AUDIT REPORT
ON
THE ACCOUNTS OF
PAKISTAN RAILWAYS
AUDIT YEAR 2019-20

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

AGM	Additional General Manager
BOD	Board of Directors
BPS	Basic Pay Scale
BQM	Bin Qasim
CA	Certification Audit
CBI	Computer Based Interlocking
CCM	Chief Commercial Manager
CCP	Chief Controller of Purchase
CDL	Central Diesel Locomotive
CEN	Chief Engineer
CEO	Chief Executive Officer
CFT	Cubic Feet
CGA	Controller General of Accounts
CME	Chief Mechanical Engineer
CRR	Clear Railway Receipt
CSF	Concrete Sleeper Factory
CSR	Composite Schedule of Rates
C&W	Carriage and Wagon
DAC	Departmental Accounts Committee
DAEE	Divisional Assistant Electrical Engineer
DAO	Divisional Accounts Officer
DE Locomotive	Diesel Electric Locomotive
DEE	Divisional Electrical Engineer
DME	Divisional Mechanical Engineer
DP	Draft Para
DRF	Depreciation Reserve Fund
DS	Divisional Superintendent
DTO	Divisional Transportation Officer
EAD	Economic Affairs Division
ECNEC	Executive Committee of the National Economic Council
FA&CAO	Financial Advisor and Chief Accounts Officer
FBR	Federal Board of Revenue
FIR	First Information Report
FY	Financial Year
GM	General Manager
HSD	High Speed Diesel
IIMCT	Islamic International Medical College and Trust

KR	Kashmir Railway Private Limited
KUTC	Karachi Urban Transport Corporation
LD	Liquidated Damages
LESCO	Lahore Electric Supply Company
LOCO	Locomotive
MD	Managing Director
MFDAC	Memorandum for Departmental Accounts Committee
MGPR	Mughalpura
ML	Main line
MoR	Ministry of Railways
M&S	Manufacturing and Services
MRP	Marshaling Yard Pipri
MTBF	Medium Term Budgetary Framework
NAB	National Accountability Bureau
NBP	National Bank of Pakistan
NESPAK	National Engineering Services Pakistan
NHA	National Highways Authority
NLC	National Logistics Cell
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-I	Planning Commission Proforma-I
PD	Project Director
P&L	Property and Land
PLF	Pakistan Locomotive Factory
PO	Principal Officer
PPRA	Public Procurement Regulatory Authority
PRFTC	Pakistan Railways Freight Transportation Company Limited
PR	Pakistan Railways
PRACS	Pakistan Railway Advisory and Consultancy Services Limited
PSC	Prestressed Concrete Sleepers
PSDP	Public Sector Development Programme
RAILCOP	Railway Constructions Pakistan Limited
REDAMCO	Railway Estate Development and Marketing Company (Pvt) Limited
RFP	Request for Proposal
SAO	Senior Accounts Officer
SBP	State Bank of Pakistan

S&C	Survey and Construction
SFT	Square feet
SM	Station Master/Manager
SOP	Standard Operating Procedure
SqYd	Square Yard
TC	Transfer Certificate
TLA	Temporary Labour Application
WAPDA	Water and Power Development Authority

Preface

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

This report is based on audit of the accounts of Pakistan Railways for the financial year 2018-19. Further, this report also includes observations pertaining to previous years which were observed during audit. The Directorate General of Audit (Railways), Lahore conducted audit on test check basis during the year 2019-20 with a view to reporting significant findings to the stakeholders. The sectoral analysis has been added in this report covering strategic review and overall perspective of Audit results. The main body of the Audit Report includes significant systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in Annexure - 24 as Memorandum for Departmental Accounts Committee. These shall be pursued with the Principal Accounting Officer at the DAC level and in cases where the PAO does not initiate appropriate action, the audit observations shall be brought to the notice of Public Accounts Committee through next year's Audit Report.

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

Observations included in this report have been finalized in the light of departmental replies as well as discussions in the DAC meetings where convened by the PAO.

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

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(Javaid Jehangir)
Auditor General of Pakistan

Dated: 18.02.2020

EXECUTIVE SUMMARY

The Director General Audit (Railways) has the mandate to conduct audit of receipts and expenditure of Pakistan Railways and its subsidiaries, viz. Pakistan Railway Advisory & Consultancy Services Limited (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Railway Estate Development & Marketing Company (Pvt) Limited (REDAMCO), Kashmir Railway Private Limited (KR), Pakistan Railway Freight Transportation Company (PRFTC) (Pvt) Limited and Karachi Urban Transport Corporation (KUTC). This office conducts regularity audit (financial and compliance with authority audit) and performance audit of the projects executed by the Ministry of Railways. Audit of receipts and expenditure was carried out on test check basis in accordance with audit methodology envisaged in Financial Audit Manual. Audit was carried out with human resource comprising 160 officers and staff, utilizing 41,334 man-days and with an annual budget amounting to Rs 151.55 million. Meetings of DAC were held to discuss audit observations for the finalization of this report.

Scope of Audit

This office is mandated to conduct audit of 227 formations working under 01 PAO/Ministry of Railways including Pakistan Railways and its ancillary companies. Total expenditure and receipt of these formations were Rs 114.62 billion and Rs 56.69 billion respectively for the Financial Year 2018-19.

Audit coverage relating to expenditure and revenue receipts for the current Audit year comprises 55 formations of Pakistan Railways having total expenditure of Rs 47.03 billion and revenue receipts of Rs 20.67 billion for the Financial Year 2018-19. In terms of percentage, the audit coverage for expenditure is 41 % of auditable expenditure and for revenue receipts is 36.50% of auditable receipts. Out of total 55 formations planned for current audit year, 34 were audited from July to December, 2019.

This Audit Report also includes audit observations resulting from the audit of expenditure of Rs 12.91 billion and receipt of Rs 12.23 billion for the Financial Year 2017-18 pertaining to 30 formations of Pakistan Railways.

In addition to this compliance audit report, DG Audit (Railways) conducted one Financial Attest Audit, two Performance Audits and one Special Audit from January to December 2019. Reports of these audits are being published separately.

Recoveries at the instance of Audit

As a result of audit, a recovery of Rs 8,093.89 million was pointed out in this report. Recovery effected from January to December 2019 was Rs 3,127.88 million which was verified by audit.

Audit Methodology

The audit methodology included examination of relevant files/documents, review of financial data, site visits and discussions with the management. Detailed audit of selected samples was carried out keeping in view the risk and materiality factors.

Audit Impact

On the pointation of Audit, the Railway management enforced New Standard Operating Procedures (SOPs) for prevention of theft of Railway material from yards, stores and rolling stocks. PR management also discontinued voluntary reduction of rates after opening of bids in the light of clarification issued by PPRA on continual raising of observations by Audit. Moreover, Railway management introduced Standard Operating Procedures for remittance of withholding advance tax to FBR. Further, owing to audit qualifications and observations, the Railway management rectified the accounts through journal slips amounting to Rs 4,081.05 million and revised its financial statements.

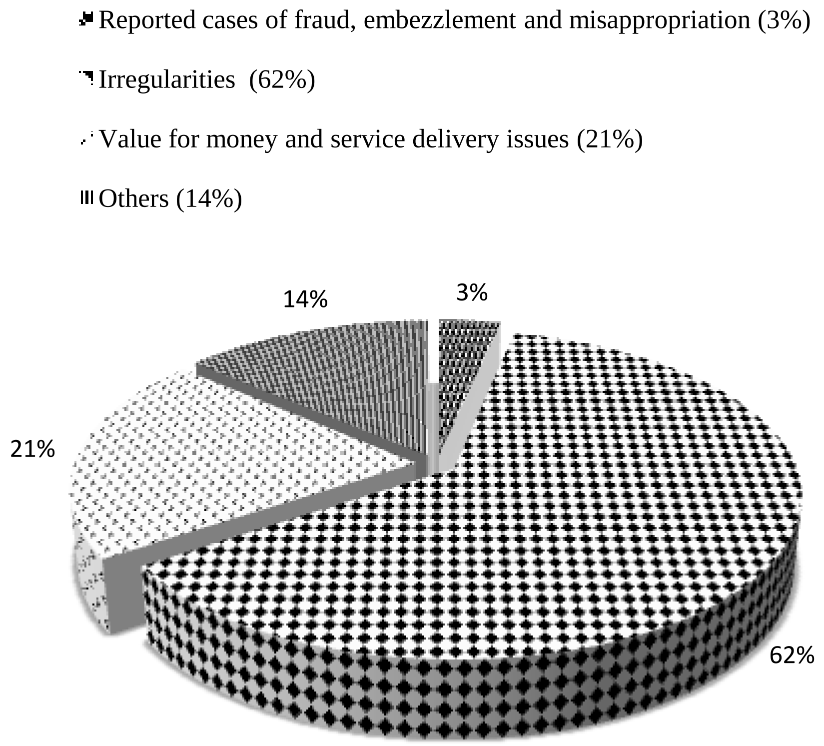
Comments on Internal Controls

The Principal Accounting Officer, assisted by Internal Audit organization, is responsible for ensuring that a proper system of internal controls exists within the entity. Audit observed certain lapses in internal controls regarding security arrangements, inventory management, budgetary controls, receivables management, assets management and human resource management etc. A number of observations on weak internal controls are included in this Audit Report. In order to improve the control environment, the department of Internal Audit needs to be strengthened.

a. The key audit findings of the report

Audit findings categorized in four major areas are depicted in the following pie chart. Detail of the same is given in classified summary of audit observations in Table 2.3.

Breakup of Railways Audit Report 2019-20



The key audit findings of the report;

i. Short and non-recovery of Rs 6,528.09 million of Railway receivables. [1]

ii. Encroachment of Railway land valuing Rs 4,474.74 million.[2]

iii. Procurement of defective material worth Rs 1,889.83 million. [3]

iv. Cases of non-finalization of fraud and serious irregularities Rs 1,075.25 million. [4]

v. Irregular award of contracts amounting to Rs 735.41 million in violation of Public Procurement Rules. [5]

vi. Loss due to provision of electricity to domestic consumers at lower rate valuing Rs 344.68 million. [6]

vii. Non-recovery of Rs 264.95 million from contractors on account of Withholding Income Tax and Sales Tax. [7]

viii. Unauthorized depositing of Railway earnings in private bank account amounting to Rs 146.67 million was observed. [8]

ix. Theft and misappropriation of Railway material valuing Rs 61.62 million. [9]

x. Cases of short receipt and excess consumption of HSD oil valuing Rs 133.84 million were noticed. [10]

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[1]Para 2.5.48, 2.5.66, 2.5.67, 2.5.73, 2.5.74, 2.5.78 & 2.5.79
[2]Para 2.5.49 & 2.5.62
[3]Para 2.5.16, 2.5.17 & 2.5.90
[4]Para 2.5.2
[5]Para 2.5.20, 2.5.21, 2.5.25, 2.5.26, 2.5.28, 2.5.31, 2.4.32, 2.5.35 & 2.5.37
[6]Para 2.5.85
[7]Para 2.5.70
[8] Para 2.5.3
[9]Para 2.5.7
[10]Para 2.5.72 & 2.5.103

xi. PR sustained a loss of Rs 301.49 million on account of short composition and non-revision of fare of outsourced trains. [11]

xii. Non-recovery of liquidated damages charges amounting to Rs 279.16 million. [12]

xiii. Splitting of works and procurement Rs 59.46 million. [13]

xiv. Loss due to deficiencies in Coaching and Goods Stock Rs 71.15 million. [14]

xv. Blockage of capital due to unnecessary procurement of material worth Rs 200.04 million. [15]

xvi. Non-disposal of scrap valuing Rs 81.03 million. [16]

xvii. Pakistan Railways sustained a loss of Rs 4,738.80 million on account of inordinate delay in repair of locomotives. [17]

xviii. Loss of potential earnings Rs 1,470.32 million due to non-auction of different sites. [18]

xix. PR sustained a loss of Rs 640.47 million due to award of contracts at lower rates. [19]

xx. Loss of Rs 264.20 million due to award of contracts at exorbitant rates. [20]

xxi. Irregular expenditure of Rs 62.94 million on engagement of TLA staff in excess of sanctioned strength was observed. [21]

xxii. Cases of non-production of record were pointed out. [22]

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[11] Para 2.5.86 & 2.5.113
[12] Para 2.5.23 & 2.5.43
[13] Para 2.5.44
[14] Para 2.5.6
[15] Para 2.5.22
[16] Para 2.4.57
[17] Para 2.5.81
[18] Para 2.5.53 & 2.5.83
[19] Para 2.5.59 & 2.5.84
[20] Para 2.5.87
[21] Para 2.5.11
[22] Para 2.5.1

Recommendations

i. A practicable road map be developed under strategic planning in line with Pakistan Vision 2020-2025, for major up-gradation of Pakistan Railways system with emphasis on establishing linkage with other neighboring countries (apart from development of inland traffic) for doubling of track and installation of modern signaling system*.

ii. Partial computerization be replaced with planned automation for up-keeping the record of all assets and businesses in order to ensure proper revenue collection and reduction of Railway deficit due to procedural and other loopholes*.

iii. Recovery policy be reinforced for speedy realization of Railways' receipts such as lease and rental charges.

iv. Land management be improved to augment Railway receipts. Management may retrieve all encroached land, besides taking necessary corrective action with regards to title of land.

v. Procurement of material and execution of works be well planned to avoid unnecessary piling up of inventory and delays in completion of works.

vi. Cases of fraud, embezzlement and shortage/theft of material be investigated appropriately for fixing responsibility and taking remedial measures.

vii. Public Procurement Rules be observed in letter and spirit while awarding contracts and making procurements.

viii. Deduction of Withholding Income Tax and Sales Tax be ensured.

ix. Cases for dip shortage and excess consumption of HSD oil be investigated and remedial measures be adopted accordingly.

x. Sub-standard / defective material be got replaced or recovery be effected from the defaulters immediately.

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* Recommendations i & ii are based on Sectoral Analysis.

xi. Expedient disposal of piled up scrap be ensured.

xii. Efficient contract management needs to be ensured for safeguarding of Railways' interest.

xiii. Security arrangements be improved to safeguard Railway land and other physical assets.

xiv. Inquiries either directed by DAC or otherwise be processed and finalized at the earliest.

xv. Disciplinary action be taken against the persons found at fault for non-production of record.

Chapter - 1 Public Financial Management Issues

Sectoral Analysis

i) In Pakistan, the transport system broadly consists of roads, railways, air transport and ports & shipping services. Pakistan Railways (PR) is a Federal Government department with the aim to provide a competitive, safe, reliable, market oriented, efficient and environment-friendly mode of transport.[1] To analyze the Railway sector in Pakistan, Principal Statistics from Year Book of Pakistan Railways, Green Book (performance-based budget) under the Medium Term Budgetary Framework (MTBF), Economic Survey of Pakistan and accounts of Pakistan Railways were reviewed.

ii) Pakistan Railways remained the primary mode of transportation in the country till late sixties. Afterwards, as the road sector flourished and emerged as a quicker mode of transportation, the government focused more on expansion of the road network to achieve overall economic growth. Resultantly, Railways' share of inland traffic reduced from 41 % to 10% for passenger traffic and 73 % to 4 % for freight traffic.[2]

iii) In order to strengthen the sector, Pakistan Railways was envisioned by the Government of Pakistan under Vision 2025 in May 2014 for major up-gradation of the Railways' system. It included increase in existing speed, doubling the track of mainline sections, installation of modern signaling system, establishing linkage to other neighboring countries and development of separate freight corridor on railway track. The achievement of these visionary objectives by Pakistan Railways was reliant on a practicable roadmap under the strategic planning. It was found that a Strategic Plan of Pakistan Railways was drafted in 2015 which remained un-finalized and un-approved even after lapse of four years.

