branch offices therefore, all receipts and payments were required to be made through these accounts.

During special audit of Karachi office, it was noticed that cash was being irregularly transferred in to the private account of Assistant Manager Admn from which he used to make payments. All expenses accrued on this private bank account were being borne by the company. Test check revealed that during a short period of six months from 04.01.2016 to 16.06.2016 an amount of Rs 8.225 million was irregularly transferred into this bank account. An amount of Rs 35,469 was also reimbursed to the employee as bank charges of his personal account. These charges comprised income tax which was adjustable if deducted from company's bank account. This resulted in irregular transfer of money amounting to Rs 8.225 million to a private person's bank account and loss of Rs 35,469 on account of payment of bank charges (**Annex-12**).

The matter was taken up with the management in September 2017. Management replied in January 2018 that funds were transferred in the private account of Mr. Saeed, Assistant Manager Admn to meet with the expenses of a project.

DAC, in its meetings held in January 2018, DAC directed the PO to inquire the matter for keeping company's funds in a private person's bank account.

Audit recommends that matter may be inquired to fix responsibility for irregular transfer of money in a private person's bank account and to ensure such a practice does not take place in future.

4.2.8 Loss due to payment of double income tax - Rs 4.187 million

Section 148 of Income Tax Ordinance 2001 provides that withholding tax paid at the time of import is treated as final tax.

During special audit, it was observed that RAILCOP imported spare parts of track machines through M/s Trademas, agent of M/s Deutz Germany. RAILCOP paid income tax of Rs 4.187 million at the time of import through Trademas as detailed below:

Sr. No.	Import in the Name of Trademas	LC No.	Income Tax
			Amount (Rs)
1		LC-6	483,024
2		LC-15	138,743
3		LC-19	533,827
4		LC-20	3,031,449
Total			4,187,043 4.187 (m)

PR withheld income tax on all bills submitted by RAILCOP while reimbursing the cost of these imports. This resulted in double taxation on same item and PR suffered loss of Rs 4.187 million.

The matter was taken up with the management in September 2017. Management replied in October 2017 that RAILCOP had purchased spare parts from OEM through Trademas, their appointed representative, therefore, taxes were inclusive in the shipment cost, imported in the name of M/s Trademas. The reply was not tenable because RAILCOP was a subsidiary of Pakistan Railways and these engines were purchased for PR. Import of items for PR falls under chapters 86 of custom tariff where income tax is exempted. Furthermore, income tax should not be paid at the time of reimbursement of cost of imported material.

DAC, in its meetings held in January 2018, was not satisfied with the management contention and directed to take up the matter with Railway administration to avoid double taxation.

Audit recommends that the matter may be investigated at an appropriate level to fix responsibility of such irregularities and efforts be made to improve financial management in order to avoid double taxation.

4.2.9 Temporary misappropriation of government money - Rs 2.416 million

As per instruction of Ministry of Railways all local purchases should be made within 7 days of drawal of cash.

During special audit of Track Machine Shop working under RAILCOP, it was noticed that advances were given to employee of RAILCOP for purchase of different items but material was purchased with delay of 8 to 162 days. This resulted in temporary misappropriation of government money amounting to Rs 2.416 million during the year 2014-15 only (**Annex-13**). This practice is prevalent all over RAILCOP.

The matter was taken up with the management in September 2017. Management replied in October 2017 that in most of the cases purchases were made within 20 days which cannot be called late. The reply was not acceptable because in 60 cases purchases were with delay of 8 to 162 days.

DAC, in its meetings held in January 2018, did not consider the reply satisfactory and directed that all purchases should be made within seven days of drawal of cash and revised reply showing present status of purchase cases may be furnished to Audit.

Audit recommends that the responsibility may be fixed for irregular temporary misutilization of government money.

4.2.10 Irregular expenditure under the head Research and Development/ Business Promotion-Rs 2.413 million

Clause 20 of agreement No 82-G/9-B/TW executed between PR and RAILCOP for handing over of Track Workshop Raiwind to RAILCOP provides that after successful completion of one year, RAILCOP would allocate funds amounting to 0.5% of its annual profit to establish Research and Development Cell for improvement of track fittings and fastenings. Further, Para 807 of Pakistan Railway General Code provides that every public officer should exercise the same vigilance in respect of expenditure incurred from the Government revenues as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During special audit it was observed that amount reserved for R & D was being utilized for payment of TA/DA, purchase of stationery, office equipment, LED, batteries etc. All these items were not relevant to improvement of track fittings and fastenings. This resulted in incurrence of irregular expenditure of Rs 1.922 million during the period 2011-12 to 2015-16.

Further, it was observed that RAILCOP incurred an expenditure of Rs 490,850 on the purchase of UPS, battery, refrigerator, AC, ceiling fans, and dispenser etc for the Directorate of Property and Land. This expenditure was irregularly charged to the head business promotion. This practice was a regular feature of RAILCOP as unnecessary expenditure of other organizations was being borne by RAILCOP. Thus RAILCOP incurred irregular expenditure under the garb of R&D and business promotion.

The matter was taken up with the management in September 2017. Management replied in October 2017 that as per agreement 0.5 % of annual profit was retained as reserve for Research and Development and expenditure was incurred with the approval of Chief Engineer/Open Lines. Further it was replied that RAILCOP also had to incur expenses to obtain business as in the case of Directorate of Property and Land. The reply was not satisfactory because as per clause 20 of the agreement reserve for R &

D was required to be incurred for improvement of track fittings and fastenings only. Furthermore, incurrence of business promotion expenses on departments of PR was tantamount to corrupt practices and liable to disciplinary proceedings.

DAC, in its meetings held in January 2018 directed the PO to take up the matter with Chief Engineer/Open Lines for proper utilization of Research and Development Reserve. DAC further directed the PO to provide T&P registers of Directorate of Property and Land showing recording of items given by RAILCOP to Audit.

Audit recommends that responsibility may be fixed for irregular utilization of funds for items not covered under R&D of Track Workshop and strict action be taken against those responsible.

4.2.11 Non-deduction of income tax from directorship fee, leave encashment and bonus - Rs 0.813 million

As per Section 149(3) of Income Tax Ordinance, income tax @ 20% is required to be recovered at source from the directorship fee paid to the members of Board of Directors. Further, Section 12 of Income Tax Ordinance 2001 stipulates that leave salary and salary in lieu of leave are part of salary for the purpose of income tax.

During special audit it was noticed that directors of the Board of RAILCOP were paid BOD meeting fee amounting to Rs 1.435 million during the period from January 2010 to October 2016 but income tax amounting to Rs 0.359 million was not deducted at source.

Leave encashment amounting to Rs 3.14 million was paid to employees of RAILCOP during the year 2012-13 to 2015-16 but income tax amounting to Rs 0.314 million (**Annex-14**), was not deducted at source. Similarly, bonus amounting to Rs 1.397 million was paid to employees during the year 2015-16 but income tax amounting to Rs 0.14 million was not deducted at source (**Annex-15**). The above state of affairs indicates that government exchequer suffered loss of Rs 0.813 million due to non-deduction of income tax.

The matter was taken up with the management in September 2017. Management replied in October 2017 that even if the tax was not deducted at source the amount paid was deposited by the concerned Directors and employees as their income through their income tax statement. The reply was not acceptable because it was the responsibility of authority, making payments, to deduct income tax before payment.

DAC, in its meetings held in January 2018, directed the PO to provide annual tax computations of concerned employees and challans through which tax deducted was deposited with FBR. No such information was provided to Audit till finalisation of this report.

Audit recommends that the amount of income tax may be recovered from the board members and employees of RAILCOP. Timely deduction of income tax at source may be ensured in future.

4.3 Procurement/Contract Management

Project and contract management are important for the success of any company. Many irregularities pertaining to procurements, project management and contract management were noticed during special audit which were narrated in the following paragraphs:

4.3.1 Irregular purchases through M/s Trademas – Rs 167.205 million

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

During special audit of RAILCOP, it was observed that M/s Trademas International was working as local agent of M/s DEUTZ AG Germany. Upon inquiry of Audit Team, Mr. Markus Schneider, head of Sales & Services, Middle East & Africa, DEUTZ informed through email dated 18.05.2017 that M/s Trademas had no dealer contract with DEUTZ but they had a letter of appointment only. Mr. Markus Schneider further informed on 24.05.2017, against a query on proforma invoice that “you

are absolutely right, something was wrong with the proforma invoice and it looks like that somebody changed the documents afterwards”.

Audit observed that M/s Trademas provided self-generated/modified Proforma Invoices and Commercial Invoices to RAILCOP. All invoices were in the name of M/s Trademas instead of bearing the name of RAILCOP being the purchaser. Hence all tax and other allied benefits on transaction of RAILCOP were being availed by M/s Trademas. Furthermore, a clause of 35 % of total payment in advance was also included in the agreements to give benefit to M/s Trademas. This advance payment was being paid to M/s Trademas rather than making the entire payment through LC. This indicated that all advance payment was received by M/s Trademas and only LC amount to supplier i.e. M/s DEUTZ. This resulted in irregular purchase of material valuing Rs 167.205 million (**Annex-16**).

The matter was taken up with the management in September 2017. Management replied in October 2017 that M/s Trademas had letter of appointment of DEUTZ Germany and since 2008 all parts of diesel engines of track machines were being procured through Trademas. The reply was not satisfactory because representative of M/s DEUTZ intimated Audit Team that M/s Trademas had no dealership of M/s DEUTZ. Furthermore, discrepancies observed in the proforma invoices submitted by Trademas were also admitted by DEUTZ in their email to Audit Team.

DAC, in its meetings held in January 2018, was not satisfied with the management contention and directed to make every effort to eliminate involvement of Trademas in the purchase of material from M/s DEUTZ.

Audit recommends that the matter may be inquired to fix responsibility in the matter and amount of loss be recovered from persons found at fault.

4.3.2 Mis-procurement/Uneconomical Procurements - Rs 58.093 million

Rule 12 (2) of Public Procurement Rules – 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During special audit of RAILCOP Karachi Branch, it was observed that material having a value of more than two million was purchased without open competition as detailed below:

(Rs in million)

Sr. No.	Description of material	Branch Office	Period	Amount (Rs)
1	Steel (Annex-17)	Karachi	08/2016 to 03/2017	46.673
2	Steel	Sukkur	10/2016	6.8
3	Diesel Generators	Karachi		4.62
Total				58.093 (m)

This resulted in uneconomical procurement of material valuing Rs 58.093 million in violation of PPRA Rules 2004.

The matter was taken up with the management in September 2017. Management replied in January 2018 that in order to avoid wastage and to earn maximum profit steel was arranged from the manufacturer.

DAC, in its meetings held in January 2018, directed the PO that exemption of procurement of material without tendering in violation of PPRA Rules may be provided to Audit.

Audit recommends that the responsibility may be fixed for procurement of material without observing PPRA Rules 2004.

4.3.3 Blockage of capital due to unnecessary procurement of material - Rs 28.360 million

Rule 8 of Public Procurement Rules 2004 provides that all procuring agencies shall devise a mechanism for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

During special audit it was noticed that raw material valuing Rs 18.466 million purchased during the year 2014-15 was not used till 30.06.2016. It was further observed that raw material worth Rs 58.915 million was purchased in excess of requirements. This resulted in blockage of capital amounting to Rs 77.381 million (reduced to Rs 28.360 million after verification) due to unnecessary purchase of raw material as a result of management's inefficiency.

The matter was taken up with the management in September 2017. Management replied in October 2017 that material valuing Rs 66.103 million out of Rs 77.381 million had been consumed. The reply was not based on facts because material was required to be procured on the basis of actual requirements.

DAC, in its meetings held in January 2018, directed the PO to provide documentary evidence of utilization of material for verification and in future material may be procured as per actual requirement of production. During verification it was observed that steel flat valuing Rs 46.119 million and rolled section for loose jaws valuing Rs 2.902 million had been utilized. Items valuing Rs 28.360 million were issued for manufacturing but they have not yet been utilized.

Audit recommends that the responsibility may be fixed for unnecessary purchase of material which caused blockage of capital.

4.3.4 Un-necessary purchase of material - Rs 15.09 million

Para 131 (1) of Pakistan Government Railway Code for the Stores Department provides that every Government Servant should exercise the same vigilance in respect of expenditure incurred from Government revenues as person of ordinary prudence would exercise in respect of the expenditure of his own money.