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1 Year book of Pakistan Railways 2018-19

2 Choudhary etc, "Analyzing Pakistan's Freight Transportation Infrastructure Using Porter's Framework and Forecasting Future Freight Demand Using Time Series Models" 2009

iv) Under the Green Book (performance analysis by outputs), Ministry of Railways used ten (10) outputs having total twenty four (24) key performance indicators (KPIs). These KPIs were related to passengers, infrastructure, business development, public safety, train punctuality, rolling stock and freight business management. The status of achievement of targets against set KPIs, as provided in Green Book, is reproduced below:

Sr #	No. of KPIs	Achievement	Areas
1	09	100%	Reduction of crimes in trains, new track, procurement of new locomotives, freight traffic, punctuality of passenger services, total revenue and passenger receipts.
2	05	50% or above	Rehabilitation of structures, new stations, feasibility studies, up-gradation of signaling system and freight revenue.
3	04	Below 50%	Outsourcing of ticketing system, monitoring and evaluation report, freight handling terminals and rehabilitation of track.
4	06	0%	Automation of Railways accounts, up-gradation of ML-I, rehabilitation of existing stations, up-gradation of signaling system, procurement of new coaches and establishment of new dry ports.
Total	**24**		

v) Non-achievement of set targets over the years has resulted into financial un-sustainability. In order to bridge the operational loss PR has been subsidized by the Government of Pakistan with an average amount of Rs 37 billion every year. Although during 2018-19 revenue earnings increased by 9.96% but the Pakistan Railways remained dependent on Government assistance and overdraft from SBP in order to bridge the operational deficit. The net loss of PR for the year 2018-19 stood at Rs 32.769 billion.[3]

vi) The SBP capped the overdraft limit up to Rs 40 billion. However, the balance of overdraft with SBP as on 30.06.2019 stood at

[3] Comments on Budget & Accounts (2.1(B)(ii))

Rs 37.26 billion and PR paid Rs 496.43 million as interest on overdraft for the year 2018-19. PR had a liability of Foreign Loans/Credits worth Rs 29.35 billion as on 30.06.2019 against which PR paid Rs 300 million as interest. It was found that foreign loans had neither been revaluated in the light of current exchange rates nor segregated loan wise in the financial statements of Pakistan Railways.

vii) According to Economic Survey of Pakistan for the year 2018-19 (July 2018 to February 2019) the Transport, Storage and Communication sector registered an overall growth of 3.34% mainly due to positive contribution by Pakistan Railways 38.93%, air transport 3.38% and road transport 3.85%. Foregoing statement was consistent with increase in gross earnings of PR for the financial year 2018-19 as evident from comments on Profit and Loss Account of Pakistan Railways. [4]

viii) A comparative analysis of principal statistics under some significant areas of Pakistan Railways including infrastructure, human resources, passengers, freight, operation fuel, inventory, land and train safety are discussed below:

a) The total track length of PR was recorded as 11,881 Kilometers with 7,791 route kilometers along with 468 Railway stations whereas rolling stock consisted of 472 locomotives, 1,647 Coaching Vehicles and 14,327 Freight Wagons as on 30.06.2019. Over the years the infrastructure of Pakistan Railways had become obsolete and being rehabilitated whereas rolling stock decreased by 10.5%.

b) Pakistan Railways had 68,727 employees and 121,000 pensioners as on 30.06.2019. The employees reduced during the year by 4.65%. The decrease was due to retirements, in service death of employees and non-recruitment against vacant posts. Owing to mismanagement of human resource in PR, the fixed labor cost in Railway workshops was not in consonance with the production

[4] Comments on Budget & Accounts (2.1(B)(ii))

outputs due to idle times and suspension of operations at certain locations. The expenditure on pay and pension was Rs 27 billion and Rs 31.4 billion for the year 2018-19 respectively which comes to 67.5% of the total working expenses. The rising cost on account of pay and pension also contributed to the persistent deficit of Pakistan Railways.

c) The passengers carried by PR increased by 10% from 54.91 million to 60.39 million, as a result of increase in passenger trains from 36,929 to 46,697 during the year 2018-19 which fetched extra revenue of Rs 4.39 billion.

d) Historically freight transportation had been major source of earning for PR. Over the years, the share of freight earnings had reduced considerably. With the advent of modern rolling stock related to coal transportation the freight earnings witnessed an upward trend. However, during 2018-19 the freight earnings of PR reduced by Rs 150.19 million and stood at Rs 18.85 billion as a result of reduction in freight trains by 3% due to less availability of coal for transportation. The decrease in freight earnings and freight trains-run is suggestive of an inadequate freight business management.

e) The efficient fuel management system is the mainstay of cost effective train operation. PR consumed 159.93 million liters of HSD Oil during the financial year 2018-19 which included excess consumption over and above the fixed ration of fuel despite inclusion of more fuel-efficient locomotives in the fleet. Cases of short receipt and excess consumption of HSD oil valuing Rs 133.84 million were reported in the Audit Report.[5] The major factor responsible for the inefficient fuel management system in Railways is non-adoption of modern accountal and measurement system.

[5] Para 2.5.72 & 2.5.103

f) In Pakistan Railways inventory mis-management is a chronic issue which is being managed through outdated manual system. Inventory in Pakistan Railways is regulated through suspense account which is increasing day by day. It was found that on 30.06.2019 the suspense against inventory of stores stood at Rs 11.58 billion out of which items of Rs 560 million were found five years old. This implied that some of the stores were purchased without actual requirement which resulted in blockage of capital. Few instances of unnecessary procurement of material amounting to Rs 200.04 million and non-disposal of scrap valuing Rs 81.03 million have been reported in Audit Report.[6]

g) Besides earning from its core functions i.e. passenger and freight business, PR's earnings include leasing of surplus Railway land for commercial and agricultural purposes. Pakistan Railways has 167,690 acres of land for operational and leasing purpose. The leasing of surplus railway land has been vulnerable to mismanagement for several reasons which include encroachments, non-compliance of lease agreements and defective leasing policies. A classic example of land mismanagement was Royal Palm Golf & Country Club whereby Pakistan Railways was deprived of approximated revenue of Rs 6.11 billion due to defective contract management. The issues regarding encroachment of land and non-recovery of dues from lessees are also highlighted in the Audit Report.[7]

h) During the year 2018-19, total one hundred forty (140) major and minor accidents occurred in which thirty nine (39) causalities and seventy four (74) injuries to the passengers were reported which shook the trust of the general public with regard to safety of train operation.

[6] Para 2.5.22 & 2.5.57
[7] Para 2.5.48, 2.5.49, 2.5.62, 2.5.66, 2.5.67, 2.5.73, 2.5.74, 2.5.78 & 2.5.79

Moreover, loss on account of these train accidents was not given adequate disclosure in the financial statement of Pakistan Railways. [8]

i) Government of Pakistan allocates funds through Public Sector Development Programme in order to rehabilitate and improve Railway infrastructure, rolling stock, equipment and operational systems. During the financial year 2018-19 an expenditure of Rs 21.13 billion was incurred on the execution of 27 projects. Poor planning and project mismanagement resulted cost overrun and time overrun in all projects. The classic example of this is defective procurement of obsolete Computer Based Interlocking (CBI) and Automatic Train Protection (ATP) systems. Mis-classification of PSDP funds is highlighted in Audit Report.[9]

j) Pakistan Railways has no competitor in the country for its railroad services. However, road transportation is often opted by the general public due to non-availability of desired coaching, freight facilities, train punctuality and safety. Moreover, the National Transport Policy of Pakistan does not complement rail and road transport. It has been found that Pakistan Railways has not been prioritized by the government owing to which less allocation of resources have been made under the PSDP as compared to road sector.

k) In addition to aforementioned external factors, there are some chronic internal issues which hampered the growth of organization over the years. These include legacy accounting & financial reporting system; non-rationalization of personnel; violation of Public Procurement Rules; contract mismanagement; extravagant utility expenses; theft of Railway material due to

[8] Para 1.1.1
[9] Para 1.1.12

inefficiency of Police; parasitic mode of business by PR's ancillary corporations and failure of Public Private Partnership (PPP). These issues are included in Audit Report.[10]

Audit for the fiscal year 2019 revealed that PR was not moving on a sustainable financial path. Based on audit findings, it can safely be inferred that unless strategic initiatives are planned and executed, sustainability of future operations of PR, as going concern, will require persistent material support from Federal Government.

Public Financial Management Issues

Financial Advisor & Chief Accounts Officer, Pakistan Railways

Significant paras emerging from the Management Letter as a result of Certification Audit were taken as Financial Management issues. These have been issued to Secretary/Chairman MoR, Islamabad and Financial Advisor & Chief Accounts Officer, Pakistan Railways, Lahore.

1.1 Audit Paras

1.1.1 Incorrect valuation of fixed assets due to non-recognition of depreciation, additions/ disposals and losses

Para 377 of Pakistan Government Railways Code for the Accounts Department provides that losses or deficiencies should be recorded in the books of account in accordance with the Chart of Accounts. If any transactions under these categories are recorded under a respective head, the losses relating thereto should be written off under respective head also. Moreover, the objective of IAS-16 is to prescribe the accounting treatment for property, plant and equipment. The principal issues are the recognition of assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.

During review of the Commercial Accounts of the Pakistan Railways as on 30th June, 2019 and respective notes thereon, it was observed that all fixed assets in the balance sheet were shown at their

[10] Para 2.5.7, 2.5.11, 2.5.20, 2.5.21, 2.5.25, 2.5.26, 2.5.28, 2.5.49, 2.5.62, 2.5.85 & 2.5.86 & 2.5.114

original/historic cost instead of depreciated cost. Furthermore, if any asset was disposed-off by sale, obsolescence or damaged due to accidents or any other contingency, its value was not deducted from the total assets appearing in the Balance Sheet. As the entity was not charging depreciation on fixed assets and proper record of assets was not being maintained over the system, therefore the assets were being overstated.

It is further added that capital replacement/ improvement was not being added to the relevant head of fixed assets which resulted in under valuation of fixed assets. Furthermore, the value of land was also shown at original/ historic cost and the improvement/ appreciation in the value of land over the years was not taken into account.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that the audit observation was correct and valid. DAC directed to resolve the issue at appropriate level.

The management should promptly finalize the mechanism for assessing depreciation, loss of assets, disposal and revaluation of assets and formulation of accounting policy to incorporate changes in the accounts, which was under consideration since February 2016.

1.1.2 Overstatement of revenue receipts due to booking of revenue on accrual basis and understatement of expenditure due to booking of expenditure on cash basis

Para 1001 of Pakistan Government Railway Code for the Accounts Department Part-I inter-alia provides that Pakistan Railways is as much a Government concern as a commercial enterprise. Its accounts should, therefore, not only follow the essential formalities of commercial accounting but also conform to the requirements of Government accounting. Further, Para 4.3.3.1 of the Accounting Code for Self Accounting Entities stipulates that all revenue receipts will be accounted for on cash received basis.

Contrary to this, PR recognized its earnings both on accrual and cash basis, while recognizes its working expenses on cash basis.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that prior to the year 1985, the expenditure was being recorded on accrual basis. But on the observation of Audit the head “Bills Payable” was eliminated. DAC directed to pursue the matter actively with the concerned quarters to settle this longstanding issue.

Audit recommends that matter should be pursued actively and PR may either recognize both components i.e. Receipts and Expenses on cash basis or it may switch over to accrual basis with the formal approval of CGA and AGP in accordance with provisions of Section 5 (a) of CGA Ordinance.

1.1.3 Non-disclosure of accrued liability on account of interest and exchange risk premium

International Accounting Standard 1.15 provides that the financial statements must “present fairly” the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework. Economic Affair Division after taking foreign loans from donor agencies re-lends these to Pakistan Railways at 8% interest rate and 6% exchange risk premium.

During the course of audit, it was observed that closing balances of foreign loans and credits under heads of PSDP grant and Replacement/Improvement account did not include the amount of interest and exchange risk premium at the rate of 8% and 6% respectively accrued as on 30th June, 2019. Balances were reflected in the accounts using principal amount in Pak rupees instead of foreign currency. This resulted in inadequate disclosure of liability on account of principal and interest on foreign loans.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that the matter was being referred to Ministry of Railways and

EAD for reconciliation and the necessary adjustments would be made accordingly. DAC directed to take prompt steps to rectify the accounts and to show the amount of interest in Balance Sheet as accrued liability.

Audit recommends to take corrective measures by carrying out reconciliation with the figures appearing in the books of Ministry of Railways and Economic Affair Division to set-right the financial statements of Pakistan Railways. Besides, disclosure of foreign loans be made in foreign currency to present fair picture of financial statements.

1.1.4 Overstatement of current assets by adding amounts not accepted by Finance Division – Rs 14,298.21 million

As per Para 316 of Pakistan Government Railway Code for the Accounts Department, the amounts due to Pakistan Railways for services rendered, supplies made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due, that all receipts are properly brought into account and that all receipts are correctly classified.

During the course of audit, it was observed that an amount of Rs 14,298.21 million was shown as receivable from Federal Government on account of interest charged on Provident Fund on the balance held by Federal Government after separation of accounts during 1971. This amount was appearing as Current Assets in the Balance Sheet of Pakistan Railways as on 30th June, 2019 against note No. 16(1). However, Finance Division vide its letter No. F 4 (6) CF. 11/97 Part 1411 dated 15th September, 2006 did not agree with the above referred liability towards Pakistan Railways. Moreover, it was decided in the Clearing House Meeting held in December 2017 that Rs 1.5 billion would be allocated each year under revenue grant to amortize it in subsequent years; however no provision of fund has been made in budget for the FY 2018-19 and 2019-20.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that chairperson had accorded approval of Rs 1.5 billion per annum. However, no grant was allocated in the budget 2018-19 due to the financial crunch prevailing in Pakistan Railways. DAC directed to take prompt steps to rectify the accounts and Balance Sheet.

Audit recommends that the balance sheet should be corrected and presented fairly.

1.1.5 Unnecessary accumulation/non-adjustment of Suspense Balances – Rs 9,111.96 million

As per Para 1601 of Pakistan Government Railway Code for the Accounts Department (Part-I) every balance should be proved each month as far as possible, i.e. it should be compared and reconciled with other parts of the accounts where the figures appear, and it should be seen that the total is supported by details and that the items are current and efficient. The proof of the balances at the end of each financial year must be completed. Further Para 1122 of said code provides that the various subsidiary registers should be totalled up and reconciled with the General Books before the closing of next month's Accounts.

During Certification Audit, it was observed that many suspense accounts were appearing in each area of the commercial accounts where balances under revenue grant were accumulating unnecessarily and showing increasing trend since 2010-11. Few instances of suspense account as on 30.06.2019 are given in annexure - 1. Moreover, balances under the aforementioned revenue heads (Sr. No 1 to 2) are showing an increasing trend for the last many years. In the year 2010-11 this amount was Rs 2,984 million, which rose to Rs 9,111 million (205%) in 2018-19. Similarly an amount of Rs 1,690.77 million was also kept against suspense balances under Capital grant.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that Pakistan Railways had to maintain maximum and minimum levels of the spare parts and those were charged to expenses on the consumption basis. The operations had increased manifold as well as the spare parts requirements as compared to the year 2010. DAC directed to provide detailed reply for satisfaction of the Audit.

Audit recommends that management may take effective steps for adjustment of balances under suspense heads by reconciling accounts as per codal provisions and to curb this increasing trend of leaving suspense balances unadjusted.

1.1.6 Overstatement of Assets and Liabilities due to double booking of Federal Government Investment on Replacement Account - Rs 7,105.63 million

International Accounting Standard 1.15 provides that the financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework.

Review of financial statements as at 30th June, 2019 revealed that Federal Government investment on Replacement Account amounting to Rs 7,105.63 million was being booked under Depreciation Reserve Fund (DRF) on Liability side of Balance Sheet. This amount was first booked under the head "Investment by Government" and then again booked under Depreciation Reserve Fund. Audit disagrees with this practice of double booking because it leads to overstatement of assets and DRF.

On the other hand, Deferred Assets presented in Balance Sheet was just a contra account and was created to offset the wrong accounting treatment of Federal Government Investment under the head Depreciation Reserve Fund. The amount under this head was also increased by Rs 7,105.63 million incorrectly. This practice is against the reporting standards.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC directed to seek advice of CGA to resolve longstanding issue.

Audit recommends that corrective action be taken to rectify the errors. Moreover, deferred assets account should immediately be removed and the expenditure incurred to-date on addition, replacement and rehabilitation should form part of the tangible assets.