Scrutiny of record of Track Machines Shop, Lahore revealed that RAILOCP purchased two DEUTZ diesel engines for track machines valuing Rs 16.3 million in January 2016. Two diesel engines of same specification were again procured at a cost of Rs 15.09 million during October 2016 without any justification. This resulted in unnecessary incurrence of expenditure / blockage of capital amounting of Rs 15.09 million.

The matter was taken up with the management in September 2017. Management replied in October 2017 that track machines had outlived their useful economical life and their diesel engines needed overhauling/replacement. Quotations were obtained for both spare parts and complete diesel engines and it was decided to procure diesel engines. The reply was not satisfactory because neither quotation of spare parts for overhauling nor proper justification of purchase of new engines was provided to Audit. Further, in order to show utilization of these engines these were replaced in four track machines received for scheduled repair. Two track machines were 21 years old and remaining two were only 14 year old.

DAC, in its meetings held in January 2018, directed the PO to provide justification/calculation prepared for procurement of new diesel engines instead of rehabilitation of existing.

Audit recommends that the responsibility may be fixed for unjustified purchase of two engines resulting in blockage of capital and action be taken against those held responsible.

4.3.5 Loss due to purchase of material of incorrect specification- Rs 3.857 million

As per acceptance notification for supply of Rolled Sections for Fish Plates the material should be in multiple of 24” with Square Ends.

During special audit of RAILCOP Lahore Branch it was noticed that Project Director, Track Workshop, Lahore purchased Rolled Sections for Fish Plates valuing Rs 95.303 million during September 2016 and February 2017 from M/s ASR Enterprises and M/s Shalimar Steel Re-Rolling Mills respectively. During physical verification at site it was observed that Rolled Sections supplied by the contractors were not in multiple of 24” and they did also not have square ends. Extra lengths had to be cut resulting in wastage of steel worth Rs 3.857 million above 24 inches. Thus, RAILCOP suffered loss of Rs 3.857 million due to acceptance of material of incorrect specification (**Annex-18**).

The matter was taken up with the management in September 2017. Management replied in October 2017 that rolled sections noted by Audit were not purchased from M/s Shalimar Steel Mills. The material pointed out by Audit could be from older purchase order in which there was no condition of multiples of 24”. The reply was not correct because at the time of physical verification in May 2017 new supply of material from M/s Shalimar Steel Lahore was received which was to be in multiples of 24”. Furthermore, it was negligence of management if they had not included this clause in earlier purchase orders.

DAC, in its meetings held in January 2018, directed the PO to provide justification for purchase of material of incorrect specification despite the fact that Raiwind Workshop was handed over to RAILCOP in the year 2009.

Audit recommends that the responsibility may be fixed for irregular purchase of material of incorrect specification. Disciplinary action may be initiated against those involved in inspection and acceptance of material. Besides, loss be recovered from the defaulters.

4.3.6 Irregular payments in cash – Rs 2.809 million

Para 1315 of Pakistan Railways Code for the Engineering Department provides that all payments should, as far as possible, be made by cheques.

During special audit of Sukkur Branch of RAILCOP, it was observed that it was a common practice to make payments to contractors/suppliers in cash instead of crossed cheques. This was an indication of poor internal controls which could possibly lead to fraud/misappropriation. Through a sample check, it was observed that against only one project an amount of Rs 2.809 million was paid in cash during a limited period from February 2016 to June 2016. This resulted in irregular payment of Rs 2.809 million in cash due to negligence of management (**Annex-19**).

The matter was taken up with the management in September 2017. Management replied in January 2018 that cash was drawn for retail purchase of material for smooth execution of projects.

DAC, in its meetings held in January 2018, directed the PO that instruction may be issued for cheque payments only and documentary evidence that cash was paid for petty purchases only be provided to Audit within a week.

Audit recommends that the irregular practice of payments in cash may be stopped henceforth and all payment be arranged through crossed cheques.

4.3.7 Loss due to late completion/handing-over of works/project - Rs 1.717 million

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

During special audit of RAILCOP Sukkur Branch, it was noticed that work of construction of two Regional Blood Centers (RCB) at Sukkur and Nawabshah was required to be completed upto February 2016. The

work was completed in September 2016 but blood centers were not handed over to its management till April 2017. RAILCOP had to depute two chowkidars at each blood center. Thus, RAILCOP suffered loss of Rs 0.364 million on account of pay and allowances of chowkidars due to delay in handing over of these buildings.

Furthermore, PR awarded a contract to RAILCOP for supply, stacking and loading 800,000 cft stone ballast, at Padidan Station in Railway wagons, in September 2013. The work was required to be completed in September 2014 but it was completed in February 2016. Thus, RAILCOP suffered loss of Rs 1.353 million (Rs 79,600 per month) during the period from October 2014 to February 2016 on account of wages of staff.

The matter was taken up with the management in September 2017. Management replied in January 2018 that RAILCOP completed Regional Blood Centers but those were not taken over by Sindh Government. The chowkidars had been withdrawn from sites and matter would be taken up with the concerned authorities for compensation. Furthermore, work of supply of stone ballast was assigned to a sub-contractor who failed to complete the work, therefore, RAILCOP supplied balance quantity on its own. The replies were not convincing because management failed to handover Regional Blood Centers in time which resulted in incurrence of extra expenditure on wages of chowkidars. Furthermore, due to inefficient management the work of supply of ballast could not be completed in time.

DAC, in its meetings held in January 2018, directed the PO to pursue the matter with concerned authorities for recovery of expenditure incurred on the pay and allowance of chowkidars after completion of the projects. Further, it was directed that inordinate delay in completion of work may be justified and documentary evidence for forfeiture of security money of sub-contractor be provided to Audit.

Audit recommends that amount of loss may be recovered from defaulters.

4.3.8 Irregular/unjustified payment of consultancy fee - Rs 1.60 million

Rule 12 of PPRA Rules-2004 provides that procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

Contrary to the above, RAILCOP paid an amount of Rs 1.6 million as consultancy fee to M/s Trademas (local agent of M/s Deutz Germany) against LC No 25 and 26 during January 2015 and February 2017 without hiring them through competitive process as per PPRA Rules. Furthermore, M/s Trademas was not a clearing agent, therefore, payment of consultancy fee for clearance of consignments was also not justified. This resulted in irregular/unjustified expenditure of Rs 1.60 million due to negligence of management.

The matter was taken up with the management in September 2017. Management replied in October 2017 that as per clause (e) of the agreement executed with M/s Trademas International for clearance of LC, RAILCOP had to pay duties, taxes, bank charges and all allied charges on actual basis, therefore, payment of Rs 1.60 million was covered under allied charges. The reply was not tenable because payment of heavy amount under the head consultation fee was not covered under the agreement.

DAC, in its meetings held in January 2018, was informed that an amount of Rs 1.60 million was paid to M/s Trademas International for tax consultation. Custom Duties and Taxes were paid through M/s Trademas @ 5 % and 3 % resultantly tax amount of Rs 19 million was saved. DAC was not satisfied with the management's view point because M/s Trademas International was not a tax consultancy firm. Hence such arrangements be dispensed with immediately and recovery of irregular payment be made.

Audit recommends that matter may be inquired to fix responsibility for irregular payment of Rs 1.6 million and action be taken against those held responsible.

4.3.9 Irregular purchase and use of paver tiles without testing - Rs 0.94 million

It was provided in the contract agreement dated 23.04.2016 executed between Pakistan Railways and M/s RAILCOP that paver tiles to be provided and fixed at Karachi Cantt Station should have strength of 7000 psi.

During special audit of RAILCOP Karachi Branch, it was noticed that paver tiles valuing Rs 0.94 million were purchased, by splitting the requirement, from different supplier without testing their strength. This resulted in irregular expenditure of Rs 0.94 million on the purchase of unglazed paver tiles (**Annex-20**).

The matter was taken up with the management in September 2017. Management replied in January 2018 that the pavers were not rejected by Pakistan Railways. They were to be purchased from nominated sole manufacturer Envicrete. No financial effect/loss was borne by RAILCOP because rejected material was the property of manufacturer. The reply was not satisfactory because paver tiles were required to be tested before its use.

DAC, in its meetings held in January 2018, directed the PO to submit material testing reports to Audit for examination/verification.

Audit recommends that the responsibility may be fixed for irregular purchase of paver tiles without testing their strength.

4.3.10 Loss due to purchase of a vehicle at a higher rate - Rs 0.213 million

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

Management of RAILCOP Karachi Branch purchased a Toyota Corolla GLI at a cost of Rs 2,075,000 during October 2016 whereas cost of this car was only Rs 1,862,500. This car was subsequently supplied to PR. Thus, government exchequer suffered loss of Rs 212,500 due to purchase of car at higher rate.

The matter was taken up with the management in September 2017. Management replied in January 2018 that that due to high pressure of PR management for supply of vehicle, extra cost was incurred on purchase of vehicle.

DAC, in its meetings held in January 2018, showed displeasure on incurrance of extra cost for purchase of vehicle and directed the PO to fix responsibility for loss.

Audit recommends that the responsibility may be fixed for purchase of car at higher rate and loss be recovered from defaulters.

4.4 Asset Management

Assets play important role in the development, profitability and existence of companies. Companies manage their assets with due care so as to avoid blockage of funds and avoid wastage. Many deficiencies pertaining to the assets management were observed during special audit of RAILCOP which are discussed in the following paragraphs:

4.4.1 Non-realization of Accounts Receivables – Rs 326.987 million

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

During special audit it was observed that an amount of Rs 457.560 million was lying outstanding against Pakistan Railways and other departments/private parties as on 30.06.2016:

Sr. No.	Name of Department	Total (Rs)
1	Pakistan Railways	298,456,981
2	Other departments/private parties	159,102,989
Total		457,559,970 457.560 (m)

Thus, due to poor accounts receivable management amount of Rs 457.560 million could not be recovered (**Annex-21**).

The matter was taken up with the management in September 2017. Management replied in January 2018 that an amount of Rs 331.351 million had been realized.

DAC, in its meetings held in January 2018, directed the PO to provide documentary evidence in support of recovery of Rs 331.351 million to Audit and efforts may be made for realization of balance amount at the earliest. During verification, Audit had verified recovery of Rs 130.573 million only leaving a balance of Rs 326.987 million.

Audit recommends that reasons of non-recovery of outstanding amounts may be explained and action be taken for early realization of balance amount of Rs 326.987 million.

4.4.2 Loss due to unjustified sale of head office building in Islamabad- Rs 100 million

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

Audit observed that RAILCOP management sold its head office building consisting of 1466.6 sq yards located at 6th Avenue, F-6/3, Islamabad to M/s Air Blue in the year 2009 at a price of Rs 100 million. The head office was then shifted to an un-popular area, i.e. Dhoke Suleman near Golra More on monthly rent of Rs.75,000 and subsequently it was shifted to Carriage Factory Islamabad. Audit is of the view that RAILCOP should not have sold its precious asset and shifted its office to a rented building in an un-popular locality. The amount of Rs 100 million was also not utilized for the purchase of another office building. Thus the decision of disposing off the above asset resulted in loss of Rs 100 million due to an injudicious decision.

The matter was taken up with the management in September 2017. Management replied in October 2017 that commercial activities were banned in residential area by the CDA. The reply was not satisfactory

because said building was purchased by M/s Air Blue for business activity. Furthermore, building was sold without any planning for construction or acquisition of new building.

DAC, in its meetings held in January 2018, directed the PO to provide utilization of funds received through sale alongwith documentary evidence in support of reply to Audit. No record showing profitable utilization of Rs 100 million was provided to Audit till finalization of this report.

Audit recommends that the reasons be explained for disposing off this property and non-utilization of funds on purchase of land for office accommodation.

4.4.3 Non-realization of call deposit receivables - Rs 3.352 million

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

During the special audit, it was observed that call deposit money amounting to Rs 10.257 million was not retrieved against different projects. This indicated poor accounts receivable management and resulted in blockage of capital amounting to Rs 10.257 million (**Annex-22**).

The matter was taken up with the management in September 2017. Management replied in January 2018 that call deposits of Rs 6.905 million had been realized and some works could not be started due to non-supply of drawings by PR, therefore, amount of call deposits could not be realized.

DAC, in its meetings held in January 2018, directed the PO to provide documentary evidence of call deposits realized and efforts may also be made for early realization for balance amount of call deposits immediately after completion of works. Audit had verified realization of call deposits of Rs 6.905 million leaving a balance of Rs 3.352 million still unrealised.

Audit recommends that recovery of remaining call deposits amounting to Rs 3.352 million may be expedited.

4.4.4 Doubtful cash and bank balance of Saudi Branch - Rs 3.14 million

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

During special audit, it was noticed that an amount of Saudi Riyal 112,459 was appearing in the balance sheet of Saudi Branch since long. The external auditors, Dr. Mohamad Al-Amri & Co. Chartered Accounts stated in their annual audited accounts of Saudi Branch for the year ending June 30, 2016 that they were unable to verify the said amount of cash and bank balances. Thus, due to negligence and poor management of RAILCOP, the amount of Rs 3.14 million (SR 112,459 x 27.9) was blocked without any profitable use and its existence was also not verifiable.

The matter was taken up with the management in September 2017. Management replied in October 2017 that after completion of last project in 2002, the RAILCOP account remained dormant and funds could not be transferred to Pakistan. These funds could be transferred to Pakistan only after winding up of RAILCOP office in Saudi Arabia. The reply was not acceptable because an amount of SR 3,383,610 was transferred to Pakistan in February 2013 but remaining amount of SR 112,459 could not be transferred for which bank authorities were not giving any positive response.

DAC, in its meetings held in January 2018, directed the PO that efforts may be made for early transfer of funds lying with Saudi British Bank to RAILCOP's account in Pakistan.

Audit recommends that the responsibility may be fixed for non-utilization/clearance of amount of SR 112,459 despite lapse of fifteen years.

4.4.5 Unjustified procurement of rail-cum-road vehicle – Rs 2.17 million

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

During special audit, it was noticed that a Mercedes Benz rail-cum-road vehicle was purchased at a cost of Rs 1.96 million in the year 1986. The vehicle was handed over to Pakistan Railways free of cost but permission for its operation was not granted by the FGIR, therefore, it could not be used. In the year 1991, it was used by the RAILCOP on Saindak project. The vehicle was of no use to Railways and RAILCOP, therefore, it remained held up. Audit observed that in January 2014 an expenditure of Rs 0.21 million was incurred on repair of the said vehicle but it was lying idle since then. Thus, RAILCOP incurred an expenditure of Rs 2.17 million on the procurement and repair of Rail-cum-Road vehicle.

The matter was taken up with the management in September 2017. Management replied in October 2017 that rail-cum-road vehicle was very useful for track construction activities and cost of new vehicle was on very high side, therefore, it was decided that stationed vehicle may be made operational. The reply was not satisfactory because the vehicle was purchased and subsequently repaired without any requirement. It was stationed idle since its repair in January 2014.

DAC, in its meetings held in January 2018, did not agree with the view point of PO and directed to fix responsibility for unjustified purchase and repair of rail-cum-road vehicle.

Audit recommends that responsibility may be fixed for unjustified procurement and repair of rail-cum-road vehicle. Action may also be taken for its proper use or disposal.

4.4.6 Loss on account of missing assets of Saudi Branch - Rs 1.53 million

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

During special audit, it was noticed that different assets including Diesel Generator, Wheel Loader, Fork Lifter etc. were stacked in a yard in Dammam. Mr. Imran, manager Dammam Office indicated that machinery was disposed off by the owner of the yard and he offered to pay SR 50,000 but ex-MD decided against this option, subsequently, the owner of yard ran away. The Secretary RAILCOP indicated in an email addressed to Mr. Imran, Manager RAILCOP Saudi Branch to finalize the issue and recover a minimum of SR 55,000 but it was too late as the yard owner had already absconded. This state of affairs indicated that due to poor management and negligence, RAILCOP suffered a loss of Rs 1.53 million (SR 55,000 x 27.9).

The matter was taken up with the management in September 2017. Management replied in October 2017 that at the time of disposing of Hofuf Camp some equipment were counted as scrap by the bidder which were separated by the Manager Dammam for separate disposal. These equipment were misappropriated by the owner of yard where these were stored. The reply was not tenable because management failed to safeguard interest of the company. Managing Director and Secretary RAILCOP also visited Saudi Arabia during the year 2014-15 but they failed to dispose of the condemned equipment.

DAC, in its meetings held in January 2018, directed the PO to provide a copy of FIR to Audit and pursue case for recovery of cost of missing assets of RAILCOP.

Audit recommends that the matter may be inquired to fix responsibility and amount of loss be recovered from defaulters.

4.5 Overall Assessment

The management of the company was not working towards achievement of its objectives as prescribed in Memorandum and Articles of Association. The company was executing only construction works (buildings, bridges, shops etc.) and operating two workshops (Track Machine Shop, Lahore and Track Workshop, Raiwind). Major share of revenue was being obtained from Pakistan Railways i.e. 85% and private sector share was only 15%. This state of affairs indicated that RAILCOP was relying /sustaining largely on Railways works.

Majority of observations noticed during special audit were related to Human Resource Management. Company had no clear recruitment rules as required under Establishment Division's Office Memorandum dated 22.10.2014. All appointments and promotions in the company were being made on pick and choose basis.

5 CONCLUSION

Railway Constructions Pakistan Limited (RAILCOP) was incorporated in 1980 for construction, manufacturing, development, improvement and maintenance of Railways, and of its rolling stock, bridges, workshops and other related activities. Major portion of revenue and profit of RAILCOP was being generated from Track Workshop Raiwind and Track Machine Shop Lahore. Revenue and profit of the company was increased during the year 2014-15 and 2015-16 as compared to previous years.

5.1 Keys Issues for the Future

RAILCOP generated major portion of its revenue from Track Workshop Raiwind by manufacturing track fitting and fastenings. A reserve for Research and Development was being created, as per agreement, with 0.5 % of profit. This reserve was not being utilised for improvement and development of workshop. All machinery of the workshop was outdated due to which heavy labour was engaged by the company. All fittings and fastenings related to new UIC 54 Rails being used on main line were being imported and no effort was made for its

local manufacture in Track Workshop Raiwind. This fund should be utilised for improvement and development of workshop by acquiring new machinery and adding new items in production.

RAILCOP was established as a construction company, therefore, it should have to develop its team of qualified engineers and obtain projects from market.

5.2 Lessons Identified

RAILCOP should have to increase its revenue and control its expenditure. Recruitment Rules should be framed for fair recruitment and promotion of staff. Production facilities should be improved and developed for increased production.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of Railway Constructions Pakistan Limited (RAILCOP) for the assistance and cooperation extended to the auditors during this assignment.

Statement showing Irregular Appointment and Promotion of Staff in Railcop (Para 4.1.1)

Sr. No.	Subject	Audit Observation	Management Reply	DAC Directives (18 th , 19 th and 22 nd Jan 2018)
1	Irregular recruitment/ promotion of staff – Rs 17.283 million	Appointments in the RAILCOP were being made on pick and choose basis. There was no set criterion of appointment and selection for any post and selection was also not competitive. It was observed that 84 employees were recruited during the period from March 2014 to March 2017 without following any rules and procedures. This resulted in incurrence of irregular expenditure of Rs 17.283 million (Annex-2).	Management replied in October 2017 that all project based employees were being appointed by the Project Directors on contractual terms for shorter period of time from the available data bank. The reply was not acceptable because most of the employees pointed out were working for more than two years. Further, it was not provided in the service rules that project based appointment could be made without following any procedure.	DAC directed the PO to frame recruitment rules as required under Establishment Division's OM dated 22.10.2014.

2	Irregular appointment without proper qualification- Rs 1.43 million	During audit of RAILCOP Sukkur Branch, it was observed that site supervisors were appointed without proper qualification. Project Director RAILCOP Sukkur appointed five site supervisors who did not have required qualification. This resulted in incurrence of irregular expenditure of Rs 1.43 million per annum on their pay and allowances (Annex-3).	Management replied in January 2018 that for execution of track renewal and ballast works there was no need of Civil Engineering Degree/Diploma holders. RAILCOP Sukkur appointed lower grade site supervisors to supervise and look-after the said works in best interest of the company. The reply was not correct because site supervisors were engaged by RAILCOP by compromising merit.	DAC directed the PO to frame recruitment rules and made appointment properly. Existing criteria against which site supervisors were appointed in RAILCOP may also be provided to Audit.
3	Unjustified expenditure and undue favour to an employee Rs 0.535 million	During audit of Track Machine Shop it was noticed that Mr. Tahir Khurshid an ex-employee of Pakistan Air Force who worked as Air Frame Fitter was re-employed on contract basis w.e.f. 04.11.2006 as Quality Control Supervisor in Track Workshop Raiwind in the company Grade-VII. Just after	Management replied in October 2017 that the employee was appointed and promoted according to his experience and qualification. The reply was not factual because he had qualification	DAC directed to frame recruitment rules for the RAILCOP and make appointments/promotions strictly following the rules.

		<p>six months i.e. 01.05.2007 he was appointed on regular basis in company Grade-VII. He was promoted from Company Grade-VII to Grade-VIII on 07.08.2009. His post was re-designated as Manager Track Machines on 02.10.2009. The above state of affairs indicated that the employee was given undue favour by appointing on regular basis and promoting in a short period of time. This resulted in unjustified expenditure on his pay and allowance of Rs 0.535 million (at rate of Rs 22,300 pm) during July 2014 to June 2016 only.</p>	<p>of Diploma in Airframe Technology which was not relevant to Railway Track Machines. He was accommodated in RAILCOP as Quality Control Supervisor. This designation was never existed before his appointment and after his promotion.</p>											
4	Irregular Promotions	<p>Two RAILCOP employees were promoted without any justification. They requested for promotion and new posts were created for them though they were not qualified for these posts:-</p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="2">Designation</th> <th rowspan="2">Date of promotion</th> </tr> <tr> <th>From</th> <th>To</th> </tr> </thead> <tbody> <tr> <td>Mr. Saqib Waheed</td> <td>Deputy Manager,</td> <td>Manager Projects</td> <td>27.04.06</td> </tr> </tbody> </table>	Name	Designation		Date of promotion	From	To	Mr. Saqib Waheed	Deputy Manager,	Manager Projects	27.04.06	<p>Management replied in October 2017 that Mr. Saqib and Mr. Nasir worked as deputy manager for 20 and 5 years respectively, therefore, keeping in view their experience they were promoted as manager by creating new posts. The reply</p>	<p>DAC, in its meetings held in January 2018, directed the PO to frame recruitment rules as required under Establishment Division's OM dated 22.10.2014 and made all recruitment/promotions</p>
Name	Designation			Date of promotion										
	From	To												
Mr. Saqib Waheed	Deputy Manager,	Manager Projects	27.04.06											

			Projects				
		Mr. Nasir Mahmood	Dy: Manager Income Tax	Manager Taxation	26.12.12		
		<p>Mr. Nasir Mahmood requested for promotion in September 2012 and he was promoted in December 2012 though he was only having degree in Master of Arts which was not relevant qualification for Manager Taxation. The above state of affairs indicated that there was no merit for promotion in the company and all promotion were being made on other terms.</p>				<p>was not acceptable because on the basis of experience only they could not be promoted. Both the employee had no relevant qualification for the posts they were promoted.</p>	<p>accordingly without any discrimination or favoritism.</p>

Annex-2

Statement showing engagement of staff without following procedures (Para 4.1.1)

Sr. No.	Name	Designation	Place of Posting	Date of engagement	Monthly Pay	No. of months upto April 2017	Total irregular expenditure (Rs)
1	Syed Hamid Hussain	Project Engineer	Store Shed Project Karachi	19.09.2016	65,000	7	455,000
2	M. Sohail Bawani	Site Engineer	-do-	17.08.2016	50,000	8	400,000
3	M. Ilyas	Trainee Engineer	-do-	26.08.2016	25,000	8	200,000
4	Abdul Manan	Site Engineer	-do-	14.11.2016	25,000	5	125,000
5	ZakirQadri	Night Chowkidar	-do-	18.11.2016	14,000	5	70,000
6	Rameez Malik	APE	PD Lahore	20.07.2016	23,000	9	207,000
7	M. Amjad Iqbal	APE	PD Lahore	25.07.2016	23,000	9	207,000
8	M. Rimaz Khan	APE	PD Lahore	16.08.2016	23,000	8	184,000
9	Nadeem Akhtar Panhwar	Bridge Engineer	Bridge No. 4 Karachi	05.10.2016	70,000	7	490,000
10	Pervaiz Yaseen	Bridge Engineer	Bridge No. 5 Karachi	05.10.2016	80,000	7	560,000
11	Waheed Ali Lashari	Site Engineer	Bridge No. 6 Karachi	05.10.2016	60,000	7	420,000
12	Rizwan Ahmed Alvi	Project Engineer	Diesel Shed Karachi	05.10.2016	50,000	7	350,000