1.1.7 Accumulation of Suspense balances due to non-adjustment of advances on account of revenue and capital Rs 1,556.56 million and Rs 4,846.81 million respectively

As per Para 1601 of Pakistan Government Railway Code for the Accounts Department (Part-I) every balance should be proved each month as far as possible, i.e it should be compared and reconciled with other parts of the accounts where the figures appear, and it should be seen that the total is supported by details, and that the items are current and efficient. The proof of the balances at the end of each financial year must be complete. Furthermore, section-16.4.2.1 of Accounting Policies and Procedure Manual stipulates that the suspense account should be cleared on monthly basis.

During the course of audit, it was observed that advances against local purchases were not being adjusted regularly. Similarly, Pakistan Railways paid utilities bills like electricity, Sui gas and others to its service providers and subsequently recovered the amount partially from domestic consumers. The amount paid to utility providers was much higher than what was actually recovered from domestic consumers. Resultantly, PR is suffering losses on account of less recovery/adjustment of advances for local purchase and utility charges. Further, an amount of Rs 20.41 million is lying unadjusted against the head Misc. Advances capital and Rs 4,826.81 million against the head Purchases. The amount is shown under prepayments and advances on assets side of balance sheet which has not been adjusted over the years. Detail is in Annexure - 2.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that out of total outstanding balance an amount of Rs 1,260 million pertained to Sui-Gas charges was required to be written off being irrecoverable and the case was being taken up at an appropriate level. DAC directed to examine the issue seriously and to take prompt steps to minimize balances under suspense heads.

Audit recommends that suspense balances should be reviewed regularly as required under Chapter XVI of Pakistan Railways Accounts

Code Part-I and meaningful efforts be made for prompt adjustment and recovery of amounts held under the suspense head and to clear this amount on monthly basis and finally at year end.

1.1.8 Inadequate disclosure and non-segregation of retirement of foreign loans and interest Rs 4,140.59 million

In terms of Sl. No.11 of "duties and responsibility" issued by MoR, the DG Planning is responsible for lining of Aids/Loans with Donor Agencies through Economic Affairs Division, Finance Division and their monitoring.

During Certification Audit of Ministry of Railways it was observed that an amount of Rs 4,140.59 million was disbursed on account of principal, interest and exchange risk premium. However, the loan wise bifurcation for the period from July 2015 to June 2019 of retirement of loans and its interest was not available. Therefore, it could not be ascertained that which of the foreign loans were retired and to what extent. Detail is in Annexure - 3.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that the matter was being referred to Ministry of Railways and EAD for reconciliation and the necessary adjustments would be made accordingly. DAC directed the management to pursue the matter of reconciliation with concerned quarters vigorously to settle the matter.

Audit recommends to carryout prompt reconciliation with Economic Affair Division with a view to segregate loan-wise liability of Pakistan Railways and accurate budgetary provisions for its repayment.

1.1.9 Excess expenditure against allocated budget at accounting unit level Rs 2,326.64 million

Para 320 of Pakistan Government Railway code for the accounts department provides that all claims against Pakistan Railways should be scrutinized with a view to see that it is covered by the grant at the disposal of the officer incurring it or by funds re-appropriated by competent authority for the purpose and the charges are correctly classified.

During certification audit certain instances of weak budgetary controls were observed at divisional level under the heads Employees Related Expenses, Operating expenses and Repair and Maintenance. For example, the net overall expenses of Rs 2,326.64 million were incurred under these heads of accounts over and above the budget allotment for the year 2018-19. This resulted in excess expenditure due to weak budgetary controls. Detail is in Annexure - 4.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that this observation was raised by Audit before the finalization of the Accounts and Revised Budget allocation. The expenditure incurred in different Head of Accounts was within the limits of Budget allocation for the Financial Year 2018-19.

In pursuance of the management reply audit carried out verification of revised financial review provided on 19.11.2019. Consequently, the amount of excess expenditure over budget allotment was increased from Rs 1,414.00 million to that of Rs 2,326.64 million which proves weak budgetary controls.

Audit recommends to strengthen the financial and budgetary controls.

1.1.10 Non-adjustment of expenditure held under various suspense heads Rs 10.81 million and Rs 1,752.15 million respectively

As per Para 917 of State Railway General Code, the expenditure incurred on a survey project is in the first instance charged to the Revenue head “15-D. or E. – Miscellaneous Railway Expenditure” and when the construction of the project is completed, it is transferred to the debit of Capital irrespective of the year in which the expenditure was originally incurred. Similarly, according to Para-1457 of Pakistan Government Railway code for the Engineering Department a Manufacturing Account is a suspense account in which the debits consist of the actual outlay classified under suitable sub-heads and the credit entries are arrived at by pricing the actual quantity of materials manufactured, at such approximate rates as will cover the total charges after allowing for wastage. Any difference that may exist between the cost of operation and the value of outturn on closing each operation, should be debited, or credited to works under the authority of the Engineer-in-Chief.

During the course of audit of Accounts Officer/Project, while reviewing schedule No. I, it was observed that an expenditure of Rs 10.81 million was incurred on various feasibility studies in previous years but the expenditure incurred had not been booked to the final head of account of capital expenditure although the relevant projects had since been closed.

Further, while reviewing the accounts of Accounts Office/CSF for the year 2018-19 it was observed that an amount of Rs 1,752.15 million was appearing as outstanding balance as on 30th June, 2019 against the head capital-9700. The amount has been accumulated over the years and represented expenditure incurred by CSF for manufacturing of sleepers but not adjusted to the final head of account. Both the instances resulted in understatement of expenditure on capital account.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that amount of Rs. 10.812 million was related to historical balances and could not be adjusted in the accounts as many projects were closed. The amount of Rs 1752.15 million related to CSF and required detailed investigation.

DAC directed to process the case for writing off the amounts related to historical balances and the adjustment be made regarding the amounts of CSF.

Audit recommends maintenance of Manufacturing Accounts of production of sleepers as required under Rule 1457 of Pakistan Railways Code for Engineering Department.

1.1.11 Deliberate deferment of expenses resulting in understatement of expenditure for the FY 2018-19 Rs 1,714.34 million

Para-1133 of Pakistan Railways Code for the Account Department (Part-I) provides that every endeavor should be made to bring to account all the transactions of a year in the account of the year to which they pertain. Further, management assertion on accounts implies that accounts are complete, accurate, and relevant and only expenditure which pertains to the year were booked.

Contrary to the above, during certification audit of SAO/Stores, Lahore for the FY 2018-19 while scrutinizing the financial review and Journal Slips of June Final 2019 it was observed that an expenditure under the head operational fuel for the month of June 2019 amounting to Rs 1,714.34 million was initially booked vide Journal Slip No. 03-C dated 6/2019. Subsequently the same amount was written back and transferred carried forward to the next financial year 2019-20 which was irregular. This resulted in understatement of expenditure amounting to Rs 1,714.34 million for the FY 2018-19 and overstatement of expenditure for FY 2019-20. Audit is of the view that window dressing was done to show less expenditure under the head Operational fuel for the FY 2018-19.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that the matter was being referred to SAO Stores for submission of suitable reply. DAC directed to provide reply within two working days. However, no reply was provided.

Audit therefore, recommends that matter needs investigation for deliberate deferment of expenses relating to FY 2018-19 to the next FY without any justification.

1.1.12 Misclassification of expenditure under different heads of accounts – Rs 684.54 million

Para 1455 of State Railway General Code provides that the correct head of Chart of Accounts should be recorded on each voucher by the drawing officer. This head of account should also show whether the expenditure is Charged or Other than Charged and should mention the Fund from which payment are being made.

During the course of Certification Audit at accounting unit level, it was observed that an expenditure of Rs 684.54 million was booked under irrelevant heads of accounts in violation of codal provisions. The misclassification of expenditure was made under revenue expenditure from one head to another within the revenue and PSDP expenditure. Detail is in annexure - 5.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that misclassification bore no effect on the total booked expenditure. This required detail verification at unit level. DAC directed to rectify the error after verification.

Audit therefore, recommends that the matter be probed for fixing responsibility of misclassification. Furthermore, audit is of the view that rectification of error in the accounts of a financial year cannot be made in accounts of subsequent financial year, without formal approval of CGA.

1.1.13 Overstatement of earnings due to incorrect treatment of amount received for Deposit work – Rs 660.00 million

As per Para-2027 of Pakistan Railways Code for the Engineering Department, the term Deposit work is applied to works of construction or repair, the cost of which is met, not out of Railway funds, but out of funds from non-Railway sources. Works executed by Railways for other Government departments, Municipalities and other Local bodies, and Private Firms and individuals fall under this category. Further, Para-935 provides that the amounts so deposited should be credited to the head "Deposits-Misc", and in terms of Para-2034 any un-expended balance lying at credit of deposits miscellaneous should be refunded to the party who deposited the money after the completion report is approved by the competent authority.

During compliance and certification audit of civil engineering department of Lahore Division, it was observed that an amount of Rs 660.00 million was received from PRFTC for procurement and installation of CBI system at Yousafwala Railway Siding. The work of installation of CBI system was to be executed by PD Signaling Project (Lodhran-Shahdara) but it was irregularly remitted to Lahore Division and accounted for under the head Z-660 sundry earnings for the year 2018-19 instead of crediting to the head “Deposit Misc” besides depositing it into account No. XX maintained with SBP. Under the aforesaid rules the amount was required to be kept under the head Deposit Misc. for execution of work. This resulted in misclassification and overstatement of earnings of PR for the year 2018-19. Therefore, the profit and loss account did not depict true and fair picture of state of affairs of PR.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed by the management that the required work of PRFTC was done by the Pakistan Railways through its own resources. Therefore, the amount received from PRFTC was recognized as revenue and there was no overstatement of earning as pointed out by Audit. DAC directed to provide documentary evidence according to satisfaction of Audit.

Audit therefore recommends that the detail of works executed regarding the installation of CBI system and expenditure incurred along with completion report be shared with Audit for verification.

1.1.14 Misrepresentation of bills receivable against WAPDA resulted in overstatement – Rs 456.00 million

As per definition Accounts Receivable is a legally enforceable claim for payment held by a business for goods supplied and/or services rendered that customers/clients have ordered but not paid for. These are generally in the form of invoices raised by a business and delivered to the customer for payment within an agreed time frame.

During certification audit of DAO Lahore for the year 2018-19 it was observed that an amount of Rs 456.00 million was irregularly adjusted under bills receivable on account of unauthorized/ illegal overhead crossings by WAPDA in January 2015. The amount adjusted was unsubstantiated as no corresponding record was available with electric department and no formal bills/ claims of this amount were ever issued to and accepted by WAPDA. This resulted in fake adjustment of bills receivable and leads to misrepresentation of bills receivable in the financial statements of PR amounting to Rs 456.00 million which did not depict true and fair position of receivables.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that the claim against WAPDA was legitimate and the Audit point of view regarding fake adjustment was not justified. DAC directed to provide the documentary evidence regarding correspondence with WAPDA along-with bills, to Audit for verification.

Audit therefore suggests that all vouchers/ bills issued to WAPDA along with acceptance/ commitment from WAPDA for such receivables and year wise aging of accumulation on this account be provided to Audit.

1.1.15 Unauthorized expenditure without budget allotment – Rs 408.68 million

Para 429 of State Railway General Code provides that no expenditure shall be incurred by an authority without the allotment of necessary funds. In exceptional cases, where expenditure is authorized in anticipation of the allotment of funds, or in excess of the existing provision, the authorization should be followed as soon as possible by a formal allotment of funds to the extent required.

During certification audit of financial statements of Pakistan Railways, it was observed that an expenditure of Rs 408.68 million was incurred without budget allotment for the Financial Year 2018-19. The expenditure pertained to different heads of account. Detail is given in annexure - 6.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that this observation was raised by Audit before the finalization of the Accounts and Revised Budget allocation. The expenditure incurred in different Head of Accounts was within the limits of Budget allocation for the Financial Year 2018-19. DAC directed the Audit that the verification of the budget and expenditure with the Final Financial Review be carried out.

Audit carried out verification of revised financial review provided by the management on 19.11.2019. As a result of verification the amount of unauthorized expenditure increased from Rs 228 million to Rs 408.68 million. It is significant proof of financial mismanagement.

1.1.16 Faulty projections of bills receivables resulting in overstatement and understatement of Rs 298 million and Rs 205.89 million respectively

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

The position of bills receivables of Pakistan Railways as on 30 June, 2019 was Rs 4,416.39 million (2017-18: Rs 4,302.27 million) as per financial statements but no efforts appear to have been made by the management to realize long outstanding receivables ranging from 1967-68 to 2018-19. Rather, bills receivable were increased by Rs 114.11 million during the year.

An amount of Rs 298 million of undeclared dividends was shown under the head "Bills Receivables" irregularly. As per Resolution No. 4/2016 dated 22.06.2016 the PAO desired that RAILCOP should pay Rs 300 million as dividend to Pakistan Railways. Based on this proposal an amount of Rs 300 million was booked as receivable on commitment basis unjustifiably. Subsequently the company declared and paid only Rs 2 million to PR on 18.11.2016 and remaining amount of Rs 298 million was not declared by BoD of RAILCOP. Therefore, reflection of Rs 298 million as receivable in PR accounts was unjustified and incorrect. This resulted in overstatement of Bills Receivables for the year 2018-19.

An amount of Rs 205.89 million was being shown in the record of SAO/Stores which was to be recovered from different suppliers/firms on different accounts. However, the said amount had not been accounted for in Financial Statements as Receivables.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that on the basis of the minutes of the meeting of RAILCOP amount was booked as receivable and the recovery from RAILCOP was under active pursuance. The matter regarding store balance required detailed verification of the balances of Rs 205.892 million. DAC directed to provide detail of verification of recoverable store balances to Audit.

Audit recommends that since the balances under Bills Receivables had an increasing trend for the last many years, these need to be controlled. It is evident that amount was incorrectly shown as “Bills Receivables” on the basis of vague and unspecific commitment of the RAILCOP. Further, the results of verification regarding recoverable balances from supplier/firms be shared with Audit.

1.1.17 Unauthorized payment for the procurement of ballast without budget allocation – Rs 159.31 million for the year 2018-19

Para 320 (c) of Pakistan Railways Code for the Accounts Department described that all claims against Pakistan Railways should be scrutinized with a view to see that it is covered by the grant at the disposal of the officer incurring it or by funds re-appropriated by competent authority for the purpose. Further Para 429 of State Railway General Code provides that no expenditure shall be incurred by an authority without the allotment of necessary funds. In exceptional cases, where expenditure is authorized in anticipation of the allotment of funds, the authorization should be followed as soon as possible by a formal allotment of funds to the extent required.

During certification audit of civil engineering department Lahore Division it was observed that the contractor supplied 27,30,500 Cft ballast and payment of Rs 111.14 million was made to the contractor out of cash allocation without any budget allotment. The budget allocation was not mentioned on bills instead it was stated that the expenditure was chargeable to RMS (Reserve Material Suspense). The cash allocation under the head Track A-13606 for the year 2018-19 was Rs 7.60 million but payment of Rs 111.14 million was made to the contractor which was unjustified. Further, observed that the adjustment of expenditure incurred on procurement of ballast was made through TCs issued by Accounts Officer/Expenditure of Lahore Division to the SAO/Stores and an amount of Rs 84.53 million was booked by SAO/Stores against the purchase of

RM A/c which was unjustified. Moreover, Audit further observed that an expenditure of Rs 48.17 million was also incurred in Rawalpindi, Multan and Karachi Divisions for the procurement of ballast without budget allocation.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that the expenditure amounting to Rs 159.31 million was incurred from the Budget allocation. DAC directed the management to revisit the issue and furnish a comprehensive reply along-with documentary evidence to Audit for verification.

Audit is of the view that the store allocation is meant for procurement/supply of P. way material. In case the ballast is considered one of the store/stock items, then Divisional authorities are not authorized to make procurement and disbursement of ballast. In that case procurement was to be made centralized by the CCP and its disbursement was to be made by SAO/Stores.

Therefore, the matter needs thorough probe for evolving a mechanism for procurement, disbursement, adjustment and accounting treatment of expenditure of ballast.