13	M. Afzal Fateh	Bridge Inspector	Bridge No. 4 and 5 Karachi	19.09.2016	20,000	7	140,000
14	Muneer Hussain	Foreman Technical	-do-	01.06.2016	30,000	11	330,000
15	M. Sabir	Surveyor's Helper	-do-	01.01.2017	40,000	4	160,000
16	M. Kamil	Tractor Driver	-do-	01.01.2017	18,000	4	72,000
17	NabiBux	Night Watchman	-do-	01.02.2017	14,000	3	42,000
18	Shabaz Ali	Night Watchman	-do-	01.02.2017	13,000	3	39,000
19	Fazal Elahi	Chowkidar	-do-	30.12.2016	15,000	4	60,000
20	M. Akhtar	Chowkidar	-do-	30.12.2016	15,000	4	60,000
21	M. Boota	Cook	Narowal Station Project	01.10.2016	13,000	7	91,000
22	Sajid Hussain	Watchman	PD Karachi	01.03.2017	15,000	2	30,000
23	Akbar Ahmad Mirza	Driver	Bridge No. 4 Karachi	01.12.2016	18,000	5	90,000
24	Pervaiz Ahmad	Site Supervisor	Lathe Machine Project Karachi	12.11.2016	20,000	6	120,000
25	Javed Iqbal	Site Supervisor	-do-	07.11.2016	20,000	6	120,000
26	Aziz-ur-Rehman	Site Supervisor	-do-	29.10.2016	20,000	6	120,000
27	Imran	Driver	-do-	01.10.2016	15,000	7	105,000
28	M. Faizan Baloch	Chowkidar	-do-	28.11.2016	14,000	5	70,000
29	Kareem Khan	Chowkidar	-do-	01.11.2016	14,000	6	84,000
30	M. Kamil	Chowkidar	-do-	12.11.2016	18,000	6	108,000

31	Jalees Anwar	Quantity Surveyor	Flats Project Karachi	16.07.2016	55,000	9	495,000
32	Jaffar Khan	Site Supervisor	Flats Project Karachi	25.07.2016	35,000	9	315,000
33	M. Rizwan	Store Keeper	Flats Project Karachi	29.08.2016	20,000	8	160,000
34	Khalid Mehmood	Chowkidar	Flats Project Karachi	19.07.2016	13,000	9	117,000
35	Nadeem Akram	Chowkidar	Flats Project Karachi	19.07.2016	13,000	9	117,000
36	Waseen Jabbar Mahar	Trainee Engineer	PD Sukkur	15.01.2016	10,000	16	160,000
37	Abdul Haleem	Probation Engineer	PD Sukkur	09.09.2015	10,000	20	200,000
38	Umair Soomro	LDC	PD Sukkur	24.01.2017	20,000	3	60,000
39	Insaf Ali	Trainee Engineer	PD Sukkur	27.03.2017	5,000	1	5,000
40	Ghulam Akbar	Site Supervisor	PD Sukkur	05.09.2014	16,500	34	561,000
41	Tariq Ali Phulpoto	Site Engineer	PD Sukkur	11.06.2015	30,000	22	660,000
42	Irfan Ahmad	Sub-Engineer	PD Sukkur	31.12.2015	20,000	16	320,000
43	Hashmat Ali	Site Supervisor	PD Sukkur	11.06.2015	45,000	22	990,000
44	Niaz Hussain	Site Supervisor	PD Sukkur	05.03.2015	18,000	26	468,000
45	Faisal Soomro	Site Supervisor	PD Sukkur	27.03.2014	18,500	37	684,500
46	Mansoor Ali Lakhair	Chowkidar	PD Sukkur	01.04.2014	9,000	37	333,000
47	Muhammad Ali	Chowkidar	PD Sukkur	01.04.2014	8,500	37	314,500
48	Rashid Ali Jatoi	Driver	PD Sukkur	09.12.2014	14,000	29	406,000
49	Abdul Jabbar Napar	Accounts Assistant	PD Sukkur	01.06.2015	23,000	23	529,000

50	Abdul Rehman Memon	Accountant	PD Sukkur	04.01.2016	25,000	16	400,000
51	M. Adnan Butt	Muawan	TMS	04.01.2016	12000	16	192,000
52	Saeed Khan	Muawan	FO/TM/KYC	05.09.2016	13724	8	109,792
53	Nabi Bukhsh	Muawan	FO/TM/KYC	05.09.2016	13724	8	109,792
54	Ayaz Ali	Muawan	FO/TM/KYC	05.09.2016	13724	8	109,792
55	Dodo Khan	Muawan	FO/TM/KYC	05.09.2016	13724	8	109,792
56	Akhtar Farhan Shah	Muawan	FO/TM/SUK	25.10.2016	13724	6	82,344
57	Abdul Ghafar Arijjo	Muawan	FO/TM/KYC	25.10.2016	13724	6	82,344
58	M. Kamran	Muawan	FO/TM/LHR	31.10.2016	13724	6	82,344
59	M Ishtiaq	Muawan	FO/TM/LHR	05.09.2016	13724	8	109,792
60	Sajid Ali	Muawan	FO/TM/KYC	12.11.2016	13724	5.5	75,482
61	Irfan Ali	Muawan	FO/TM/SUK	26.11.2016	13724	5	68,620
62	M. Saad Rasheed	Muawan	FO/TM/RWP	26.11.2016	13724	5	68,620
63	M. Bilal	Muawan	FO/TM/KYC	26.11.2016	13724	5	68,620
64	Khalid Hussain	Muawan	FO/TM/KYC	26.11.2016	13724	5	68,620
65	Imam Bukhsh	Muawan	FO/TM/KYC	26.11.2016	13724	5	68,620
66	M Hakim	Muawan	FO/TM/KYC	26.11.2016	13724	5	68,620
67	Gulzar Ahmad	Muawan	FO/TM/MUL	29.11.2016	13724	5	68,620
68	Ilam Din	Muawan	FO/TM/MUL	29.11.2016	13724	5	68,620
69	M Akram	Cleaner	FO/TM/KYC	08.11.2016	14085	6	84,510
70	Zafarullah	Cleaner	FO/TM/RWP	15.11.2016	14085	5.5	77,468

71	M. Ajmal	Cleaner	FO/TM/MUL	15.12.2016	14085	4.5	63,383
72	Shahzad Ahmad	Store Issuer	FO/TM/MUL	26.11.2016	14500	5	72,500
73	Bilal Abbas	Operator	FO/TM/LHR	10.02.2016	16653	14.5	241,469
74	M. Yaseen Saleemi	Crane operator	TMO	13.06.2016	20000	10.5	210,000
75	M Yousaf	Operator	FO/TM/LHR	06.09.2016	20000	8	160,000
76	M Saeed	Operator	FO/TM/LHR	06.09.2016	20000	8	160,000
77	M. Zubair Hassan Ghilzai	AEE (Trainee)	TMS	12.01.2016	25000	15.5	387,500
78	M. Razzaq	Operator	FO/TM/LHR	11.07.2016	25000	9.5	237,500
79	Abdul Haq	Operator	FO/TM/SUK	11.07.2016	25000	9.5	237,500
80	M. Amin	Operator	FO/TM/MUL	11.07.2016	25000	9.5	237,500
81	Haji Akhtar Hussain	Operator	FO/TM/SUK	10.10.2016	25000	6.5	162,500
82	M. Akram	Crane operator	FO/TM/KYC	17.10.2016	25000	6.5	162,500
83	M Shahid	Operator	FO/TM/LHR	21.11.2016	25000	5	125,000
84	Faqir Hussain	AFO/OPT	FO/TM/LHR	11.07.2016	26000	9.5	247,000
Total							17,282,763 17.283 (m)

Statement showing irregular employment of staff having lesser and irrelevant qualification (Para 4.1.1)

Sr. No.	Name	Designation	Qualification	Required Qualification	Monthly Pay	
					2015-16	2016-17
1	Niaz Hussain	Site Supervisor	Matric	DAE (Civil) having computer skills	19,000	22,000
2	Faisal Soomro	Site Supervisor	BA	DAE (Civil) having computer skills	21,000	22,450
3	Muhammad Sharif	Site Supervisor	MA	DAE (Civil) having computer skills	30,000	36,800
4	Nisar Ahmad	Site Supervisor	Matric	DAE (Civil) having computer skills	23,000	25,000
5	Ghulam Akbar	Site Supervisor	BA	DAE (Civil) having computer skills	19,000	20,000
Total					112,000	126,250
Six monthly expenditure on pay					672,000	757,500
Per annum expenditure on pay						1,429,500 1.430 (m)

Annex-4

Statement showing irregular engagement of retired government employees after superannuation (Para 4.1.2)

Sr. No.	Name of Employee	Designation	Place of posting	Date of Birth	Date of engagement	Age in April 2017	Rate of Pay in April 2017	Months	Irregular expenditure (May 2016 to April 2017)
1	Sabir Ali	Project Engineer	PD Track Workshop	15-Jul-45	5-Jul-05	72	60,500	12	726,000
2	Abdul Rehman	Quantity Surveyor	PD Track Workshop	26-Jun-45	23-Jun-05	72	30,035	12	360,420
3	Tahir Iqbal	Asstt. Works Manager	PD Track Workshop	15-Oct-43	14-Feb-04	74	38,000	12	456,000
4	Farman-ul-haq	Forman Maintenance	PD Track Workshop	5-Jun-51	15-Sep-01	66	28,000	12	336,000
5	Imtiaz-ud-din	Eng: Supervisor	PD Track Workshop	10-May-54	13-Oct-14	63	24,000	12	288,000
6	Ghazanfar Ali	Office Assistant	PD Track Workshop	28-Dec-55	1-Jan-16	61	25,000	12	300,000
7	Allah Ditta	Admn. Assistant	PD Track Workshop	12-Mar-38	16-Jul-01	79	19,000	12	228,000
8	M. Aslam	Mistry	PD Track Workshop	23-Sep-53	13-Jan-09	64	18,000	12	216,000
9	Mukhtar Ahmad	Mistry	PD Track Workshop	28-Jul-53	1-Apr-05	64	18,000	12	216,000
10	Liaqat Ali	Blacksmith	PD Track Workshop	2-Mar-49	1-Jan-17	68	15,500	4	62,000

11	Sakhawat Ali	Fitter	PD Track Workshop	17-Sep-55	1-Jan-17	62	15,500	4	62,000
12	Wallayat Khan	Naib Qasid	PD Track Workshop	1-Jul-46		71	12,000	12	144,000
13	M. Hanif	Planer Operator	PD Track Workshop	21-Apr-55	1-Jan-17	62	15,500	4	62,000
14	Akber Ali	Project Director	PD Karachi	15-Feb-55	15-May-16	62	120,000	12	1,440,000
15	Omer Khitab	Naib Qasid	Head Office	1-Jul-45	15-Mar-89	72	14,000	12	168,000
16	Hukamdad Khan	Naib Qasid	Head Office	6-Aug-53	19-Nov-13	64	14,000	12	168,000
17	Syed Feroz Muhammad	Draftsman	Head Office	29-Oct-47	25-Nov-08	70	32,000	12	384,000
18	M. Khalid	Site Supervisor	PD Sukkur	16-Mar-48	1-May-13	69	33,000	12	396,000
19	GM Soomro	Project Director	PD Sukkur	18-Feb-47	4-Mar-06	70	122,864	12	1,474,368
20	Abdul Ghafoor Khoso	Head Clerk	PD Sukkur	23-Jan-45	7-Jun-11	72	27,000	12	324,000
21	Hashmat Ali	Site Supervisor	PD Sukkur	8-Mar-51	11-Jun-15	66	45,000	12	540,000
22	Muhammad Akram	Crane Operator	Track Machine Operation	4-Apr-56	17-Oct-16	61	25,000	6	150,000
23	Abdul Rashid	Crane Operator	-do-	1-Jul-56	3-Feb-17	61			-
24	Akram S/o Wadaya	AFO Maintenance	-do-	27-Apr-50	9-Feb-17	67			-
25	M. Razzaq	Operator	-do-	10-Sep-55	9-Sep-16	62	25,000	8	200,000

26	Ali Iqbal Sheikh	Asstt. Works Manager	Track Machine Shop	25-Sep-51	15-Nov-14	66	30,000	12	360,000
28	M. Akram	PA to PD	-do-	9-Jul-46	21-Jul-08	71	23,000	12	276,000
29	Safdar Shah	SS Fitter	-do-	1-Jul-49	21-Jul-08	68	12,000	12	144,000
30	M. Aslam	Painter	-do-	1-Jul-54	1-Sep-04	63	12,000	12	144,000
31	Wali Muhammad	Chowkidar	-do-	1-Jul-51	13-Jun-08	66	12,000	12	144,000
Mr. Muhammad Yasin, Manager Contracts retired from RAILCOP on 28.05.2016 was re-engaged w.e.f. 01.06.2016 at a monthly salary of Rs 50,000. An irregular expenditure of Rs 0.55 million was incurred on his pay and allowances during June 2016 to April 2017.									550,000
									10,318,788 10.319 (m)

Annex-5

Statement showing irregular expenditure on pay and allowances of Mr. Riaz Electrician posted in RAILCOP without approval of Railway Board (Para 4.1.3)

Sr. No.	Period	Months	Rate of Pay (Saudi Riyal)	Total (Rs)
1	May 1994 to April 1994		750	
2	May 1995 to April 1999		900	
3	May 1999 to April 2002	36	900	32,400
4	May 2002 to April 2003	12	1600	19,200
5	May 2003 to April 2011	96	1800	172,800
6	May 2011 to May 2015	49	2010	98,490
				322,890
			9,008,631	
Amount in Rs @ 27.9=			9.009 (m)	

Annex-6

Railcop's Employee Working For Kashmir Railway (Pvt) Limited (Para 4.1.6)

Sr. No.	Employee Name	Designation	Per Month Salary	No of Months (October 2014 to April 2017)	Total Salary	Bonus	TA/DA	Total (Rs)
1	Inaam Ullah	Company Secretary	25,000	31	775,000	40,000	139,675	979,706
2	Raja Muhammad Yaseen	Manager Contracts	12,000	31	372,000	30,000		414,031
3	Nasir Mahmood	Manager Admn	12,000	31	372,000	30,000		414,031
4	Anjum Shahzad	Dy Manager IT	5,000	31	155,000	20,000		180,031
5	Siddique Ahmed	Assistant Manager	5,000	31	155,000	15,000		175,031
6	Shahzad Abbas	Assistant Admn	5,000	31	155,000	15,000		175,031
7	Atiq Ur Rehman	Naib Qasid	2,000	31	62,000	10,000		74,031
8	Umar Khatab	Peon	3,000	31	93,000	10,000		106,031
								2,517,923 2.52 (m)

**Statement showing irregular engagement of premature retired staff by PD TMS
(Para 4.1.7)**

Sr.No.	Name	Designation	Posting	DOA	DOB	DOR	Rate of Pay	Period (months) upto April 2017	Amount (Rs)
1	M Akram	Cleaner	FO/TM/KYC	08.11.2016	03.04.1963	30.04.10	14,085	6	84,510
2	Zafarullah	Cleaner	FO/TM/RWP	15.11.2016	13.01.1960	29.02.16	14,085	5.5	77,468
3	M Yousaf	Operator	FO/TM/LHR	06.09.2016	16.03.1960	31.07.16	20,000	8	160,000
4	M Saeed	Operator	FO/TM/LHR	06.09.2016	15.06.1962		20,000	8	160,000
5	M. Razzaq	Operator	FO/TM/LHR	11.07.2016	10.09.1955		25,000	9.5	237,500
6	Abdul Haq	Operator	FO/TM/SUK	11.07.2016	22.03.1958		25,000	9.5	237,500
7	M. Amin	Operator	FO/TM/Mul	11.07.2016	01.11.1962	15.12.15	25,000	9.5	237,500
8	Haji Akhtar Hussain	Operator	FO/TM/SUK	10.10.2016	1969		25,000	6.5	162,500
9	M. Akram	Crane operator	FO/TM/KYC	17.10.2016	04.04.1956	04.04.16	25,000	6.5	162,500
10	M Shahid	Operator	FO/TM/LHR	21.11.2016	28.11.1962		25,000	5.5	137,500
11	Faqir Hussain	AFO/OPT	FO/TM/LHR	11.07.2016	01.02.1964		26,000	9.5	247,000

12	Muhammad Yaseen Saleemi	Crane operator	FO/TM/LHR	13.06.2016	18.05.1964		25,000	10.5	262,500
13	M. Akram	Crane operator	FO/TM/KYC	17.10.2016	04.04.1956		25,000	6.5	162,500
14	M. Ashraf	Muawan	FO/TM/LHR	24.10.2016	1961		13,724	6	82,344
Total									2,411,322 2.411 (m)

Annex-8

Statement showing irregular reimbursement of medical expenditure to employees of RAILCOP (Para 4.1.8)

Sr. No.	Name	Designation	Period	Amount (Rs)
1	Abdus Saeed Khan	MD	2013-14	11,821
2	Arshad Salam Khattak	Secretary	2013-14	8,540
3	Abdus Salam	Manager/Admn	2013-14	23,245
4	Saqib Waheed	Manager/Projects	2013-14	29,900
5	Muhammad Yasin	Manager/Contracts	2013-14	25,825
6	Zubair Hussain	Manager/F&A	2013-14	10,900
7	Nasir Mehmood	Manager/Tax	2013-14	30,000
8	Anjum Shahzad	Dy: Manager/IT	2013-14	30,000
9	Sheraz Mehmood	Assistant	2013-14	3,400
10	Muhammad Tariq	Accounts Assistant	2013-14	18,150
11	Rehmat Ali Toori	Assistant Engineer	2013-14	13,600
12	Kabir Ahmad	Care Taker	2013-14	15,300
13	Ahmad Raza	Driver	2013-14	19,660
14	Dilawar Khan	Driver	2013-14	3,000
15	Faqir Hussain	Driver	2013-14	7,450
16	Atiqur Rehman	Naib Qasid	2013-14	18,400
17	Fazal-ur-Rehman	Naib Qasid	2013-14	19,010
18	Muhammad Sabir	Naib Qasid	2013-14	500
19	Nawaz Masih	Sanitary Worker	2013-14	2,350
20	Aamir Nisar Ch.	MD	2013-14	26,850
21	Inamullah	Secretary	2013-14	17,050
22	Aamir Nisar Ch.	MD	2014-15	105,305
23	Inamullah	Secretary	2014-15	38,656
24	M. Ashfaq Khan	Manager/Marketing	2014-15	1,000
25	Abdus Salam	Manager/Admn	2014-15	30,000
26	Saqib Waheed	Manager/Projects	2014-15	30,000
27	Muhammad Yasin	Manager/Contracts	2014-15	30,000
28	Zubair Hussain	Manager/F&A	2014-15	26,900

29	Nasir Mehmood	Manager/Tax	2014-15	30,000
30	Anjum Shahzad	Dy: Manager/IT	2014-15	30,000
31	Sheraz Mehmood	Assistant	2014-15	28,550
32	Muhammad Tariq	Accounts Assistant	2014-15	800
33	Rehmat Ali Toori	Assistant Engineer	2014-15	30,000
34	Kabir Ahmad	Care Taker	2014-15	20,319
35	Ahmad Raza	Driver	2014-15	37,081
36	Dilawar Khan	Driver	2014-15	1,050
37	Faqir Hussain	Driver	2014-15	10,231
38	Atiqur Rehman	Naib Qasid	2014-15	19,650
39	Fazal-ur-Rehman	Naib Qasid	2014-15	17,700
40	Muhammad Sabir	Naib Qasid	2014-15	3,770
41	Aamir Nisar Ch.	MD	2015-16	72,495
42	Inamullah	Secretary	2015-16	30,000
43	M. Ashfaq Khan	Manager/Marketing	2015-16	4,100
44	Abdus Salam	Manager/Admn	2015-16	29,520
45	Saqib Waheed	Manager/Projects	2015-16	27,630
46	Muhammad Yasin	Manager/Contracts	2015-16	1,600
47	Zubair Hussain	Manager/F&A	2015-16	28,910
48	Nasir Mehmood	Manager/Tax	2015-16	24,560
49	Anjum Shahzad	Dy: Manager/IT	2015-16	18,870
50	Sheraz Mehmood	Assistant	2015-16	8,100
51	Muhammad Tariq	Accounts Assistant	2015-16	13,700
52	Kabir Ahmad	Care Taker	2015-16	20,907
53	Ahmad Raza	Driver	2015-16	30,000
54	Faqir Hussain	Driver	2015-16	6,200
55	Atiqur Rehman	Naib Qasid	2015-16	15,300
56	Muhammad Sabir	Naib Qasid	2015-16	13,250
57	Rehmat Ali Toori	Assistant Engineer	2015-16	15,600
Employees of Track Machine Shop				
1	Majeed Baig	PD/TMS	2012-13	20,000
2	Ansar Billa Khan	PD/TMO	2012-13	29,880
3	M. Arif	Dy: Manager F&A	2012-13	22,040

4	Tahir Khursheed	Manager/TM	2012-13	30,000
5	Rashid Safdar	Accounts Assistant	2012-13	24,400
6	Rasheed Ahmad	Admn Assistant	2012-13	15,500
7	Abdul Hameed	Driver	2012-13	7,520
8	M. Sohail	Driver	2012-13	16,278
9	Nadeem Ghori	Driver	2012-13	12,876
10	Rafaqat	Driver	2012-13	13,254
11	Siddiq Khan	AEE	2012-13	1,000
12	Ansar Billa Khan	PD/TMO	2013-14	
13	M. Arif	Dy: Manager F&A	2013-14	13,980
14	Tahir Khursheed	Manager/TM	2013-14	30,000
15	Rashid Safdar	Accounts Assistant	2013-14	28,581
16	Siddiq Khan	AEE	2013-14	13,340
17	Rasheed Ahmad	Admn Assistant	2013-14	21,150
18	M. Sohail	Driver	2013-14	16,782
19	Rafaqat	Driver	2013-14	13,580
20	Nadeem Ghori	Driver	2013-14	14,262
21	M. Yaqoob Channa		2013-14	8,970
22	Adnan Shafai	PD/TMS	2013-14	2,200
23	Adnan Shafai	PD/TMS	2014-15	12,345
24	M. Arif	Dy: Manager F&A	2014-15	29,670
25	Tahir Khursheed	Manager/TM	2014-15	30,000
26	Siddiq Khan	AEE	2014-15	20,250
27	Rashid Safdar	Accounts Assistant	2014-15	29,625
28	Rasheed Ahmad	Admn Assistant	2014-15	22,317
29	M. Sohail	Driver	2014-15	16,800
30	Nadeem Ghori	Driver	2014-15	3,000
31	Rafaqat	Driver	2014-15	14,262
32	Sajid Bashir Raja	PD/TMS	2014-15	6,000
33	Sajid Bashir Raja	PD/TMS	2015-16	26,110
34	Siddiq Khan	AEE	2015-16	15,870
35	M. Arif	Dy: Manager F&A	2015-16	30,000
36	Tahir Khursheed	Manager/TM	2015-16	30,000
37	Rashid Safdar	Accounts Assistant	2015-16	29,900
38	Rasheed Ahmad	Admn Assistant	2015-16	29,940