1.1.18 Wrong booking of withholding tax in Gross Earnings and Deposit Miscellaneous resulting in overstatement of earnings Rs 70.55 million

Section 160 of Income Tax Ordinance 2001 describes that the amount of tax collected or deducted as any tax that has been collected or purported to be collected or deducted shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as may be prescribed.

During certification audit for the year 2018-19, it was observed that advance tax was being collected by Pakistan Railways in shape of withholding tax from different individuals and private parties on auction of land for lease rentals, as a withholding agent on behalf of FBR. The collected amount of tax was credited to Railway Earnings and Deposit Miscellaneous and the amount was not remitted to FBR. This not only resulted in overstatement of earnings and Deposit Miscellaneous by Rs 70.55 million during the year 2018-19 but also caused loss to the Public Exchequer as detailed in annexure - 7.

The matter was taken up with the management in November 2019 and was also discussed in DAC meeting held on 16.11.2019. DAC was informed that concerned quarters were being approached for the verification of the amounts. DAC directed to take corrective action without further loss of time.

Audit recommends that proper steps be taken to avoid such recurrence.

Chapter 2 Pakistan Railways

2.1 INTRODUCTION

(A) Pakistan Railways is a state owned enterprise with a mission "to provide a competitive, safe, reliable, market oriented, efficient and environment friendly mode of transport". It is managed by the Railway Board. The Secretary, Ministry of Railways is the Principal Accounting Officer and also ex-officio Chairman of the Railway Board. The affairs of Pakistan Railways are administered by the following authorities.

i. CEO/Senior General Manager
ii. GM/Manufacturing and Services
iii. GM/Welfare and Special Initiatives

The core functions of Railway operations are administered by the Chief Executive Officer/Senior General Manager who is assisted by three Additional General Managers: Infrastructure, Mechanical and Traffic besides the Principal Officers of respective departments. There are seven operational Divisions viz Peshawar, Rawalpindi, Lahore, Multan, Sukkur, Karachi, Quetta and one Workshops Division at Mughalpura Lahore. Each Division is administered by a Divisional Superintendent (DS). The Divisional Superintendent is assisted by Divisional Officers in their respective fields. The fields include Civil, Mechanical, Electrical, Signal, Telecom Engineering, Traffic, Commercial, Accounts, Medical, Police and Personnel. Likewise, manufacturing unit is headed by the General Manager/ M&S who is assisted by MD/Locomotive Factory Risalpur, MD/Carriage Factory Islamabad and MD/Concrete Sleeper Factories Lahore.

The welfare activities of Pakistan Railways are administered by the GM/Welfare and Special Initiatives (W & SI), who is assisted by Director General/Pakistan Railway Academy Walton, Director General Education and Chief Medical & Health Officer.

The administrative head of the Railway Accounts Department is Member Finance in the Railway Board who is assisted by three Financial Advisors & Chief Accounts Officers. Moreover, there is a Chief Internal

Auditor who heads the Internal Audit Wing and reports directly to the Principal Accounting Officer.

PR has five subsidiaries namely Pakistan Railways Advisory & Consultancy Services (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Karachi Urban Transport Corporation (KUTC), Railway Estate Development and Marketing Company (REDAMCO), Kashmir Railway Private Limited (KR) and Pakistan Railway Freight Transport Company (PRFTC). Each company was headed by a Managing Director.

PRACS was established in 1976 as a public limited company. Its main objectives were to prepare the feasibility reports for new Railway lines and render technical assistance in connection with the designing, modernization and maintenance of Railway installations, workshops, bridges and rolling stock. Presently, its main activities are sale of Railway tickets and managing certain trains on joint venture basis. RAILCOP was established in 1980 as a public limited company. Its main objective was to develop and upgrade Railway infrastructure.

KUTC was established in 2008 with the main objective to provide local train facility to the general public of Karachi. REDAMCO was established in 2012 with the objective to develop and market Railway estate. KR was established in 2015 to complete feasibility study and PC-I for the rail link between Islamabad and Muzafarabad via Murree.

PRFTC (Pakistan Railway Freight Transport Company) was established on 8.01.2015 with the objective to explore avenues of public private partnership and to enter into joint venture with private entities, domestic as well as international, for procurement of rolling stock (locomotives & hopper wagons) or to bring in any other private investment in Railway system as and when required.

(B) Comments on Budget & Accounts

Pakistan Railways prepares Appropriation Accounts and Commercial Accounts. In Appropriation Accounts the revenue and capital grants are presented while in commercial accounts the Financial Statements are presented. The comments on appropriation and commercial accounts are given hereunder:-

(i) Comparison of Allocated Budget with Actual Expenditure - Financial Year 2018-19

(Rs in millions)

Items	Original Allocation	Supplementary Allocation	Final Allocation	Actual Expenditure	Variation	
		(Surrender)			Excess/ (Saving)	%
Grant No. 094 Revenue Expenditure						
Voted	86,500.00	2,500.00	89,000.00	86,867.69	-2,132.31	-2.40
Charged	1,000.00	0	1,000.00	796.43	-203.57	-20.36
Total	**87,500.00**	2,500.00	90,000.00	**87,664.12**	-2,335.88	-2.60
Grant No.151 Capital Outlay on Pakistan Railways						
Voted (Capital)	28,065.05	-5,272.18	22,792.87	21,126.87	-1,666.00	-7.31
Charged	0.00	0.00	0.00	0.00	0.00	0.00
Total	28,065.05	-5,272.18	22,792.87	21,126.87	-1,666.00	-7.31
Grand Total	**115,565.05**	**-2,772.18**	**112,792.87**	**108,791.00**	-4,001.87	-3.55

The comparison between allocated budget and actual expenditure clearly showed that the actual expenditure incurred under “voted” portion of Revenue Grant was less than the final allocation and there was saving of Rs 2,132.31 million (2.40%). The expenditure incurred under “Charged” portion was Rs. 796.43 million and there was saving of Rs 203.57 million (20.36%) even though liability on account of interest on overdraft and foreign loans was outstanding. The overall saving under both heads of Revenue Grant was 2.60%.

The actual expenditure of Capital outlay on Pakistan Railways was less than the final allocation which resulted in saving of Rs 1,666 million (7.31%).

This state of affairs indicates failure on the part of management for not incurring the expenditure according to the allocated budget.

(ii) Comparative Analysis of Accounts of Financial Year 2018-19

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

Profit & Loss Account:

(Rs in million)

Particulars	2018-19	2017-18	2016-17	Variation Increase (Decrease)	Variation (%)
1	**2**	**3**	**4**	**5 (2-3)**	**6**
Gross Earnings	54,507.93	49,569.68	40,064.95	4,938.25	9.96
Total Working Expenses	86,486.77	85,514.38	80,381.36	972.39	1.14
Operating Surplus/ Loss	**-31,978.84**	**-35,944.70**	**-40,316.41**	**3,965.86**	**-11.03**
Interest on Debt	-796.43	-683.34	-403.11	-113.09	16.55
Miscellaneous Receipts	5.99	5.99	17.74	0.00	0.00
Net Profit / (Loss)	**-32,769.28**	**-36,622.05**	**-40,701.78**	**3,852.77**	**-10.52**

The profit & loss account of Pakistan Railways for the FY 2018-19 indicated that:

a) Total operational working expenses amounting to Rs 86,486.77 million were much higher than the gross earnings of Rs 54,507.93 million. No doubt, gross earnings had increased as compared to previous years but still gap between working expenses and gross earnings was quite high which resulted in operational loss of Rs 31,978.84 million. This indicated that Railway administration could not achieve the target of zero operating deficit.

b) Interest on overdraft and foreign loans was paid by the management of Pakistan Railways amounting to Rs. 796.43 million which represents a sharp increase of 16.55% over the previous year.

c) Pakistan Railways suffered a net loss of Rs. 32,769.28 million. To cover the loss, Federal Government provided Grant-in-Aid amounting to Rs 37,000.00 million which was in excess of the operational loss. The balance amount of Grant-in-Aid i.e. Rs 4,230.72 million was transferred to the Railway Reserve Fund.

Balance Sheet:

(Rs in million)

Particulars	2018-19	2017-18	2016-17	Variation	
				Increase/ (Decrease)	Percentage %
1	2	3	4	5 (2-3)	6
Liabilities					
Capital & Net Worth	221,094.35	198,720.98	180,095.80	22,373.37	11.26
Revenue Reserves	64,127.56	59,260.56	54,039.44	4,867.00	8.21
Long Term Liabilities	73,538.23	73,630.19	70,484.04	-91.96	-0.12
Current Liabilities	18,724.05	16,506.38	12,414.60	2,217.67	13.44
Total Liabilities & Capital	**377,484.19**	**348,118.11**	**317,033.88**	**29,366.08**	**8.44**
Assets					
Fixed Assets	165,130.47	150,518.84	141,661.96	14,611.63	9.71
Deferred Assets	135,996.79	128,891.15	119,669.55	7,105.64	5.51
Current Assets	76,356.93	68,708.12	55,702.37	7,648.81	11.13
Total Assets	**377,484.19**	**348,118.11**	**317,033.88**	**29,366.08**	**8.44**

The figures appearing in Balance Sheet of Pakistan Railways for the FY 2018-19 were reflective of the following:

a) Capital & Net Worth increased by Rs 22,373.37 million (11.26%) over the preceding year. The increase was due to booking of investment amount made by the Federal Government through cash release for Development Programmes which was provided in addition to Grant-in-Aid.

b) Revenue Reserves increased by Rs 4,867.00 million (8.21%) over the preceding year. The increase was due to booking of excess amount of Grant-in-Aid by Federal Government to meet operational shortfall and increase in investment made by Federal Government on Replacement account i.e. Depreciation Reserve Fund.

c) Fixed Assets increased by Rs 14,611.63 million (9.71%) over the preceding year. The increase was due to booking of Federal Government Investment on Capital Account.

d) Deferred Assets increased by Rs 7,105.64 million (5.51%) over the preceding year. The increase was due to wrong booking of Federal Government Investment on Replacement Account under depreciation reserve fund and under head, "Deferred Assets".

(iii) Comments on the Financial Statement of RAILCOP

Profit & Loss Account:

VARIATION & PERCENTAGES IN PROFIT AND LOSS ACCOUNT OF RAILCOP

(Rs in millions)

Particulars	**2018-19**	**2017-18 Restated**	**2017-18 (Incorrect Accounts)**	**Variation**	**% age**
(1)	**(2)**	**(3)**	**(4)**	**(5) (2) – (3)**	**(6)**
Revenue	1,252.93	2,009.15	2,009.15	(756.22)	-38
Cost	(1,021.09)	(1,650.45)	(1,512.13)	629.36	-38
Gross Profit	**231.84**	**358.70**	**497.02**	(126.86)	-35
Admin Expenses	(44.44)	(38.98)	(38.43)	(5.46)	14
Other Income	144.60	71.80	71.80	72.80	101
Operating Profit	**332.00**	**391.52**	**530.39**	(59.52)	-15
Finance Cost	(1.72)	(2.10)	(2.10)	0.38	-18
Profit before Tax	**330.28**	**389.42**	**528.29**	(59.14)	-15
Tax	(86.91)	(96.69)	(96.69)	9.78	-10
Profit after Tax	**243.37**	**292.73**	**431.60**	(49.36)	-17
EPS	**12.17**	**14.64**	**21.58**	(2.47)	-17

The Profit & Loss Account of RAILCOP for the financial year 2018-19 indicated the following facts:

a) Revenue earnings of the company for the year 2018-19 decreased by 38% as compared to previous financial year 2017-18. The main reason for this substantial decrease was low volume of revenue from “construction contracts” and “other than construction contracts” which decreased by 42.68% and 26.82% respectively. Audit therefore recommends that the company must take appropriate decisions to fetch more business from outside of its existing domain.

b) Gross profit for the year 2018-19 decreased by 35% as compared to previous financial year 2017-18 which was mainly due to decrease in revenue earnings from “construction contracts” and “other than construction contracts”. Therefore, it is recommended that cost of revenue be curtailed by adopting economy in expenditure.

c) Operating profit for the year 2018-19 shows a decline of 15% as compared to the previous financial year 2017-18. The operating profit ratio for the year 2018-19 was 26.5% which is satisfactory and shows substantial income from other sources. However, reliance on other income like interest on bank deposits and return from long term investments be discouraged.

d) Profit before tax and Profit after tax for the year 2018-19 declined by 15% and 17% respectively.

e) Earnings per share (EPS) for the year 2018-19 decreased by 17% which shows low profitability associated with each share as compared to previous year.

Statement of Financial Position as at 30th June 2019

VARIATION & PERCENTAGES OF BALANCE SHEET OF RAILCOP

(Rs in millions)

Particulars	2018-19	2017-18 Restated	2017-18 (Incorrect Accounts)	Variation	% age
(1)	(2)	(3)	(4)	(5) (2) – (3)	(6)
ASSETS					
Property, plant and equipment	72.70	74.95	74.95	(2.24)	-3
Receivable from joint ventures	1.30	1.30	1.30	0.00	0
Long term Advances	3.79	2.75	2.75	1.04	38
Store, Spare parts and loose tools	13.30	21.76	21.76	(8.46)	-39
Stock in trade	401.20	312.73	614.22	88.47	28
Work in process	-	3.69	3.69	(3.69)	-100
Contract receivables	1,095.14	819.67	819.67	275.47	34
Contract assets	156.67	379.72	379.73	(223.06)	-59
Advances	83.77	152.09	152.09	(68.33)	-45
Security deposits, retention money and prepayment	287.38	303.19	303.19	(15.81)	-5
Accrued interest on bank deposits	0.22	0.16	0.65	0.06	38
Other receivables	15.09	8.44	8.44	6.65	79
Advance tax	-	-	505.30	0.00	0
Short term Investments	256.79	166.46	165.97	90.33	54
Cash and bank deposits	885.79	659.97	684.97	225.82	34
Total Assets	**3,273.14**	**2,906.88**	**3,738.68**	**366.26**	**13**
EQUITY AND LIABILITIES					
Issued, subscribed and paid-up capital	200.00	200.00	200.00	0.00	0
Reserves	2,680.93	2,432.99	2,759.48	247.94	10
Equity	**2,880.93**	**2,632.99**	**2,959.48**	247.94	9
Staff retirement benefits	46.79	50.63	50.64	(3.84)	-8
Trade and other payables	236.30	138.11	138.09	98.19	71
Retention money	71.72	70.87	70.87	0.85	1
Mobilization Advances	3.99	7.43	7.43	(3.44)	-46
Contract liabilities	19.93	-	-	19.93	100
Provision for taxation-net	13.48	6.85	512.15	6.63	97
Total Equity and Liabilities	**3,273.14**	**2,906.88**	**3,738.66**	**366.26**	**13**

The Balance Sheet of RAILCOP as on 30th June, 2019 indicated the following facts:

a) Assets of the company as on 30th June, 2019 decreased by 13% in aggregate as compared to previous year. However, variations under different heads of assets have shown increases ranging from 28% to 79% and decreases ranging from 3% to 100%.

b) Stock in trade was increased by 28% as compared to financial year 2017-18, however it is pertinent to mention that the auditors of the company have restated previous years accounts 2017-18 due to their non-satisfaction regarding details of quantities of inventory items. Therefore, qualified opinion was formed on the accounts for the year 2018-19. The restatement of the value of stock in trade as on 30th June, 2018 resulted into decrease of its value by Rs 301.49 million i.e. 49.09% as per previous (incorrect) financial statements of financial year 2017-18.

c) Advance Tax and Provision for taxation-net decreased by Rs 505.30 million and Rs 505.30 million respectively in the restated accounts as compared to previous (incorrect) accounts of financial year 2017-18. The substantial decreases in the value of Stock in Trade, Advance Tax and Provision for taxation i.e. 49.09%, 100% and 97% in the restated accounts represented defective work of previous auditors.

d) Current ratio for the year 2018-19 was 9.25 which indicated existence of idle current assets due to non-utilization/less utilization of resources.

e) Inventory turnover for the year 2018-19 was 2.55 which is considered as average as compared to industry standards related to construction companies.

f) Assets Turnover for the year 2018-19 was 0.38 which was very low and shows that company was not efficiently utilizing its assets to generate sales.

g) Total Debt to shareholder's equity for the year 2018-19 was 0.14 which shows low debt financing.

(iv) Comments on the Financial Statement of PRACS

(Rs in million)

Particulars	2018-19	2017-18	Variation	% age
Revenue	749.81	699.15	50.66	7
Cost	682.24	647.03	35.21	5
Gross Profit	67.57	52.12	15.45	30
Admin Expense	**50.96**	**43.02**	**7.94**	**18**
Operating Profit	16.61	9.1	7.51	83
Other Income	32.06	22.42	9.64	43
Profit before Tax	48.67	31.52	17.15	54
Tax	14.06	11.65	2.41	21
Profit after tax	34.61	19.87	14.74	74
EPS	0.48	0.28	0.20	71

The Profit & Loss Account analysis of the PRACS indicated the following facts:-

a) Revenue of the company has increased by 7% for the financial year 2018-19. The company generated 43% revenue from other sources which indicated that the operational sources of income of the company were not being optimally utilized to generate revenue. Moreover, revenue generated from Heritage Department has increased by 44% in financial year 2018-19 but on the counterpart the expenditure incurred to generate this revenue was increased by 995%. This situation indicated poor management and weak internal controls as such huge increase in expenditure needs justification.

b) The revenue from Railway Marriage hall has been decreased by 25% in the year 2018-19 as compared to previous year 2017-18.

c) The income from consultancy services increased by 48% whereas the expenditure on consultancy services showed increase of 239% which needs to be justified.

d) Vehicle running and maintenance cost increased by 447% in the year 2018-19. An increase of 95% was observed in travelling and conveyance allowances. Salaries, allowances and benefits were also increased by 17% in 2018-19. This abnormal increase in cost is a daunting situation for management.

e) As per IAS-19 and IAS-26 "benefits regarding retirement of employees must be properly accounted for and disclosed in financial statements" which have not been adopted during preparation of financial statement for the year 2018-19. The same qualification has also been reported by the Company Auditors.

(Rs in million)

Particulars	**2018-19**	**2017-18**	**Variation**	**% age**
Equity & Liabilities				
Issued capital	72	72	0	0
Un-appropriated profit	659.14	629.53	29.61	5
Equity	731.14	701.53	29.61	4
Deferred Liabilities	79.00	72.57	6.43	9
Creditors	73.52	43.96	29.56	67
Provision for taxation	14.06	9.41	4.65	49
Total Equity and Liabilities	897.72	827.47	70.25	8
Fixed Assets (Property & Equipment)	23.07	24.56	-1.49	-6
Debtors	118.65	89.12	29.53	33
Advances ,prepayment & deposit	453.47	286.29	167.18	58
Short term Investment	200.00	350.00	-150.00	-43
Cash & bank balances	102.53	77.5	25.03	32
Total Assets	**897.72**	**827.47**	**70.25**	**8**

The analysis of Balance Sheet of PRACS as on 30th June, 2019 indicated the following facts:-

a) The amount under head creditors increased by 67% during financial year 2018-19 which indicates that management is not making payment to creditors intentionally as per agreed terms and conditions despite increase in cash and bank balance during FY 2018-19.

The bank balance has been increased by 32% which shows that company is not managing its assets properly thereby reducing its profitability. The amount should have been invested rather than holding in the bank.

b) Fixed Assets decreased by 6% during 2018-19 which needs to be justified.

c) Short term investment decreased by 43% during 2018-19 as compared to previous year which needs to be justified.

   The Trade Debtors increased by 33% which depicted poor internal controls regarding collection/recovery from debtors which is a daunting situation for management and needs immediate attention to avoid its further accumulation.

d) The amounts under the heads advances, prepayments and other receivable increased by 58% for the year 2018-19. This major increase is due to advances to PR for KKK express and advance income tax.

e) Average collection period from debtors increased from 46 days to 57 days during the financial year 2018-19 which indicates the weak internal controls over collection from debtors. The receivables increased by 33.14% during FY 2018-19, which is a daunting sign for management and needs immediate attention to avoid its further accumulation.

f) As per IAS-12, deferred tax assets/liabilities must be properly accounted and appropriately annexed for preparing financial statements. It has not been followed by the management. This qualification has also been pointed and reported by Chartered Accountant.

g) As per IFRS-15, revenue from contracts with customers is applicable to accounting periods beginning on or after 2018 but the company failed to adopt and assess the impact of this standard on its financial statements which is a discouraging.

h) As per IFRS-9, proper classification and measurement of financial assets and financial liabilities must be done and the impact of these changes must be assessed and reflected in the financial statements but company failed to do the same which is an alarming situation.

v) Comments on the Financial Statement of PRFTC, KR, KUTC and REDAMCO

The annual accounts/Financial Statements of Pakistan Railway Freight Transportation Company (PRFTC), Kashmir Railway (KR), Karachi Urban Transport Corporation (KUTC) and Railway Estate Development and Marketing Company (REDAMCO) for the year of 2018-19 have not been audited/verified by auditors. Hence accounts for the FY 2018-19 pertaining to these companies were not provided to audit. Therefore, no comments could be offered.

2.2 Audit Profile of "Pakistan Railways"

(Rs in million)

Sr. #	Description	Total Nos.	Audited	Expenditure audited FY 2018-19	Revenue/ Receipts audited FY 2018-19
1	Formations	55	*34	36,261.20	2,321.80
2	Assignment Accounts SDAs Etc. (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

* Audit of remaining 21 formations would be conducted from January to June, 2020

2.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 45,507.55 million were raised in this report during the current audit of Pakistan Railways and its ancillary companies. This amount also includes recoveries of Rs 8,093.89 million pointed out by the audit. Summary of the audit observations classified by nature is as under:-

(Rs in million)

Sr. #	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	1,534.96
3.	Irregularities	-
a)	Human resource/Employees related irregularities	278.93
b)	Procurement related irregularities	3,842.83
c)	Management of accounts with commercial banks	1,548.41
d)	Execution of civil works and services	6,395.02
e)	Assets management	13,407.97
f)	Financial management	2,878.12
4.	Value for money and service delivery issues	9,393.68
5.	Others	6,227.63

2.4 Brief Comments on the Status of Compliance with PAC directives

S. #	Audit Year	Total Paras	Total No. of Actionable Points	Compliance received	Compliance not received	%age of Compliance
1	1985-86	34	34	23	11	68
2	1986-87	29	29	25	04	86
3	1987-88	31	31	19	12	61
4	1988-89	19	19	10	09	53
5	1989-90	41	41	28	13	68
6	1990-91	42	42	38	04	90
7	1991-92	36	36	24	12	67
8	1992-93	99	13	04	09	31
9	1993-94	67	67	49	18	73
10	1994-95	123	123	79	44	64
11	1995-96	153	21	13	08	62
12	1996-97	65	05	0	5	0
13	1997-98	56	07	07	0	100
14	1998-99	50	28	03	25	11
15	1999-2000	58	56	33	23	59
16	2000-01	48	48	29	19	60
17	2001-02	28	28	11	17	39
18	2003-04	24	11	03	08	27
19	2004-05	22	22	16	06	73
20	2005-06(A)	46	46	30	16	65
21	2006-07	34	34	16	18	47
22	2007-08	68	29	07	22	24
23	2008-09	101	101	43	58	43
24	2009-10	151	08	01	07	13
25	2010-11	88	08	0	08	0
26	2013-14	59	02	0	02	0
27	2015-16*	84	17	0	17	0

The pace of compliance of PAC directives is very slow which needs to be improved.

AUDIT PARAS

2.5 AUDIT PARAS

2.5.1 Non-production of record

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

During audit of following formations, the auditable record was not provided to Audit for scrutiny as detailed in **Annexure - 8**:

Sr #	DP #	Formation
1.	10042	DGM, P.R Headquarters Office, Lahore
2.	10043	Managing Director, Carriage Factory, Islamabad

These issues were taken up with the management in August and November 2019. Management replied against Sr. No. 1 that record was available and could be checked at any time. Against Sr. No. 2 management replied that the requisite record was handed over to the GM/M&S in connection with an inquiry, therefore, same could not be provided to Audit. The remarks were not acceptable because record was not provided to Audit for examination during the course of audit.

Despite repeated requests the PAO did not convene meeting of the DAC.

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

Reported cases of fraud, embezzlement and misappropriation

2.5.2 Non-finalization of fraud and serious irregularities cases – Rs 1,075.25 million

Para-1808 of Pakistan Railways General Code provides that if the loss occurred through fraud, every endeavor should be made to recover the whole amount lost from the guilty persons, and if laxity of supervision has facilitated the fraud, the supervising officer at fault may properly be penalized either directly by requiring him to make good in money a sufficient proportion of the loss, or indirectly by reduction or stoppage of his increments of pay. Further, Para-1804 provides that it is of the greatest importance to avoid delay in the investigation of any loss due to fraud, negligence and financial irregularity.

During the audit of Financial Advisor and Chief Accounts Officer/ Revenue, Lahore in September 2019, it was observed that 402 cases of fraud and serious irregularities amounting to Rs 1,075,254,810 were lying outstanding as on 30.06.2019 since long. Railway management did not take concrete efforts for recovery of amount involved and settlement of the cases. This resulted in loss of Rs 1,075.25 million due to negligence of management.

The matter was taken up with the management in September 2019. Management replied that observation is related to the concerned Divisional Offices. The remarks were not acceptable as it was the responsibility of FA&CAO/Revenue office to finalize the cases in coordination with concerned departments.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-finalization of cases and non-recovery of the embezzled amount and action be taken against those held responsible. Efforts be made for prompt disposal of cases besides recovery of the embezzled/fraud amount.

DP # 9987

2.5.3 Unauthorized deposit of funds into private accounts – Rs 146.67 million

Para 1402 of Pakistan Railways General Code provides that all money received by or tendered to Government Officers on account of revenues should be deposited in full in the treasury or bank specified by the Ministry of Finance in consultation with the State Bank of Pakistan without any delay. Further, Rule 5 of Chapter 2 of General Financial Rules provides that moneys received as dues of Government or for deposit in the custody of Government should be credited into the Public Account in accordance with the Treasury Rules.

During audit of following formations of Pakistan Railways, it was observed that an amount of Rs 146.67 million was deposited/transferred into private accounts instead of Government treasury without legal authorization as detailed below:-

(Rs in million)

Sr #	DP #	Formation	Description	Account No.	Amount
1.	9635	RAILCOP	Cash advances for official use	Various bank accounts	111.93
2.	8160	IG.PRP	Marriage hall/Police club	NBP, PR, HQ Office Lahore 18821-9	19.38
3.	10039	DG, Walton Academy	Rent of marriage lawn	NBP, Walton 4070100400	14.12
4.	9683	DGM, Headquarters Office Lahore	Canteen	UBL Empress Road, Lahore 0112059010070598	1.24
				Total	**146.67**

The matter was taken up with the management from April 2016 to August 2019. The matter at Sr. No. 1 & 2 was discussed in DAC meetings held on 12.06.2017 & 08.11.2019 respectively. DAC directed against Sr. No. 1 that the PO to discontinue the practice of irregular transfer of funds into private bank accounts of employees immediately. It was further directed that documentary evidence in respect of adjustments of amounts be furnished and got verified from Audit. DAC also constituted an inquiry committee consisting of AGM/I and FA&CAO/PR to inquire the matter as pointed out by Audit and submit the report within 15 days. Against Sr. No. 2, DAC was informed that the income generated from Railway Police marriage Hall was utilized for the welfare of PRP employees in the light of regulation No. 7 approved by General Manager. Presently, the matter is under process with the DG/Legal, Regional Manager/Central REDAMCO & Directorate of Property & Land, PR, HQ Lahore for handing over the possession of said site to the REDAMCO. DAC directed the PO that Audit may be kept updated about the latest position regarding finalization of matter with REDAMCO. Moreover, regarding Sr. No. 4 the management replied that instructions had been issued to the concerned corners for transferring the money to Govt. treasury.

Compliance of DAC directives regarding Sr. No. 1 & 2 was awaited. The remarks against Sr. 4 were not acceptable as progress regarding transfer of funds was not furnished to Audit. Against Sr. No. 3 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC against Sr. No. 3 and 4.

Audit recommends that the practice of utilization of funds through private accounts be immediately stopped and action may be taken against those held responsible. Furthermore, the revenue earned from public land and buildings must be deposited in the Government treasury without delay under intimation to Audit.

2.5.4 Suspicious adjustment of cash advances through fake/ self-generated invoices – Rs 101.04 million

Para 807(1) of Pakistan Railways General Code states that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Further, Federal Board of Revenue circular No. C.No. 1(42) STM/2009/99638-R dated 24.07.2013 provides that purchase of taxable goods may only be made from sales tax registered persons against sales tax invoices and payments through banking channel.

During audit of Railway Constructions Pakistan Limited (RAILCOP), Islamabad in April 2019, it was observed that RAILCOP employees were granted cash advances for local purchases of different materials and services like ballast, cement, steel, tiles, sand and labour charges etc. for construction works and track rehabilitation. The procurement of material was made through shopping committees on cash basis and adjustment of the same was made through invoices. Audit observed that invoices presented for adjustment of advances valuing Rs 101.04 million were either bogus or self-generated due to the following reasons:-

a) The invoices were without serial number. In some cases, serial numbers were given but they were in continuous order as no other firm except M/s RAILCOP was the customer of the supplier. This depicts that invoice books were in custody of the RAILCOP employees and they themselves prepared the bills.
b) The invoices were not signed by the suppliers and official stamps were also not affixed on bill.
c) No proof of payments to supplier was available.
d) Payments to suppliers were not made through banking channels.
e) Reference of ledger cards for receipt and accountal of material was not mentioned on the bills.
f) The bills were signed by the project engineer himself instead of shopping committee.
g) All invoices were without GST and the procurement was made from unregistered GST persons/ entities. Furthermore, hand writing on the bills of different suppliers was same.
h) The procurement was made without tendering process.
i) Procurement of material for station building Narowal was made from Lahore which caused extra expenditure on account of transportation charges.
j) Computer generated invoices were presented in case of steel procurement.
k) Address and telephone number of two suppliers M/s Aftab Traders and Tariq Saleem & Sons were the same. During physical verification it was found that offices of M/s MZ Enterprises did not exist at the given address i.e. 1st Floor, Rehman Arcade, 218-Main Ferozepur Road, Lahore.
l) In particular cases, the invoices were prepared on RAILCOP's own letter head.

The matter was taken up with management in July 2019. Draft Para No. 9589 was discussed in DAC meeting held on 07.11.2019. DAC did not consider the reply of RAILCOP satisfactory and directed the CEO/Senior General Manager to constitute an inquiry committee to probe the matter making the audit observation from "a to k" as TORs and inquiry report be submitted within one month. Draft Para No. 9720 was also discussed in DAC meeting held on 16.12.2019. DAC took serious notice for non-presence of PO and directed to issue displeasure to MD/RAILCOP. Compliance of DAC directives was awaited.

Audit recommends that matter be investigated to fix responsibility for making irregular adjustment of advances through bogus and self-generated vouchers and action be taken against those held responsible. Compliance of DAC directives be ensured under intimation to Audit.

DP # 9589, 9720

2.5.5 Loss due to double payment for the same services – Rs 71.95 million

As per clause 4.1.3 of contract agreement dated 16.08.2017 executed between PRFTC and M/s Equinox (Pvt.) Ltd., 20% payment will be made to the supplier on assembling of turnouts at site. Further, in terms of Para (v) of Director Technical/PRFTC letter No. PRFTC/T/PR-TO/2017 dated 01.08.2017, the assembling of turnouts was the responsibility of the supplier.

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that 19 turnouts valuing Rs 359,730,929 were supplied by M/s Equinox (Pvt.) Ltd. The assembling of the turnouts at site was also the responsibility of said firm. Audit observed that payment of assembling the turnouts was made twice, once to the supplier and later on to another contractor M/s Infrastructure Engineers vide agreement dated 19.10.2016 for linking of track from Yousafwala Railway Station to Qadirabad Power Plant. This resulted in loss of Rs 71,946,185 (20% of total cost of turnouts) due to double payment for the same services.