39	M. Sohail	Driver	2015-16	22,700
40	Nadeem Ghori	Driver	2015-16	2,100
41	Rafaqat	Driver	2015-16	19,015
42	Falak Sheer	Driver	2015-16	3,600
43	Sajid Bashir Raja	PD/TMS	2016-17	38,000
44	M. Arif	Dy: Manager F&A	2016-17	41,560
45	Siddiq Khan	AEE	2016-17	10,900
46	Tahir Khursheed	Manager/TM	2016-17	59,698
47	Rashid Safdar	Accounts Assistant	2016-17	51,850
48	Rasheed Ahmad	Admn Assistant	2016-17	27,688
49	M. Sohail	Driver	2016-17	28,965
50	Nadeem Ghori	Driver	2016-17	3,360
51	Rafaqat	Driver	2016-17	23,300
52	Falak Sheer	Driver	2016-17	3,930
Total				2.225(m)

**Statement showing irregular expenditure on Air Travel without
production of boarding documents (Para 4.1.11)**

Sr. No.	Name	Designation	Date	Description	Amount (Rs)
1	GM Soomro	PD Sukkur	01.07.2016		11,300
2	GM Soomro	PD Sukkur	29.02.2016	Sukkur to Karachi	7,200
3	GM Soomro	PD Sukkur	25.11.2015	Sukkur to Karachi	14,032
4	GM Soomro	PD Sukkur	26.01.2016		17,368
5	Akbar Ali	PD Karachi	20.06.2016		19,500
6	GM Soomro	PD Sukkur	30.06.2016		13,500
7	GM Soomro	PD Sukkur	13.05.2016	Sukkur to Karachi	11,272
8	GM Soomro	PD Sukkur	30.06.2016		18,470
9	GM Soomro	PD Sukkur	30.06.2016		17,368
10	GM Soomro	PD Sukkur	30.06.2016		15,800
11	Akbar Ali	PD Karachi	19.05.2016		21,100
12	Ahsan	Resident Engineer	18.12.2015		10,500
13	GM Soomro	PD Sukkur	13.07.2016	Sukkur to Karachi	8,668
14	GM Soomro	PD Sukkur	17.07.2016	Karachi to Sukkur	6,500
15	GM Soomro	PD Sukkur	24.07.2016	Sukkur to Karachi	6,530
16	GM Soomro	PD Sukkur	03.08.2016	Sukkur to Karachi	9,787
17	GM Soomro	PD Sukkur	06.08.2016	Karachi to Sukkur	10,214
18	GM Soomro	PD Sukkur	19.08.2016	Sukkur to Karachi	11,992
19	GM Soomro	PD Sukkur	25.08.2016	Sukkur to Karachi	8,100
20	GM Soomro	PD Sukkur	04.09.2016	Sukkur to Karachi	8,133
21	GM Soomro	PD Sukkur	19.09.2016	Sukkur to Karachi	7,285
22	GM Soomro	PD Sukkur	10.11.2016	Sukkur to Karachi	10,200
23	GM Soomro	PD Sukkur	21.11.2016	Sukkur to Karachi	9,461
24	GM Soomro	PD Sukkur	24.11.2016	Karachi to Sukkur	9,461
25	GM Soomro	PD Sukkur	30.11.2016	Sukkur to Karachi	10,486
26	GM Soomro	PD Sukkur	04.12.2016	Karachi to Sukkur	10,486
27	GM Soomro	PD Sukkur	06.12.2016	Sukkur to Karachi	9,700
28	GM Soomro	PD Sukkur	12.12.2016	Karachi to Sukkur	10,100
29	GM Soomro	PD Sukkur	16.12.2016	Sukkur to Karachi	7,445

30	GM Soomro	PD Sukkur	21.12.2016	Karachi to Sukkur	7,900
33	GM Soomro	PD Sukkur	26.12.2016	Sukkur to Karachi	7,223
34	GM Soomro	PD Sukkur	31.12.2016	Karachi to Sukkur	7,223
35	GM Soomro	PD Sukkur	06.01.2017	Karachi to Sukkur	7,600
36	GM Soomro	PD Sukkur	09.01.2017	Sukkur to Karachi	7,256
37	GM Soomro	PD Sukkur	16.01.2017	Sukkur to Karachi	7,100
38	GM Soomro	PD Sukkur	21.01.2017	Karachi to Sukkur	6,749
39	GM Soomro	PD Sukkur	24.01.2017	Sukkur to Karachi	9,429
40	GM Soomro	PD Sukkur	01.02.2017	Sukkur to Karachi	6,122
41	GM Soomro	PD Sukkur	09.02.2017	Karachi to Sukkur	6,122
42	GM Soomro	PD Sukkur	13.02.2017	Sukkur to Karachi	6,200
43	GM Soomro	PD Sukkur	19.02.2017	Karachi to Sukkur	6,122
44	GM Soomro	PD Sukkur	22.02.2017	Sukkur to Karachi	6,122
45	GM Soomro	PD Sukkur	03.03.2017	Sukkur to Karachi	6,122
46	GM Soomro	PD Sukkur	25.03.2017	Karachi to Sukkur	7,622
47	GM Soomro	PD Sukkur	31.03.2017	Sukkur to Karachi	6,122
48	GM Soomro	PD Sukkur	10.04.2017	Karachi to Sukkur	7,000
49	GM Soomro	PD Sukkur	15.04.2017	Sukkur to Karachi	6,120
50	GM Soomro	PD Sukkur	01.05.2017	Sukkur to Karachi	6,815
Total					462,927 0.463 (m)

Annex-10

Statement showing non-compliance of different clauses of Public Sector Companies (Corporate Governance)

Rules 2013 (Para 4.1.13)

Sr. No.	Clause	Requirement	Audit Observation	Departmental Reply	DAC Directive dated 18th, 19th and 22nd January, 2018	Recommendations
1	8	Performance evaluation of the members of the Board including the chairman and the chief executive shall be undertaken for which the board shall establish a process, based on specified criteria, and the chairman of the Board shall take ownership of such an evaluation. The	Board of company was bound to assess the performance of board members including chairperson and senior management at least once a year and hold them accountable for non-accomplishment of objectives, goals and key performance indicators set for the	Management replied in October 2017 that performance of government employees working in the company was being evaluated as per existing setup of Performance Evaluation Reports.	DAC directed the PO to devise procedure for performance evaluation of board members as provided in the Corporate Government Rules-2013.	Audit recommends that compliance of Corporate Governance Rules-2013 may be made in its true letter & spirit.

		committees shall also carry out their evaluation on an annual basis. The Board shall monitor and assess the performance of senior management on a periodic basis, at least once a year, and hold them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	purpose but the same was never done.			
2	12	Board shall set up the audit committee, risk management committee, human resources committee, procurement committee, and nomination committee to support it in performing	BOD announced the committees but the company did not provide any working of committees to Audit which indicated that these committees were not working.	Management replied in October 2017 that all the board committees were working and had their own TORs. The reply was after thought as no documentary evidence was provided in support	DAC directed the PO to provide documentary evidence of working of Board Committees.	Audit recommends that compliance of Corporate Governance Rules-2013 may be made in its true letter & spirit.

		its functions efficiently and for seeking assistance in the decision making process.		of the reply. Audit requested many times during audit about working/performance of Board Committees but no record was provided.		
3	12	Board shall appoint a Chief Financial Officer and a Chief Internal Auditor	The company did not appoint a Chief Financial Officer and Chief Internal Auditor until April 2017 (date of inspection).	Management replied in October 2017 that accounts of RAILCOP were being audited by commercial auditors and DG Audit Railways for almost six months in a financial year, therefore, establishment of new internal audit department would not be maintainable for the company. The reply was not tenable because business activities of	DAC directed the PO to initiate process of appointment of Chief Financial Officer and Chief Internal Auditor as required under Corporate Government Rules-2013.	It is recommended that Chief Financial Officer and Chief Internal Auditor may be appointed in the RAILCOP as required under Corporate Government Rules-2013.

				RAILCOP were spread all over the Pakistan and there was compulsion to appoint CFO & CIA. Documentary evidence in support of exemption from this clause requested and accepted by SECP was not provided to audit.		
4	10	Board had to approve the profit/loss account and balance sheet at the end of the first, second and third quarters of the year as well at the financial year end and place the annual financial statements on the company's website. Monthly accounts were also required to be	RAILCOP neither prepared monthly/quarterly accounts nor uploaded the annual financial statements on its website.	Management replied in October 2017 that the compliance to the clause was difficult in nature due to available operational business facilitation of RAILCOP particularly in case of constructions and other Railway Projects. The reply was not tenable because management had not requested SECP for	DAC directed the PO to initiate action for implement of this clause of Corporate Government Rules-2013.	Audit recommends that monthly, quarterly and annual accounts/financial statements should be prepared and uploaded on company's website.

		prepared and circulated amongst Board members.		exemption from this clause but was waiting for penalty to be imposed by the SECP.		
5	22	The board has to setup an effective internal audit function, which has an audit charter, duly approved by the audit committee and which worked in accordance with the applicable standards.	It was stated in review report, on compliance to Public Sector Companies (Corporate Governance) Rules-2013, prepared by Horwath Hussain Chaudhury & Co (Chartered Accountants) dated 04.10.2016, that DG Audit Railways effectively conducts internal audit in every financial year. This indicated that company given	Management replied in October 2017 that RAILCOP would adopt the measures once directives against the exemption requests were received from SECP. The reply was not tenable because management was waiting for the penalty to be imposed by the SECP. The presence of DG Audit Railways did not substitute role of internal auditors.	DAC directed the PO to take up the matter with BOD for establishment of Internal Audit Department in RAILCOP.	Audit recommends that Internal Audit Department may be established in the company as directed by the DAC.

			incorrect information and avoided setup of internal audit department.			
6	21	Board shall establish an audit committee whose member shall be financially literate and majority of them, including its chairman, shall be independent non-executive directors.	Audit observed that audit committee nominated by the board included members from management of the company. They also had no relevant qualification as prescribed in the rules.	Management replied in October 2017 that the members of BOD of RAILCOP were always remained busy, therefore, they could not be engaged in day to day affairs of the company. The reply was not tenable because non-compliance of Corporate Governance Rules-2013 would result in imposition of penalty by the SECP.	DAC observed that forming a sub-committee from management of the company was not in accordance with Corporate Government Rules-2013. DAC directed the PO to implement Corporate Government Rules-2013 in true letter and spirit.	Audit recommends that proper Audit Committee may be formed as provided in the Corporate Government Rules-2013.

Statement showing less recovery from Pakistan Railways against maintenance of Track

Machines (Para 4.2.5)

Bill No.	Bill by RAILCOP (Rs)	Bill Verified by SME/TM (Rs)	Short Payment (Rs)
Bill 02 F schedule TM DU-3084	7,854,249	7,851,769	2,480
Bill 07 for supply of material to Division Oct 10 to Jan 11	592,820	592,330	490
Bill #. 08/N.R/DU-2590/RAILCOP/2010-11	2,157,428	2,099,384	58,044
Part-III Lubricants/ Spare Parts & Imprest Jun 2010 to Sep 2010	984,542	982,112	2,430
Running bill Part-III Lubricants/ (Oct-2010 to Jan-2011)	1,167,550	1,166,578	972
Bill 15 of Trouble Shooting from 01.02.11 to 31.05.11	1,936,348	1,936,321	27
Bill #. 16/N.R/PU-1975/RAILCOP/2010-11	1,122,691	1,105,617	17,074
Bill No 18/NR/RJ-01/Rail cop/2010-11	67,360	60,600	6,760
Bill No 19/RL-24/Rail cop/2010-11	195,429	194,348	1,081
Bill #. 05/F.S/DU-3085/RAILCOP/2011-12	28,948,895	28,944,697	4,198
Bill #. 24/N.R/DU-3084/RAILCOP/2011-12	14,308,605	14,307,590	1,015
Bill #. 27/S.O.M/RAILCOP/2011-12 July 11 to Oct 11	659,834	651,334	8,500
Bill #. 32/S.O.M/Rail cop/2011-12 from Jan to June-2012	743,881	743,071	810
Bill Part-III Lubricants/Spare Parts Nov-2011 to Feb-2012	1,511,480	1,483,851	27,629