The matter was taken up with the management in April 2019. Management replied that M/s Equinox (Pvt) Ltd was responsible for assembling the turnouts in Assembly Yard at site only in order to ensure that all fittings & fastenings had been received and turnouts of proper alignment and track parameters had been supplied. The turnouts were again de-assembled in parts and were shifted from the assembly yard to the actual position on track where they were reassembled and linked with the main track by M/s Infrastructure Engineers. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed at an appropriate level to fix responsibility for double payment and action be taken against those held responsible besides recovery of the amount involved. Internal controls regarding financial and contract management be strengthened to avoid recurrence.

DP # 9749

2.5.6 Loss due to deficiencies in Coaching and Goods Stock– Rs 71.15 million

Modified Standard Operating Procedure as communicated vide Chief Mechanical Engineer’s letter No. 264-W/0/21/12/2008-09 dated 09.12.2010 lays down detailed internal controls to be put in place to stop theft/pilferage of material from Railway coaches and wagons.

During audit of different formations, it was observed that internal controls as suggested in above mentioned Modified Standard Operating Procedure were not implemented due to which deficiencies of fittings in coaching and goods stocks valuing Rs 71.15 million were noticed. PR faced above loss due to slackness of the management as detailed below: -

(Rs in million)

Sr. #	DP #	Formation	Period	Total Cost of C&W Stock
1	9381	Electrical Department, Workshops Division Mughalpura, Lahore	2016 to 2018	38.94

2	10017	Mechanical Department, Lahore	2018-2019	22.28
3	9385	Works Manager, C&W Shops, Hyderabad	2015 to 2018	7.97
4	9974	Mechanical Department, Multan	February to March 2019	1.96
			Total	**71.15**

The matter was taken up with the management from July 2018 to September 2019. Management replied against Sr. No. 1 that theft incidences of electrical material mostly took place in the open yard where it was quite difficult to ensure fool proof security arrangements by Pakistan Railways Police due to shortage of staff. Efforts however had been made to control the pilferage of these electrical items through coaching staff. Against item No. 3 management replied that these shortages were incurred in operating divisions and had been reported on monthly basis to concerned authorities to control deficiencies.

The remarks were not acceptable as management has failed over the years to protect the theft/ misappropriation of fittings and equipment's of rolling stock due to non-compliance of SOP in true letter and spirit. Against Sr. No. 2 and 4 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that Railway management should immediately devise a strategy with the help of concerned departments to minimize such losses. Disciplinary action be taken against those held responsible for non-implementation of SOP besides recovery of the amount from them. The loss be also reported in Financial Statements of Pakistan Railways.

2.5.7 Loss due to misappropriation/theft of material – Rs 61.62 million

Para 372 of Pakistan Railways Code for the Accounts Department provides that the defalcation or loss should be reported to the Accounts Officer and Statutory Audit and should be investigated by the Executive in association with Accounts representative with a view to fix responsibility.

During audit of different formations, it was observed that various type of items valuing Rs 61.62 million were misappropriated/ stolen due to negligence and slackness of the management. This resulted in loss of Rs 61.62 million to Pakistan Railways as detailed in **Annexure - 9.**

Despite repeated requests the PAO did not convene meeting of DAC except Sr. No. 9 and DAC directives of the same had been incorporated in **Annexure - 9**.

Audit recommends that matter be probed to fix responsibility for misappropriation/theft of items and action be taken against those held responsible besides recovery of the amount involved under intimation to audit. The loss be also reported in Financial Statements of Pakistan Railways.

2.5.8 Misappropriation of miscellaneous advances – Rs 7.28 million

According to Ministry of Railways letter No. FD/Acs/Misc/2011 dated 07.01.2011 miscellaneous advances drawn for local purchases must be got adjusted maximum in one week's time or as early as possible.

During audit of Railway Constructions Pakistan Limited (RAILCOP), Islamabad in April 2019, it was observed that local purchase advances amounting to Rs 7.28 million were drawn by the supervisors of the Narowal project. Out of total, an amount of Rs 3.71 million was not got adjusted up to the period from 315 to 729 days. Further, it was also observed that the same vouchers/cash mema were submitted twice for adjustment of Rs 3.57 million. This resulted in misappropriation and fraudulent adjustment of Rs 7.28 million due to weak financial management controls.

The matter was taken up with the management in July 2019. Management replied that the advances were not adjusted due to shortage of time as the material was purchased in rush to complete the work within timeline. Unfortunately, the purchase bills were not reconciled properly due to which some adjustments were submitted twice inadvertently. The rectification would be carried out shortly. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter may be probed at an appropriate level for fixing responsibility and amount be recovered with interest from the delinquents.

DP # 9842

Irregularities

A) Human resource/employees related irregularities

2.5.9 Unjustified expenditure on account of overtime payment – Rs 94.04 million

The Chief Mechanical Engineer/C&W vide letter No. Mech./Carr:/304-KW (125 Coaches)(New) dated 26.06.2018 fixed 151 Nos. outturn targets of repair/conversion of coaches for the financial year 2018-19. Further, Para-807 of Pakistan Railways General Code describes that every public officer should exercise the same vigilance in respect of expenditure incurred from Government Revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Managing Director, P.R. Carriage Factory Islamabad in October 2019, it was observed that over time amounting to Rs 94.04 million was paid to the staff from July 2018 to June 2019 which was unjustified because annual target was not achieved and only 138 coaches were turned out against the target of 151 coaches of different categories during the said period.

The matter was taken up with the management in October 2019. Management replied that according to yard stick the total man hours of productive staff was 27600 for manufacturing / rehabilitation of German coaches in single shift basis. According to yard stick of productive staff 1326 employees were required for manufacturing/rehabilitation of 10 coaches per month. At present only 995 productive employees were on roll. Therefore 68848 man hours were further required to complete the coaches in single shift basis. Despite shortage of staff, CFI manufactured 138 coaches with overtime of Rs 94.04 million to enhance the revenue of P.R. The remarks were not acceptable as 316 TLA employees were also on the pay roll over and above the sanctioned strength of Carriage factory since long. So in the presence of above employees the payment of overtime was not justified.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for unjustified payment of over time, responsibility be fixed and action be taken against those held responsible. Internal controls be strengthened to avoid recurrence.

DP # 10057

2.5.10 Irregular expenditure due to appointment of retired officers in violation of Rules – Rs 93.58 million

Para-4 of Chapter-VI of ESTA Code provides that re-employment beyond the age of superannuation in all cases requires the approval of the Prime Minister.

During audit of following formations, it was observed that retired employees were appointed on contract basis on lump sum package in contravention to the laid down procedure. This resulted in irregular expenditure of Rs 93.58 million on account of pay and allowances of employees due to slackness on the part of management.

(Rs in million)

Sr #	DP #	Formation	Period of irregularity	Amount
1	9735	PRFTC	2018-19	88.20
2	9773	PRACS	2015-16	5.38
			Total	**93.58**

The matter was taken up with the management in April 2019. Management replied against Sr. 1 that the appointments were made in accordance with company's service rules. Sr. No. 2 was discussed in DAC meeting held on 03.12.2019. As per Audit, no documents were available to assess transparency of hiring process. The MD/PRACS explained that Company is registered with SECP and appointments were made according to company's rules/regulations for specific projects with the approval of BOD. DAC considering the difference of opinion directed the MD/PRACS to furnish revised reply with all policy documents and substantial evidence to Audit to assess the action of management. The remarks against Sr. No. 1 were not acceptable as the approval of Prime Minister was not obtained for re-employment beyond the age of superannuation. Against Sr. No. 2 compliance of DAC directives was awaited.

Despite repeated requests the PAO did not convene meeting of the DAC against Sr. No. 1.

Audit recommends that responsibility for re-employment beyond the age of superannuation without approval of Prime Minister be fixed and action be taken against those held responsible besides regularization of the expenditure from the competent authority. Moreover, the due process of hiring be adopted after de-hiring of the said employees.

2.5.11 Irregular/unauthorized expenditure on engagement of TLA in excess of sanctioned strength – Rs 62.94 million per annum

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

During audit of Managing Director, P.R. Carriage Factory Islamabad in September 2019, it was observed that 316 No. TLA employees were engaged against PSDP of 400 coaches during 2007. The said project was completed in 2016. Instead of termination of the services of TLA employees, the Carriage Factory management irregularly retained 316 TLA employees over and above the sanctioned strength of Carriage Factory Islamabad and continued to pay them from Railway revenue. This resulted in irregular/unauthorized expenditure of Rs 62.94 million per annum on account of pay and allowances of staff working over and above the sanctioned strength.

The matter was taken up with the management in November 2019. Management replied that the services of these employees were essential as they acquired specialized experience and skills for manufacturing of passenger coaches after rendering more than 10 years of service besides there was shortage of production staff. Therefore, after completion of the project, the services of the TLA employees were continued against revenue till adjustment against regular strength with the sanction of CEO/Sr. GM and concurrence of FA&CAO/M&S. The remarks were an admission of Audit observation because PR management was not authorized to continue the services of the TLA over and above the sanctioned strength.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for irregular retention of work charged employees after completion of project, responsibility be fixed and action be taken against those held responsible. Internal controls be strengthened to avoid recurrence.

DP # 10078

2.5.12 Irregular payment of TA/DA – Rs 12.02 million

As per Para 1 (b) of Personnel Manual, class III and IV Staff used for relieving purpose sent away from their Headquarters are entitled to usual traveling allowance except when it can be foreseen that they would be required to relieve at a particular station for more than six weeks, in which case they should temporarily be transferred and no TA/DA will be admissible.

During audit of Divisional Commercial officer and Divisional Transportation officer, Karachi in April 2019, it was observed that many posts of Assistant Station Managers/Station Masters were lying vacant for more than six weeks at certain stations over Karachi Division. Instead of posting the incumbent on regular/temporary basis, Relieving Station Masters/ Relieving Assistant Station Masters were being utilized on these vacant posts irregularly merely to extend the benefit of TA/DA amounting to Rs 12.02 million to them. This resulted in irregular payment of TA/DA amounting to Rs 12.02 million due to weak financial management controls.

The matter was taken up with the management in April 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for not posting the staff on regular basis and action be taken against those held responsible besides recovery of the amount involved under intimation to Audit.

DP # 9933

2.5.13 Irregular excess payment of stationary allowance – Rs 8.99 million

Para-10 of Ministry of Finance (Finance Division's) O.M No.F.1 (3) Imp/2015-630 dated 07.07.2015 stipulates that all special pays, special allowances or the allowances admissible as percentage of pay granted to Federal Government employees irrespective of their posting in Ministry/Division/Department/Office etc.; including civil employees in BPS-01 to 22 of Judiciary have been frozen at the level of its admissibility as on 30.06.2015.

Contrary to the above, during audit of following formations of Pakistan Railways, it was observed that running staff working on stationary duty were drawing 55% stationary allowance at running basic pay instead of frozen level of its admissibility as on 30.06.2015. This resulted in irregular excess payment of stationary allowance amounting to Rs 8.99 million as detailed below: -

(Rs in million)

Sr. #	DP #	Formation	Period	Amount
1	9868	Divisional Accounts Officer, Sukkur	July 2015 to April 2019	4.82
2	9878	Divisional Transportation and Commercial Officers, Karachi	July 2015 to March 2019	3.41
3	9822	Station Master, Karachi	July 2015 to May 2019	0.76
			Total	**8.99**

The matter was taken up with the management from May 2019 to July 2019. Management replied against Sr. No. 3 that the amount paid in excess was being recovered. The remarks were not acceptable because no documentary evidence in support of amount recovered was furnished to audit. Against Sr. No. 1 and 2 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for excess payment of stationary allowance at running pay and amount involved be recovered besides stoppage of excess payment of running allowance under intimation to Audit.

2.5.14 Irregular payment of deputation allowance – Rs 3.75 million

As per Ministry of Railways (Railway Board) letter dated 07.11.1995, the posting/transfer of officers and staff in between the units established as an integral part of Railway system namely RAILCOP and PRACS etc. 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 audit of following formations, audit observed that deputation allowance under the name of transfer pay was paid to the employees transferred from Pakistan Railways to its subsidiaries. This resulted in irregular payment of Rs 3.75 million in violation of the above decision of Railway Board. The detail is appended as below:-

(Rs in million)

Sr #	DP #	Formation	Amount
1	9657	PRACS	2.58
2	9609	REDAMCO	1.17
Total			**3.75**

The matter was taken up with the management in June 2019. The matter at Sr. No. 1 was discussed in DAC meeting held on 08.11.2019. The DAC was informed that no deputation pay/allowance was paid to the transferee employees but transfer pay/allowance at the rate of 20% subject to maximum of Rs 12,000 was allowed as per PRACS Service Rules. Audit did not agree with the contention of PRACS management and was of view that service rules of all subsidiaries of Pakistan Railways had not been got approved from Finance Division. DAC directed that Member Finance/ Pakistan Railways to examine the issue and assist the management in seeking the approval of service rules of PRACS and other subsidiary of PR from Finance Division. Compliance of DAC directives was awaited. Against Sr. No. 2 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC against Sr. No. 2.

Audit recommends that matter be inquired to fix responsibility for unjustified payment of transfer pay/deputation allowance without the approval of Finance Division and action be taken against those held responsible besides recovery of the amount involved. The payment of transfer pay to the staff and officers of all subsidiaries be stopped immediately.

2.5.15 Irregular expenditure due to creation of a new post – Rs 3.61 million

In terms of para (ii) of Austerity Measures for Financial Year 2017-18 issued by Finance Division (Expenditure Wing) vide Office Memorandum No.7(1)Exp.IV/2016-540 dated 26.07.2017, there was a ban on creation of new posts except those required for development projects and approved by the competent authority.

During audit of the Chief Operating Superintendent, Pakistan Railways, Lahore in June 2019, it was observed that a new post of Chief Operating Superintendent (Tax Facilitation) BPS-20 was irregularly created by the Ministry of Railways Islamabad, during ban period, to handle tax matters vide notification dated 28.07.2017. This resulted in irregular expenditure amounting to Rs 3,609,653 till March 2019 due to creation of a new post in violation of Finance Division's directives.

The matter was taken up with management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for creation of a new BPS-20 post during ban period, without approval of competent authority and action be taken against those responsible for incurrence of irregular expenditure besides its regularization.

DP # 9671

B) Procurement related irregularities

2.5.16 Loss due to non-replacement of defective material – Rs 976.15 million

Para 761 of Pakistan Railways Code for the Stores Department stipulates that stores should be checked with the standard specifications or drawings on which the order is based. In rare cases where orders have been made to a sample, a standard sealed sample shall be held by the inspecting officer, and stores be accepted only if they are up to the standard sample.

During audit of following formations, it was observed that defective material was supplied by the suppliers from April 2016 to September 2017. But Railway management made payment of defective material valuing Rs 976.15 million as detailed below. This resulted in loss of Rs 976.15 million due to non-replacement of defective material.

(Rs in million)

Sr. #	DP #	Formation	Description	Amount
1.	9401	Mechanical Department, Lahore	Different types of mechanical material	968.36
2.	9917	Bridge workshop, Jhelum	Machinery & Equipment	6.72
3.	9967	Directorate of Procurement, Islamabad	Re-Railing and Rescue equipment	1.07
Total				**976.15**

The matter was taken up with the management from December 2018 to November 2019. Matter at Sr. No. 1 was discussed in DAC meeting held on 13.01.2020. DAC was informed that some items have been partially replaced and efforts were being made to replace all items. DAC directed the P.O that documentary evidence in support of replaced material be shared and reconciled with Audit within one month. However, audit verification revealed that material valuing Rs 968.36 million was not replaced by the firm. Against Sr. No. 2 and 3 no relevant reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC except Sr. No. 1.

Audit recommends that the material be got replaced immediately and responsibility be fixed for this lapse. Loss be made good either by recovery from delinquents or by replacement of defective materials.

2.5.17 Loss due to condonation of discrepancies – Rs 776.73 million

As per terms and conditions of the Maintenance Contract of ZCU 20/30 DE Locomotives dated 15.07.2017, M/s Ziyang CRRC was bound to provide spare parts/material as per agreed specifications.