Bill #. 05/N.R/DU-3083/RAILCOP/2012-13	2,189,406	2,147,964	41,442
Bill #. 06/N.R/DU-2590/RAILCOP/2012-13	5,347,162	5,336,765	10,397
Bill No. 7 Recommissioning	104,250,283	104,249,825	458
Bill # 51/F.S/DU-2524/RAILCOP/2013-2014	41,630,811	41,391,677	239,134
Bill #. 69/N.R/DU-2776/RAILCOP/2013-14	641,065	640,557	508
Bill #. 74/DU-2590/N.R/RAILCOP/2013-14	5,726,138	5,540,615	185,523
Bill #. 76/DU-2558/N.R/RAILCOP/2013-14	14,249,644	13,631,209	618,435
Bill No. 83//Rehabilitation/DU-3082/RAILCOP/2013-2014	40,650,121	28,351,000	12,299,121
Bill #. 85/PU-1975/N.R./RAILCOP/2013-14	718,054	683,958	34,096
Bill #. 121/SOM/RAILCOP/December-2014 /2014-2015	539,126	529,915	9,211
Bill #. 122/SOM/RAILCOP/January-2015 /2014-2015	192,232	185,989	6,243
Bill #. 123/SOM/RAILCOP/February-2015 /2014-2015	329,153	324,460	4,693
Bill #. 124/SOM/RAILCOP/March-2015 /2014-2015	412,774	400,166	12,608
Bill #. 127/SOM/RAILCOP/June-2015 /2014-2015	1,129,634	1,127,766	1,868
Bill No.132/N.R./PU-1974/RAILCOP/2014-2015	183,646	183,477	169
Bill No.134/N.R./DU-2775/RAILCOP/2014-2015	988,053	985,889	2,164
Bill No.138/N.R./DU-2558/RAILCOP/2014-2015	1,231,046	1,228,345	2,701
Bill No.164/N.R./DU-3084/RAILCOP/2015-2016	546,774	546,233	541
Bill No.02/N.R./Crane-5565/RAILCOP/2016-2017	193,050	187,628	5,422
Total	283,399,284	269,793,040	13,606,244 13.606 (m)

Annex-12**Statement showing transfer of cash in private bank account (Para 4.2.7)**

Sr. No.	Date	Amount (Rs)
1	4-Jan-16	34,000
2	5-Jan-16	300,000
3	6-Jan-16	200,000
4	19-Jan-16	46,000
5	20-Jan-16	25,000
6	21-Jan-16	35,000
7	22-Jan-16	100,000
8	28-Jan-16	500,000
9	2-Feb-16	500,000
10	3-Feb-16	200,000
11	4-Feb-16	200,000
12	4-Feb-16	1,200,000
13	27-May-16	1,000,000
14	3-Jun-16	500,000
15	6-Jun-16	200,000
16	8-Jun-16	1,000,000
17	10-Jun-16	1,000,000
18	11-Jun-16	50,000
19	11-Jun-16	135,000
20	16-Jun-16	1,000,000
Total		8,225,000 8.225 (m)

Bank Charges	
26.05.2016 to 16.06.2016	22,324
05.01.2016 to 09.02.2016	13,145
	35,469

Statement showing temporary misutilization of Government Money (Para 4.2.9)

Sr. No.	Date	Voucher No.	Description	Cheque Dated	Date of Purchase	Delay in Days	Amount (Rs)
1	13-2-15	JV.63	Oxygen & DA Gas against Chq 4977107 dated 17-7-14	17.07.14	26.12.2014	162	600
2	28-2-15	JV.134	DA Gas against Chq 4977198 dated 19-9-14	19.09.14	23.01.2015	126	600
3	28-2-15	JV.134	DA Gas against Chq 4977198 dated 19-9-14	19.09.14	19.01.2015	122	4,300
4	27-1-15	JV.46	HPC Chq 6832606 dated 22-9-14	22.09.14	24.11.2014	63	82,000
5	27-1-15	JV.47	1 HPC Chq 6832604 dated 22-9-14	22.09.14	24.11.2014	63	85,000
6	27-1-15	JV.48	1 Hyd Pump Cartridge against Chq 6832602 dated 22-9-14	22.09.14	24.11.2014	63	98,000
7	27-1-15	JV.49	1 Hyd Pump Cartridge Chq 4977199 dated 22-9-14	22.09.14	24.11.2014	63	85,000
8	27-1-15	JV.54	1 HPC Chq 6832608 dated 22-9-14	22.09.14	24.11.2014	63	98,000
9	8/12/14	JV.52	Air Hand Operator Chq 5846085 dated 30-7-13	30.07.14	30.09.2014	62	11,200
10	13-2-15	JV.63	Oxygen & DA Gas against Chq 4977107 dated 17-7-14	17.07.14	15.09.2014	60	650
11	27-5-15	JV.39	Oxygen & DA Gas against Chq 0218845 dated 16-2-15	16.02.15	17.04.2015	60	3,200

12	27-5-15	JV.39	Oxygen & DA Gas against Chq 0218845 dated 16-2-15	16.02.15	26.03.2015	38	3,200
13	31-7-14	JV.15	Hussain Corporation 8 Piston Chq 6832618 dated 22-7-14	22.07.14	26.08.2014	35	36,800
14	30-4-15	JV.53	Waste Cloth against Chq 0284677 dated 27-2-15	27.02.15	02.04.2015	34	3,400
15	31-7-14	JV.16	Diamond & Diamond Corp Chq 6832617 dated 22-9-14	22.07.14	22.08.2014	31	37,200
16	30-6-15	JV.40	Oxygen Gas & DA Gas Chq 0819337 dated 8-5-15	08.05.15	05.06.2015	28	3,200
17	8/12/14	JV.58	Seal Kit, Chq 6208704 dated 20-8-14	20.08.14	16.09.2014	27	72,000
18	13-2-15	JV.52	100 No Relay against Chq 4977102 dated 16-7-14	16.07.14	11.08.2014	26	50,000
19	8/12/14	JV.40	5 Potentio Meter Chq 4809299 dated 14-7-14	14.07.14	04.08.2014	21	99,860
20	8/12/14	JV.29	20 seal Rings, Chq 4809277 dated 8-7-14	08.07.14	28.07.2014	20	6,000
21	8/12/14	JV.31	32 Seal Rings, Chq 4809279 dated 8-7-14	08.07.14	28.07.2014	20	25,600
22	8/12/14	JV.50	Repair LOK-3010 Chq 4977114 dated 18-7-14	18.07.14	06.08.2014	19	3,000
23	28-2-15	JV.124	Clutch Ring for VTM Against Chq 8935784 dated 9-1-15	09.01.15	28.01.2015	19	8,700
24	8/12/14	JV.81	Air Filter Element, Chq 6832654 dated 30-9-14	30.09.14	17.10.2014	17	16,000
25	8/12/14	JV.20	2 Batteries DU-2558 Chq 4809264 dated 4-7-14	04.07.14	19.07.2014	15	41,200
26	8/12/14	JV.85	Sleeve, Chq 6832666 dated 3-10-14	03.10.14	18.10.2014	15	3,000

27	28-2-15	JV.169	65 Nos Seal Kit against chq 0218803 dated 12-02-15	12.02.15	27.02.2015	15	78,000
28	13-2-15	JV.45	10 Selector Switch against Chq 8028522 dated 28-11-14	28.11.14	12.12.2014	14	40,000
29	30-6-15	JV.40	Oxygen Gas & DA Gas Chq 0819337 dated 8-5-15	8.5.15	21.05.2015	13	3,200
30	28-2-15	JV.149	1 Hyd Pump against ch 9690210 dated 16-1-15	16.1.15	29.01.2015	13	98,000
31	28-2-15	JV.150	1 Hyd Pump DU-2776 against ch 9690211 dated 16-1-15	16.1.15	29.01.2015	13	85,000
32	28-2-15	JV.151	1 Hyd Pump DU-2776 against Ch 9690212 dated 16-1-15	16.1.15	29.01.2015	13	98,000
33	28-2-15	JV.152	1 Hyd Pmp for DU-2776 against ch 9690213 dated 16-1-15	16.1.15	29.01.2015	13	85,000
34	28-2-15	JV.153	1 Hyd Pump DU-2776 against Chq 9690214 dated 16-1-15	16.1.15	29.01.2015	13	82,000
35	28-2-15	JV.154	1 Hyd Pump DU-2776 against Chq 9690215 dated 16-1-15	16.1.15	29.01.2015	13	98,000
36	28-2-15	JV.155	1 Hyd Pump against Chq 9690216 dated 16-1-15	16.1.15	29.01.2015	13	82,000
37	8/12/14	JV.17	Pump Cartridge , ADV to Tahir Khurshid, Chq 4809261 dated 4-7-14	4.7.14	16.07.2014	12	40,000
38	28-5-15	JV.66	New 5 Generator Pully against chq 0407695 dated 30-4-15	30.4.15	11.05.2015	11	9,000
39	28-2-15	JV.183	1 Turbo Charger against Chq 0218842 dated 16-2-15	16.2.15	27.02.2015	11	86,000
40	28-2-15	JV.184	1 Turbo Charger against Chq 0218843 dated 16-2-15	16.2.15	27.02.2015	11	86,000
41	28-2-15	JV.185	2 Turbo Charger against Chq 0218844 dated 16-2-15	16.2.15	27.02.2015	11	98,000

42	28-2-15	JV.138	12 Nos Oil Filters against Chq 8935781 dated 9-1-15	9.1.15	19.01.2015	10	12,000
43	28-2-15	JV.174	12 Nos Water Separator against Chq 8935780 dated 9-1-15	9.1.15	19.01.2015	10	15,600
44	8/12/14	JV.28	176 Grease Nipple Chq 4809276 dated 8-7-14	8.7.14	17.07.2014	9	4,400
45	27-1-15	JV.57	Repair 10 Temping Tyne Chq 7367282 dated 7-11-14	7.11.14	16.11.2014	9	90,000
46	30-4-15	JV.48	Door for Accounts Branch against Ch 0983076 dated 18-3-15	18.3.15	27.03.2015	9	14,438
47	28-5-15	JV.68	1 LCD for SITE Office against chq 0407691 dated 29-4-15	29.4.15	08.05.2015	9	5,300
48	28-2-15	JV.131	30 Mtr Welding Lead against Chq 9690298	12.2.15	21.02.2015	9	23,517
49	28-2-15	JV.132	Oxygen Regulator, against Chq 0218804	12.2.15	21.02.2015	9	12,308
50	30-6-15	JV.64	8 Air Filter Element against Chq 2685867	17.6.15	26.06.2015	9	48,000
51	30-6-15	JV.65	10 Filter against Chq 2685865 Dated 17-6-15	17.6.15	26.06.2015	9	27,000
52	13-2-15	JV.51	2 New Batteries Crane 5571 Chq 6832675	13.10.14	21.10.2014	8	29,600
53	8/12/14	JV.72	Repair of Self Starter, Chq 6832607 dated 22-9-14	22.9.14	30.09.2014	8	5,000
54	13-2-15	JV.25	New 50 Coupling Washers Against Chq 8028509 dated 27-11-14	27.11.14	05.12.2014	8	7,500
55	28-2-15	JV.137	1 Sofa 2 Table Glass against Chq 8935732	29.12.14	06.01.2015	8	45,500
56	13-2-15	JV.57	100 Waste Clothes against Chq 8028508 dated 27-11-14	27.11.14	05.12.2014	8	3,400

57	28-5-15	JV.70	400 Bolt Nuts against chq 0218882 dated 31-3-15	31.3.15	08.04.2015	8	37,000
58	28-5-15	JV.71	400 Bolt Nuts Washer against Chq 0218883	31.3.15	08.04.2015	8	27,000
59	22-6-15	JV.23	2 Batteries AL-21 against chq 2685805 dated 29-5-15	29.5.15	06.06.2015	8	30,000
60	28-2-15	JV.176	20 kg welding Rod against Chq 9690299 dated 12-2-15	12.2.15	20.02.2015	8	32,410
Total							2,415,883 2.416 (m)

Statement showing non-deducting income tax on Leave Encashment (Para 4.2.11)