During audit of the Chief Controller of Purchase, Headquarters Office, Lahore in September 2019, it was observed that National Bank of Pakistan (NBP) received shipping documents valuing Rs 776.73 million (US$ 4885107.95 x Rs 158.99) against LC dated 17.10.2017 on account of maintenance contract with CRRC Ziyang Co. dated 15.07.2017. NBP pointed out that goods valuing Rs 776.73 million were not as per purchase orders from May 2018 to December 2018. Railway management condoned the discrepancies and accepted the material irregularly. This resulted in loss due to condonation of discrepancies and accepting the sub-standard material valuing Rs 776.73 million.

The matter was taken up with the management in September 2019. Management replied that discrepancies were condoned after obtaining interchangeability certificate from the supplier. The remarks were an admission of audit observation because interchangeability certificate was not a justification for accepting the items/parts other than those provided in purchase orders.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for accepting the sub-standard material and action be taken against those held responsible under intimation to Audit. The substandard material be got replaced as per purchase orders.

DP # 10073

2.5.18 Irregular award of contract through negotiation in violation of Public Procurement Rules – Rs 555.96 million

Rule 31 of Public Procurement Rules - 2004 provides that no bidder shall be allowed to alter or modify his bid after the bids have been opened.

During audit of different formations, it was observed that certain contracts regarding renovation of railway stations, parking stand, constructions/special repairs, procurement of material etc were awarded to various contractors through negotiations or rates were reduced by the contractors voluntarily after opening of bids. This resulted in irregular award of contracts amounting to Rs 555.96 million by extending undue favour to the contactors in violation of Public Procurement Rules as detailed in **Annexure - 10.**

Despite repeated requests the PAO did not convene meeting of DAC except Sr. No. 3, 4 and 9. DAC minutes of the same had been incorporated in **Annexure - 10**.

Audit recommends that matter be probed at an appropriate level to fix responsibility for irregular award of contract in violation of Public Procurement Rules. Action under E & D rules be taken against those held responsible. The irregularity be got condoned from the competent forum.

2.5.19 Wasteful expenditure due to excess procurement – Rs 383.29 million

Rule 8 of Public Procurement Rules - 2004 stipulates 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 audit of the Pakistan Railway Freight Transportation Company (PRFTC), Limited in April 2019, it was observed that permanent way material for linking of track valuing Rs 383.29 million was procured in excess of the actual requirement. This resulted in unjustified expenditure of Rs 383.29 million on procurement of excess material due to poor planning.

The matter was taken up with the management in June 2019. Management replied that P-way material was purchased according to design/plan approved by Pakistan Railway and FGIR. The work was still in progress and on completion of all works the remaining P-way material would be consumed. The remarks were not acceptable as the P-way material i.e. rails, sleepers, fittings and fastenings etc. were procured for 27.77 km track but the actual length of track was only 22 km including the yard and double track from Yousafwala to Coal power plant. Further, proper assessment of material was not made while preparing estimates which caused excess procurement of material.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated to fix responsibility for excess procurement of P-way material and action be taken against those held responsible.

DP# 9848

2.5.20 Irregular enhancement of work during execution – Rs 323.90 million

Para 1048 of Pakistan Railways Code for Engineering Department provides that if in the course of execution of a work it becomes apparent that there is likely to be an excess over the sanctioned estimate of the work as a whole, Executive Engineer should take steps to restrict further expenditure on the work to the utmost extent possible until sanction to the excess is obtained and prepare a revised estimate and submit it to authority competent to sanction it. Expenditure in excess of sanctioned estimate should not ordinarily be left over for regularization by Post-facto sanctions.

During audit of different formations of Pakistan Railways, it was observed that management irregularly enhanced the quantities of works from 19.6% to 64.50% without revision of detailed drawings, estimates and without re-tendering. This resulted in irregular expenditure of Rs 323.90 million due to violation of codal provisions as detailed below:-

(Rs in million)

Sr #	DP #	Period of Audit	Description	Amount
1	9911	April 2019	Construction of bridge over LBD canal, track embankment and other structures	244.01
2	9844	April 2019	Construction of Station Building, Guard and Drivers running room etc.	52.83
3	10055	August 2019	Improvement of terminal facilities at Badmi Bagh, Lahore	27.06
Total				**323.90**

The matter was taken up with the management in June and August 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for unauthorized enhancement of work, responsibility be fixed and action be taken against those held responsible. Internal controls be strengthened to avoid recurrence.

2.5.21 Irregular award of work without generating fair competition – Rs 276.55 million

As per Rule 20 of Public Procurement Rules - 2004, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Further, Rule 12 (2) also 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 audit of different formations, it was observed that certain contracts valuing Rs 276.55 million regarding construction, procurement of material, leasing out railway land and privatization of trains etc. were awarded to various contractors without generating fair competition. This resulted in irregular award of contracts amounting to Rs 276.55 million in violation of Public Procurement Rules 2004, as detailed in **Annexure - 11**.

Despite repeated requests the PAO did not convene meeting of DAC except Sr. No. 4 and 7. DAC directives of the same had been incorporated in **Annexure - 11**.

Audit recommends that matter be taken up at an appropriate level to fix responsibility for violation of Public Procurement Rules - 2004 and action be taken against those held responsible. The irregularity be got condoned from competent forum.

2.5.22 Un-necessary procurement resulting in blockage of capital – Rs 200.04 million

Para 124 and 2401 of Pakistan Railways Code for the Stores Department provides that a maximum and minimum limit should be laid down for the quantity of each stock item of stores in a depot at any time below or above which the balances should not ordinarily be allowed to go. Furthermore, Para 2233 stipulates that the Stores Department of every Railway should be organized to deal effectively with the disposal of surplus stock, either by sale or issue, or transfer to other Railways.

During audit of different formations, unnecessary procurement and non-utilization of material was found. Neither the material was utilized by the consumer nor was disposed off. This resulted in blockage of capital amounting to Rs 200.04 million as detailed in **Annexure - 12**. This reflects poor inventory management by Pakistan Railways.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that action be taken against persons held responsible for procurement of material without actual requirements. Inventory management be improved to avoid blockage of capital.

2.5.23 Loss due to non-deduction of LD charges – Rs 71.36 million

Articles 15.1 and 16.1 of contract agreements No. DP/SPML-B/2016 dated 03.03.2016 and No. DP/RTM/D-77/78/2017 dated 30.06.2017 provides that in the event of the seller's failure to ship the equipment/material in accordance with the schedule as set forth in Article-6, the purchaser may collect from the seller, as liquidated damages, the sum of half percent (1/2%) of the FOB price of the each consignment of material so delayed for each and every week of such delay except for the first week. For the purposes hereto part of a week shall be treated as a full week. Liquidated damages for each consignment shall not exceed five percent (5%) of the FOB price of such consignment.

During the audit of the following formations, it was observed that extension in delivery period was allowed by Secretary Ministry of Railways with imposition of liquidated damages charges. But Railway management by extending undue favour to the suppliers did not deduct the LD charges amounting to Rs 71.36 million overriding the orders of competent authority. This resulted in loss of Rs 71.36 million due to slackness of management as detailed below:-

(Rs in million)

Sr #	DP #	Formation	Description	Amount
1	9966	Directorate of Procurement, Islamabad	Procurement of Self Propelled Material Lorries	46.80
2	10029	PD/300-Traction Motors, Lahore	Rehabilitation/ Procurement of Re-manufactured 300 Traction Motors	24.56
			Total	**71.36**

The matter was taken up with the management in November 2019. Management replied against Sr. No. 1 that extension in time was granted by competent authority and LD charges would be recovered. The remarks were an admission of Audit observation. Against Sr. No. 2 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that disciplinary proceedings be initiated against the delinquents for overriding the orders of Secretary Railways besides recovery of the amount involved under intimation to Audit.

2.5.24 Irregular payment to the contractors without conducting prescribed laboratory tests – Rs 65.97 million

Para 350 of Pakistan Railways Code for Stores Department stipulates that all articles, whether manufactured in Pakistan or abroad should be subject to inspection before acceptance and articles for which specifications and/or tests have been prescribed by competent authority should be required to conform to specifications and to satisfy the prescribed test or tests which may be carried out during manufacturing or before or after dispatch from the supplier's premises.

During audit of the following formations, it was observed that an amount of Rs 65.97 million was paid to the contractors for construction work and supply of locomotives parts without conducting laboratory tests. This resulted in irregular payment to the contractors without prescribed laboratory tests that were prerequisite of the payment to the contractors.

(Rs in million)

Sr #	DP #	Formation	Test Not conducted	Amount
1	9775	PRFTC	Concrete work.	45.27
2	9907	CCP, Lahore	Gear Cases for AGE-30 locomotives	20.70
Total				**65.97**

The matter was taken up with the management from April 2019 to September 2019. Management replied against Sr. No. 1 that test reports were available with them. Against Sr. No. 2 management replied that testing all the parameters was not economically viable.

The remarks against Sr. No. 1 were not acceptable as tests reports were not provided to Audit despite repeated requests. Against Sr. No. 2 the remarks were an admission of audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for making payment without conducting laboratory tests and action be taken against those held responsible besides test reports be shared with Audit. Internal controls be strengthened to avoid recurrence.

2.5.25 Irregular award of contract – Rs 45.00 million

The Public Procurement Regulatory Authority clarified vide frequently asked question No. 18, regarding obtaining bid security from public sector entities, that Rule 25 of Public Procurement Rule - 2004 is applicable irrespective of the fact whether bidder is from public sector or private sector.

During audit of Project Director Dry Port H.Q Lahore, it was observed that tender for procurement of 40 sets of turnouts was advertised on 02.02.2017 and finalized in favour of M/s PRACS and M/S Al-Tech, wherein the following irregularities were noticed:-

(i) M/s PRACS and M/S Al-Tech made a consortium on 25.02.2017. They submitted their combined bid and claimed experience of more than fifteen years, whereas the consortium was formed just thirteen days before opening date of tender i.e. 09.03.2017. Moreover, the bid money and performance guarantee amounting to Rs 2.89 million was also not obtained from bidder due to production of invalid exemption certificate from M/s PRACS.

(ii) M/s PRACS & M/S Al-Tech offered the requisite material @ Rs 1,560,000 per set, total value Rs 46.80 million (for 30 sets of turnouts). Railway management irregularly facilitated the bidder and started negotiations for reduction in offered rates. As a result of negotiations, the bidder reduced its bid from Rs 46.80 million to Rs 45.00 million.

(iii) One set of turnout was required to be supplied by supplier for installation at Lahore Dry Port for trial purpose and after successful trial further production was to be started. However, no turnout was supplied and installed for trial purpose and after award of contract the supplier delivered whole quantity up to December 2017.

This resulted in irregular award of contract valuing Rs 45.00 million in violation of Public Procurement Rules and tender clause.

The matter was taken up with management in September 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for irregular award of contract and action be taken against the persons held responsible. The irregularity be got condoned from competent forum.

DP # 9908

2.5.26 Irregular procurement of vehicles from unauthorized firms – Rs 35.93 million

Rule 42 (c) (vii) of Public Procurement Rules - 2004, stipulates that purchase of motor vehicles should be made from original manufacturers or their authorized agents at manufacturer's price. Further, as per footnote of Clause of tender specifications, Original Equipment Manufacturer (OEM) must have exported at least 50 Trucks globally and 3 to 4 years experience reference letters, indicating the worldwide supply should be provided by the bidder in English language duly authorized with seal and sign of OEM.

During audit of Pakistan Railway Freight Transport Company (PRFTC), Lahore in April 2019, it was observed that PRFTC purchased three material handling trucks from M/s YFA Tech Merchant at a cost of Rs 28,440,000 in February 2018 and one ambulance from M/s Sadidians at a cost of Rs 7,489,000 in December 2017. The purchase of these vehicles was irregular because procurement was not made directly from OEM M/s Hinopak Motors Limited and Toyota Indus Motors at manufacturer's price in clear violation of Public Procurement Rules. Scrutiny of record revealed that M/s YFA Tech Merchant did not provide the experience reference letters in contravention to the bidding documents which indicated that technical evaluation was not done in fair & transparent manner. M/s YFA Tech Merchant had not provided sale invoice indicating price of trucks due to which trucks could not be got registered from Motor Registration Authority till date of audit. This resulted in irregular procurement of vehicles valuing Rs 35.93 million. Owing to this irregularity, the vehicles could not be registered due to non-provision of original invoices of the manufacturer. Consequently the vehicles were off the road.

The matter was taken up with the management in April 2019. Management replied that PRFTC advertised the international tender first on 18.01.2017 and second on 23.11.2017 but both times M/s. Hino Pak and Toyota Motors did not participate in the tender process. Recommended brand of Hino and Toyota was qualified with words "or equivalent" printed in the tender documents as per Public Procurement Rule No. 10. Further as per NB Clause of tender specification, OEM must have exported at least 50 Trucks globally and 3 to 4 experience reference letters, indicating the worldwide supply was specifically meant for those OEM's and suppliers who opted to supply other than recommended brand. The remarks were an admission of audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for mis-procurement and action be taken against those held responsible. The irregularity be got condoned from the competent authority.

DP # 9722

2.5.27 Non-provision of unconditional bank guarantee – Rs 32.90 million

Article 15.1 of contract agreement executed between Pakistan Railways and National Railway Equipment Co. USA provides that the seller shall furnish guarantee for satisfactory performance of supplied parts and to make good free of cost all the defects of material and workmanship which may come to light in normal service within 42 months from the date of receipt of traction motors or 36 months or 600,000 kms from the date put in service whichever is earlier.

During Audit of PSDP Project "Rehabilitation/ Procurement of Re-manufactured 300 Traction Motors" for the financial year 2018-19, it was observed that Railway management executed a contract agreement for supply of 78 Nos. D-29 remanufactured traction motors valuing US$

2,079,815 on 20.06.2017. Instead of providing unconditional bank guarantee for consecutive three years period, the seller furnished conditional bank guarantee for US$ 210,000 with the validity of one year in violation of terms and conditions of contract. This resulted in undue financial benefit to the contractor due to violation of contract clauses.

The matter was taken up with the management in November 2019. Management replied that para related to Director Procurement who would provide the detailed reply, but no reply was furnished.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for not getting the unconditional/irrevocable bank guarantee for three years, responsibility be fixed and action be taken against those held responsible. Internal controls be strengthened to avoid recurrence.

DP # 10030

2.5.28 Irregular award of contracts due to non-submission of performance security – Rs 28.38 million

As per section 39 of Public Procurement Rules 2004, where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed 10% of the contract amount. In case of failure, sufficient ground for annulment of the award and forfeiture of bid security exist.

During audit of different formations, it was observed that a number of agreements were executed with different contractors for procurements and works. The contractors were required to furnish performance security within the stipulated time but failed to do so. Despite the fact that contractors did not furnish performance security/bank guarantee, management executed the contract agreements with them. T his resulted in irregular award of contract agreement due to non-submission of performance security amounting to Rs 28.38 million as detailed in **Annexure - 13.**

Despite repeated requests the PAO did not convene meeting of DAC except Sr. No. 3, 4 and 6. DAC directives of the same had been incorporated in **Annexure - 13**.

Audit recommends that the matter be probed for not obtaining performance security and extending undue favour to the contractors. Contract management controls be strengthened to avoid recurrence.

2.5.29 Unjustified procurement of shop made spare parts of Hitachi traction motors – Rs 15.87 million

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

During audit of PSDP Project "Rehabilitation/ Procurement of Re-manufactured 300 Traction Motors" for the financial year 2018-19, it was observed that in the revised PC-I of the project valuing Rs 1,791.397 million Railway management decided to rehabilitate Hitachi-395 traction motors at Pakistan Locomotive Factory Risalpur (PLF) by procuring spare parts. These spare parts mostly consisted of a number of shop made items, which could have easily and economically been manufactured at PLF Risalpur. Instead of manufacturing shop made spare parts at PLF Risalpur, PR management procured spare parts costing Rs 15.87 million on FOR/FOB basis unjustifiably. The procurement of these shop made spare parts resulted into higher cost due to the impact of custom duty, sales tax, freight charges and agent's commission.

The matter was taken up with the management in November 2019. Management replied that the Para relates to CME/Loco and CCP/Office Lahore and they had been asked to provide the detailed reply but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for unjustified procurement of shop made spare parts besides taking action against those held responsible.