Sr. No.	Name	Designation	Leave Encashment	Period	WIT @ 10%
1	Abdus Salam	Manager/Admn	133,514	2015-16	13,351
2	Saqib Waheed	Manager/Projects	133,514	2015-16	13,351
3	Zubair Hussain	Manager/F&A	121,404	2015-16	12,140
4	Nisar Mahmood	Manager/IT	88,456	2015-16	8,846
5	Anjum Shahzad	Dy. Manager/IT	79,609	2015-16	7,961
6	Rehmat Ali Toori	AEN	76,369	2015-16	7,637
7	Sheraz Mahmood	Asstt R&D	47,679	2015-16	4,768
8	Abdus Salam	Manager/Admn	146,867	2014-15	14,687
9	Saqib Waheed	Manager/Projects	146,867	2014-15	14,687
10	Zubair Hussain	Manager/F&A	133,133	2014-15	13,313
11	Nisar Mahmood	Manager/IT	95,701	2014-15	9,570
12	Anjum Shahzad	Dy. Manager/It	86,317	2014-15	8,632
13	Rehmat Ali Toori	AEN	82,667	2014-15	8,267
14	Sheraz Mahmood	Asstt R&D	51,990	2014-15	5,199
15	M. Yasin	Manager/Contracts	146,867	2014-15	14,687
16	Abdus Salam	Manager/Admn	138,835	2013-14	13,884
17	Saqib Waheed	Manager/Projects	138,835	2013-14	13,884
18	Zubair Hussain	Manager/F&A	121,854	2013-14	12,185
19	Nisar Mahmood	Manager/IT	86,186	2013-14	8,619
20	Anjum Shahzad	Dy. Manager/It	78,472	2013-14	7,847
21	Rehmat Ali Toori	AEN	75,014	2013-14	7,501
22	Sheraz Mahmood	Asstt R&D	46,643	2013-14	4,664
23	M. Yasin	Manager/Contracts	138835	2013-14	13,884
24	Abdus Salam	Manager/Admn	124,051	2012-13	12,405
25	Saqib Waheed	Manager/Projects	124,051	2012-13	12,405
26	Zubair Hussain	Manager/F&A	111,790	2012-13	11,179
27	Nisar Mahmood	Manager/IT	78,042	2012-13	7,804
28	Anjum Shahzad	Dy. Manager/It	71,448	2012-13	7,145
29	Rehmat Ali Toori	AEN	68,182	2012-13	6,818
30	Sheraz Mahmood	Asstt R&D	42,765	2012-13	4,277
31	M. Yasin	Manager/Contracts	124,051	2012-13	12,405
Total			3,140,008		314,001 0.314 (m)

Statement showing non-deducting income tax on bonus (2015-16) (Para 4.2.11)

Sr. No.	Name	Designation	Bonus Paid	WIT @ 10%
1	Amir Nisar CH.	MD	62,638	16,264
2	Inamullah	Secretary	78,908	7,891
3	Abdus Salam	Manager/Admn	96,240	9,624
4	M. Zubair	Manager/F&A	87,465	8,747
5	Ashfaq Ahmad Khan	Manager/Mkt	29,415	2,942
6	M. Yasin	Manager/Contracts	32,080	3,208
7	Saqib Waheed	Manager/Projects	32,080	3,208
8	Nisar Mahmood	Manager/IT	21,355	2,136
9	Anjum Shahzad	Dy. Manager/It	19,088	1,909
10	Eng. Sarfraz Ahmad	PD	35,294	3,529
11	Mian Saleem Akhter	Sr. Project Engineer	15,294	1,529
12	Fahad Noor	PE	13,235	1,324
13	M. Munawar Rafique	Dy. Manager/ Accounts	12,353	1,235
14	Sajid Bashir Raja	PD	67,130	6,713
15	M. Arif	Dy. Manager/F&A	21,420	2,142
16	GM Soomro	PD Sukkur	105,450	10,545
17	Fazal Muhammad Mangi	Manager/F&A	72,840	7,284
18	Ahsan Khan Memon	Project Engineer	20,588	2,059
19	Muhammad Faisal	Project Engineer	19,118	1,912
20	Asghar Ali Abbassi	FO/TM	20,945	2,095
21	M. Amjad Iqbal	PD Track Workshop	78,908	7,891
22	Tariq Mansoor	Manager/F&A	103,260	10,326
23	Hafiz Muhammad Najeeb	Project Engineer	20,588	2,059
24	Sanauallah	PA to PD	69,045	6,905
25	Sabir Ali	Project Engineer	53,382	5,338
26	Akbar Ali	PD Karachi	70,588	7,059
27	M. Faisal Baloch	Project Engineer	38,235	3,824
Total			1,396,942	139,694 0.140 (m)

Annex-16

**Statement showing irregular imports through M/s Trademas
(Para 4.3.1)**

Sr. No.	LC No.	LC Amount (Rs)	EXPENDITURE INCURRED ON RELEASE OF MATERIAL				Total
			Custom duty (Rs)	Sales Tax 15%, 16% and 17%	Income Tax (Rs)	Others Misc Exp including FED/ service charges etc. (Rs)	LC and all Taxes (Rs)
1	LC-7	168,579	38,473	31,258	-	8,245	246,555
2	LC-6	16,106,794	3,127,452	3,331,199	483,024	1,350,979	24,399,448
3	LC-	4,194,499	780,289	333,181	-	269,502	5,577,471
4	LC-11	7,261,913	2,076,899	1,447,197	-	300,633	11,086,642
5	LC-12	6,485,734	2,007,577	1,546,661	-	350,266	10,390,238
6	LC-15	3,211,372	256,651	373,089	138,743	472,801	4,452,656
7	LC-19	7,089,206	1,348,048	1,616,435	533,827	1,909,146	12,496,662
8	LC-20	40,365,189	1,986,012	7,157,587	3,031,449	3,884,748	56,424,985
9	LC-25	18,482,400	590,227	3,067,616	1,104,342		23,244,585
10	LC-26	18,482,400	49,989	259,946	93,580		18,885,915
Total		121,848,086	12,261,617	19,164,169	5,384,965	8,546,320	167,205,157 167.205 (m)

Statement showing uneconomical Procurements (Para 4.3.2)

Sr. No.	Description of Material	Name of firm	Voucher No.	Date	Amount (Rs)
1	Steel	Pak International Trading Company	JV 1871	01.12.2016	2,000,200
2	High Tensile Steel	Wire Manufacturing Industry	JV 0482	10.02.2017	2,400,000
3	Tor Bor Steel	Aftab Steel	JV 15	26.08.2016	3,853,690
4	Steel	H.S.J Steel	J.V.NO.28	16.02.2017	4,713,610
5	Steel	H.S.J Steel	J.V.NO.12	11.01.2017	2,577,630
6	Steel	H.S.J Steel	J.V.NO.14	12.01.2017	5,017,290
7	Steel	H.S.J Steel	J.V.NO.27	15.02.2017	1,975,995
8	Steel	H.S.J Steel	J.V.NO.25	15.02.2017	1,149,030
9	Steel	H.S.J Steel	J.V.NO.07	04.01.2017	4,660,320
10	Steel	H.S.J Steel	J.V.NO.26	04.03.2017	3,144,915
11	Steel	H.S.J Steel	J.V.NO.60	28.02.2017	5,664,065
12	Steel	H.S.J Steel	J.V.NO.43	16.03.2017	5,679,774
13	Steel	H.S.J Steel	J.V.NO.45	22.02.2017	3,836,460
Total					46,672,979 46.673 (m)

**Statement showing loss due to purchase of steel of incorrect specification
(Para 4.3.5)**

(Rupees in million)

Material purchased from M/s Shalimar Steel Re-Rolling Mills

Rolled Section	Length (Inch)	Rolled Section should be in Multiple of 24"	Excess (Inch)	Weight (Kg)	Weight per inch (Kg)	Loss per rolled section
1	196	192	4	69.26	0.353	1.413
2	196.6	192	4.6	69.47	0.353	1.625
3	192.4	192	0.4	67.99	0.353	0.141
		Total		206.72		3.180
		Average		68.91		1.060

Steel purchased					820,000
Number of Rolled Sections			820000/68.91		11,900
Average loss per Rolled Section					1.06
Total Loss (KG)					12,614
Rate per Kg					83.967
Total Loss					1,059,174 1.059 (m)

Material purchased from M/s Shalimar Steel Re-Rolling Mills

Rolled Section	Length (Inch)	Rolled Section should be in Multiple of 24"	Excess (Inch)	Weight (Kg)	Weight per inch (Kg)	Loss per rolled section
1	178	168	10	75.5	0.424	4.242
2	142	120	22	60.84	0.428	9.426
3	163	144	19	69.85	0.429	8.142
		Total		206.19	1.281	21.810
		Average		68.73	0.427	7.270

Steel purchased					250,000	
Number of Rolled Sections		250000/68.73			3,637	
Average loss per Rolled Section					7.27	
Total Loss (KG)					26,444	
Rate per Kg					105.8	
Total Loss					2,797,781	
Total loss						Rs 3,856,955 Rs 3.857 (m)

Annex-19**Statement showing payments in cash instead of crossed cheques
(Para 4.3.6)**

Sr.No.	Name of contractor/supplier	Voucher No.	Date	Amount (Rs)
1	Saeed Ahmad	26	04.02.2016	1,400,000
2	Muhammad Arshad (excavator)	71	17.06.2016	100,000
3	Muhammad Arshad (excavator)	60	15.06.2016	100,000
4	Wazir Engineering Works	52	13.06.2016	412,480
5	Muhammad Arshad (excavator)	50	13.06.2016	150,000
6	Muhammad Arshad (excavator)	46	11.06.2016	100,000
7	Muhammad Bux	47	11.06.2016	117,000
8	Muhammad Arshad (excavator)	108	24.06.2016	430,000
Total				2,809,480 2.809 (m)

Annex-20**Statement showing use of pavers without testing (Para 4.3.9)**

Sr. No.	Date	Voucher No.	Description	Amount (Rs)
1	12/1/16	J.V.NO.01	Net paid to Abdul Qadir paver fixing labour ch:70281714	126,000.00
2	3/27/17	J.V.NO.14	Net paid Sohaib Nizami purchase pavers by Mr.Ali Dino ch:79680069	182,292.00
3	12/7/16	J.V.NO.07	Paid to Hub-Crete against supply of pavers ch:70281751	281,385.00
4	3/6/17	J.V.NO.04	Purchased paver for Cantt Station ch:79680006	350,000.00
Total				939,677.00 0.940 (m)

Annex-21

**Statement showing accounts receivable from Pakistan Railways as on
June 30, 2016: (Para 4.4.1)**

Offices/ Projects	Contract receivables unsecured	Other receivables	Total (Rs)
Islamabad	10,347,819	-	10,347,819
Lahore	181,514,852	7,467,247	188,982,099
Karachi	35,652,737	-	35,652,737
Sukkur	54,301,326	-	54,301,326
Shops	-	9,173,000	9,173,000
Total	281,816,734	16,640,247	298,456,981 298.457 (m)

**Statement showing Accounts Receivables from departments other
than Pakistan Railways as on 30.06.2016**

Offices/ Projects	Contract receivables- unsecured	Due from customers for construction work	Other receivables	Total (Rs)
Head Office	18,833,373	-	151,362	18,984,735
Islamabad	-	4,903,831	-	4,903,831
Lahore	-	6,079,363	5,468,959	11,548,322
Karachi	-	33,631,757	-	33,631,757
Sukkur	-	25,179,882	-	25,179,882
Multan	-	61,151,229	3,156,532	64,307,761
Shops	-	-	546,700	546,700
Total	18,833,373	130,946,063	9,323,553	159,102,989 159.103 (m)

Statement showing non-recovery of call deposits (Para 4.4.2)

Sr. No.	Projects	Years	Call Deposit Money (Rs.)	Year wise Total (Rs)	Receivables (No of Years)
1	Ballast Supply-Jangshahi	2012-13	195,000	289,000	More than four (4) Years
2	27 Shops -BTS	2012-13	94,000		
3	Bridges	2013-14	750,000	750,000	More than three (3) Years
4	Ballast(3 Projects)	2014-15	1,680,000	4,510,000	More than two (2) Years
5	TR Bridges - JCB-SIBI	2014-15	1,722,000		
6	OGDCL	2014-15	1,108,000		
7	Fencing Boundary Wall-JCD	2015-16	900,000	4,708,700	More than one(1) Year
8	Fencing Boundary Wall-Rohri	2015-16	700,000		
9	Senior F&AO-Karachi	2015-16	800,000		
10	TR-27	2015-16	203,000		
11	TR-26	2015-16	203,000		
12	PEERAK	2015-16	203,000		
13	BS Hostel SALU	2015-16	79,700		
14	RBC-SUKKUR	2015-16	1,270,000		
15	DAO Sukkur Sangi	2015-16	350,000		
Total				10,257,700	
				10.257 (m)	