DP # 10007

2.5.30 Irregular award of contract due to fake comparison of rates – Rs 13.52 million

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

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that two tenders for procurement of one Fuel Dispenser, one Lube Oil Dispenser and six CO2 Welding Plants were opened on 20.02.2017 and 12.02.2018 respectively. In first tender only one firm namely M/s Nazir Engineering participated and the contract valuing Rs 4.15 million was awarded to that firm. In second tender, for procurement of six CO2 Welding Plants, two firms participated. Out of two firms, one firm was technically knocked out and the contract valuing Rs 9.37 million was awarded to M/s New Light House. In order to assess the reasonability of rates offered by both responsive bidders i.e. M/s Nazir Engineering and M/s New Light House their rates were compared by obtaining the quotations from two fake firms i.e. M/s Tariq Engineering Works and M/s H.B Enterprises respectively. But during physical verification by audit, both quotationer firms were not existing at the addresses given on quotations. This resulted in irregular award of contracts amounting to Rs 13.52 million due to fake comparison of rates for extending undue favour to the contractors.

The matter was taken up with the management in April 2019. Management replied that they had investigated the matter and found that both firms existed at their given addresses. Moreover, a declaration was also obtained from the owner of M/s. Tariq Engineering Works verifying their business place and activities.

The remarks were not acceptable as the Audit physically visited the addresses of both suppliers but no such firm existed at those addresses. Further, the declaration provided by the management in respect of M/s. Tariq Engineering Works was also fake as the NTN number recorded on the quotation and declaration was different.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for irregular award of contracts and action be taken against those held responsible besides regularization of expenditure.

DP # 9746

2.5.31 Irregular award of contract through manipulation – Rs 9.80 million

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

Audit of Pakistan Railways Freight Transportation Company (PRFTC) in April 2019, revealed that the work of feasibility study for new Rail Link from Pakistan International Bulk Terminal to Marshaling Yard Pipri through Bin Qasim Station on Karachi-Kotri section was awarded to joint venture of M/s Crimson Engineering and M/s TUMAS (Turkish Engineering Consulting & Contracting Co.) on 21.12.2017 at cost of Rs 9.80 million but no agreement of joint venture was executed. Audit observed that two firms participated in bidding process and bid of M/s EA consulting Pvt. Ltd for Rs 15.83 million was almost double the offer of M/s Crimson Engineering which manifest pooling of the bidders. Scrutiny of record disclosed that in pre-bid meetings certain amendments in the tender conditions were framed on request of the bidders just to extend undue favour to them. The professional staff mentioned by M/s Crimson Engineering in their financial bid was different from that mentioned in the technical bid. M/s Crimson Engineering managed to participate in the tender through joint venture and incorporated the names of some professionals of M/s TUMAS in the technical bid. This indicated that M/s Crimson was not technically qualified for these tenders. It was also noticed that NTN mentioned in technical bid was registered with the name of Mr. Saeed Akhtar in individual capacity with business name as M/s Infrastructure Engineers. Whereas at the time of disbursement another NTN registered in the name of M/s Crimson Engineering was recorded but address of both firms was the same. This resulted in irregular award of contract valuing Rs 9.80 million to M/s Crimson by manipulating the facts.

The matter was taken up with the management in April 2019. Management replied in August 2019 that during the pre-bid meeting certain companies expressed that bidding conditions/evaluation criteria was too tough and desired some amendments in the Request for Proposal (RFP). It is an established practice that decisions of pre-bid meeting are made part of RFP and circulated to all the bidders who have purchased RFP documents to enhance competition and for removing confusions in the RFP. The reply was not tenable as amendments in the tender conditions were made after purchase of RFP on request of the bidders just to extend undue favour. M/s Crimson Engineering managed to participate in the tender by incorporating professional staff of M/s TUMAS otherwise the firm did not meet the criteria due to lack of requisite expert staff.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for award of contract through manipulation and action be taken against those held responsible besides condonation of irregularity from the competent forum.

DP # 9696

2.5.32 Loss due to favoritism of management – Rs 9.00 million

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

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that tenders for procurement of one set of Light Weight Re-railing & Allied Equipment were opened on 22.01.2018. Only one firm M/s ITS mit, FNM participated and contract was irregularly awarded to the firm at a cost of Rs 30,500,000. The bidder's rates were compared with last purchased rates of 2nd lowest bidder instead of 1st lowest bidder of the same equipment purchased by the Director Procurement PR Islamabad in 2016. This resulted in loss of Rs 9.00 million due to irrational comparison of rates and favoritism of management.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for irrational comparison of rates and action be taken against those held responsible besides recovery of the amount involved. Internal controls regarding contract management be strengthened to avoid recurrence.

DP # 9843

2.5.33 Irregular procurement of vehicles – Rs 6.01 million

Finance Division's Office Memorandum dated 26.07.2017 stipulates that there will be a complete ban on purchase of all types of vehicles both for current as well as development allocation except operational vehicles of law enforcing agencies for which NOC from Finance Division would be required.

During audit of following formations, it was observed that Railway management purchased three vehicles valuing Rs 6.01 million as detailed in the table given below:-

(Rs in million)

Sr. #	DP #	Formation	Vehicle Purchased	Amount
1.	9616	Divisional Commercial Officer and Divisional Transportation Officer, Rawalpindi	One Hilux Revo	3.85
2.	9594	MD, REDAMCO	One Suzuki Cultus and one Suzuki Bolan	2.16
			Total	**6.01**

This resulted in irregular expenditure of Rs 6.01 million on purchase of vehicles in violation of Finance Division instructions.

The matter was taken up with the management in February and June 2019. Management replied against Sr. No. 1 that the vehicle was purchased for operational use and to reach at sites in case of emergency like accidents.

The remarks against Sr. No. 1 were not acceptable as twenty-five vehicles were already available with Rawalpindi Division which could have been used in case of emergencies. Moreover, the vehicles were purchased during ban period and without seeking approval of Finance Division. Against Sr. No. 2 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be got regularized from Finance Division at the earliest besides fixing responsibility for irregular procurement of vehicles.

2.5.34 In-judicious deletion of penalty clause – Rs 5.30 million

As per terms and conditions given under note of purchase order dated 06.04.2018 regarding loco spares placed on M/s OTC Vitalizing Industries, Lahore, if the supply of Traction Motor Brushes remains defective maximum up to 7% then the bidder will be liable for all collateral damages caused by the poor quality. Moreover, the approval of the bidder will also be withdrawn for future participation in the respective tenders without any prior warning.

During audit of the Chief Controller of Purchase, Lahore in September 2019, it was observed that a purchase order dated 06.04.2018 valuing Rs 5,300,000 for supply of D.E. loco spares was placed on M/s OTC Vitalizing Industries, Lahore. At the request of the contractor Railway management amended the purchase order and deleted the penalty clause on 05.05.2018 by extending undue favour. This was unjustified as in case of defects/faults in traction motors, the contractor would have no liability to remove the same. The interest of Pakistan Railways was not safeguarded due to injudicious deletion of penalty clause**.**

The matter was taken up with the management in September 2019. Management replied that the clause was added in purchase order due to typographical error and the same was deleted with the approval of CME/Loco. The remarks were an admission of audit observation as the decision for deletion of clause in the existing agreement was the violation of tender conditions besides it was against the interest of Pakistan Railways.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for unjustified deletion of penalty clause from purchase order and action be taken against those held responsible. Internal controls regarding contract management be improved to avoid recurrence.

DP# 9905

2.5.35 Unauthorized reduction in bid rates – Rs 4.50 million

Rule 40 of Public Procurement Rules - 2004 stipulates that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

During audit of Railway Constructions Pakistan Limited (RAILCOP), Islamabad in June 2019, it was observed that RAILCOP management participated in tenders for construction of girl’s hostel of Fatima Jinnah Women University Rawalpindi and offered a bid of Rs 145,166,489. Later on, RAILCOP management reduced its bid by giving rebate of Rs 4,500,161 in violation of above rule. This resulted in loss of Rs 4.50 million due to voluntary reduction in bid rates.

The matter was taken up with the management in July 2019 and also discussed in DAC meeting held on 08.11.2019. DAC was informed that no loss was occurred as a result of rebate and the company had earned a profit of Rs. 3.8 million from the project. DAC did not consider the reply of RAILCOP management satisfactory. DAC directed the PO that the matter be referred to PPRA for advice and be presented before Board of Directors of the company for decision within one month. Compliance of DAC directives was awaited.

Audit recommends that matter be probed to fix responsibility for voluntary reduction in offered rates and action be taken against those held responsible.

DP# 9658

2.5.36 Loss due to short supply of imported material – Rs 4.32 million

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

During audit of Project Director/Rehabilitation, MGPR in October 2019, it was observed that project management procured different types of imported material under the project of rehabilitation of 27 DE locomotives. The shipment No.101 was received on 18.09.2017 and joint inspection thereof disclosed that material valuing Rs 4.32 million was not received. This resulted in loss of Rs 4.32 million due to short supply of imported material.

The matter was taken up with the management in October 2019. Management replied that this office was in link with designated firm for early resolution of all outstanding issues. Further, documentary evidence would be provided shortly. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for short receipt of imported material. Responsibility be fixed and action be taken against those held responsible besides recovery of the amount involved. Internal controls be strengthened to avoid recurrence.

DP # 10058

2.5.37 Unauthorized award of contract to blacklisted firm – Rs 2.35 million

As per clause 2 of blacklisting policy of PR dated 20.05.2013 the firm/individuals blacklisted shall not be allowed to participate in the bidding during the period of disqualification unless delisted.

During audit of following formations, it was observed contracts were awarded for procurement of different material to the blacklisted firms by Pakistan Railways:-

(Rs in million)

Sr.#	DP #	Formation	Period of Audit	Amount
1.	9920	Chief Controller of Purchase, Lahore	September 2019	1.60
2.	9821	Divisional Accounts Officer/Workshops, Lahore	March 2019	0.75
			Total	**2.35**

The matters were taken up with the management from April 2019 to September 2019. Management replied against Sr. No. 1 that restoration of the blacklisted status of M/s ZM Enterprises was made on 14.11.2015.

The remarks were not acceptable as the Chief Controller of Purchase (CCP) vide letter No.63-S/33/8752/EC had declared M/s ZM Enterprises, Lahore as blacklisted on 21.08.2014 and during the blacklisting period PO No 20/006/00-0/2-2015 was issued on 19.10.2015 before removal of blacklisted status of the firm. Against Sr. No. 2 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed at an appropriate level to fix responsibility for unauthorized award of contracts to blacklisted firms. Action be taken against those held responsible under intimation to audit.

C) Management of accounts with commercial banks

2.5.38 Suspected loss due to attachment of Pakistan Railways bank account by FBR – Rs 1,398.41 million

As per Section 160 of the Income Tax Ordinance 2001, the withholding agent would be personally liable to collect/deduct advance income tax u/s 236A of said ordinance. In case of failure to collect and deposit of the advance income tax, the Commissioner would serve notice u/s 140 read with section 69 & 138, for the purpose of recovering tax within time specified therein. The Commissioner may proceed to recover from the taxpayer the said amount by attachment and sale of any movable or immovable property of the taxpayer if tax amount not paid within specified time.

During audit of the Chief Commercial Manager, Headquarters office, Lahore in June 2019, it was observed that Railway management either did not collect withholding tax from contractors at all or if collected the same was not remitted to FBR. Consequently, FBR authorities attached the bank account of Pakistan Railways and an amount of Rs 1,398.41 million was deducted from PR bank account as per provisions of Income Tax Ordinance 2001. This resulted in suspected loss of Rs 1,398.41 million to Pakistan Railways due to attachment of its bank account by FBR. This depicts weak financial controls and slackness of the management.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated to fix responsibility and action be taken against those held responsible. A mechanism regarding collection of withholding tax, its timely remittance and reconciliation with FBR be devised under intimation to Audit.

DP # 9729, 9901

2.5.39 Irregular investment in contravention of Finance Division's directives – Rs 150.00 million

In terms of clause 3 (b) Finance Division (Budget Wing) letter No. F.4(1)/2002-BR.II dated 02.07.2003, prior to placing deposit of working balances exceeding Rs 10 million with a bank, the selection of bank as well as terms of deposits will be approved by the concerned Board of Directors on the basis of competitive bids from at least three independent "A" rating banks. Clause 3(c) further stipulates that where total working balance exceeds Rs 10 million, not more than 50% of such balance shall be kept within one bank.

During audit of Pakistan Railway Advisory and Consultancy Services Limited (PRACS) in April, 2019, it was observed that an amount of Rs 150,000,000 was invested in PLS Terms Deposit account in Zarai Tarqiati Bank Ltd for six months from 08.05.2019 to 07.11.2019. The investment was made in one bank only and that too without obtaining competitive bids in contravention of Finance Division's directives.

The matter was taken up with the management in May 2019 and also discussed in DAC meeting held on 03.12.2019. DAC directed the management to resolve the issue with Audit by exchanging requisite documents and revised reply be furnished. Compliance of DAC directives was awaited.

Audit recommends that the matter be inquired at an appropriate level to fix responsibility for irregular investment in violation of directives of Finance Division. Internal financial management controls be strengthened to avoid recurrence.

DP# 9805

D) Execution of civil works and services

2.5.40 Unauthorized execution of scheme without approval – Rs 5,124.35 million

Para 2 of Planning and Development Division's OM No. 21(2-Gen)PIA/PC/2004 dated 18.12.2004 regarding Procedure for approval of self-financing development schemes of autonomous organizations (commercial/non-commercial) provides that the autonomous organizations whether commercial or non-commercial having board by whatever name called, should be competent to sanction their development scheme with 100% self-financing with no government guarantee and involving less than 25% foreign exchange/foreign assistance. Furthermore, Planning and Development Division's letter No.20 (1) PIA/PC/ 2005 dated 14. 03.2005 stipulate that schemes costing above Rs 500 million require the approval of Executive Committee of National Economic Council (ECNEC).

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that the company itself sanctioned the development scheme of Rs 5,124.35 million regarding providing Railway siding within Railways premises between Yousafwala Railway station to Qadirabad Power Plant. Audit was of the view that development scheme was to be approved by ECNEC because said scheme was covered under government guarantee. Pakistan Railways (Government) was the guarantor of the loan that company borrowed from Energy Department, Govt. of the Punjab for execution of the scheme. This resulted in unauthorized execution of scheme valuing Rs 5,124.35 million in violation of rules.

The matter was taken up with the management in April 2019. Management replied that the works were executed as per approved plan of Pakistan Railways. The remarks were not acceptable as approval of development scheme was not obtained from ECNEC.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for irregular execution of development scheme without approval of competent forum. The scheme be got regularized from the competent forum under intimation to Audit.

DP# 9851

2.5.41 Non-fixation of responsibility for faulty PC-I – Rs 740.00 million

As per minutes of meeting of Central Development Working Party (CDWP) held on 24.07.2017 regarding construction of staff quarters, the Chairman CDWP directed that inquiry for preparation of faulty PC-I should be conducted and responsibility be fixed under intimation to Planning Commission.

During audit of Accounts Officer/Project, Headquarters office, Lahore for the year 2018-19, it was observed that CDWP approved PC-I for construction of 228 units of staff quarters at seven locations i.e. Karachi, Lahore, Gujranwala, Narowal, Nankana Sahib and Bahawalpur including guard running room at Lahore with total cost of Rs 475.00 million on 30.09.2015. PC-I was not properly prepared as it was based on incorrect estimations. Moreover, the survey was not carried out professionally. Subsequently, the cost of the project increased by 66% along with reduction in the scope of work from 228 to 180 units. CDWP directed the Ministry of Railways on 24.07.2017 to inquire the matter of faulty preparation of PC-I and fix responsibility but no action was taken by Railway management. Thus, incorrect estimation resulted in time overrun and cost overrun of the project.

The matter was taken up with the management in June 2019. Management replied that original PC-I was approved on 30.09.2015 with cost of Rs 475.00 million but as a result of competitive bidding the cost of construction of quarters at Lahore, Karachi and Narowal was increased to Rs 625.28 million. However, the CDWP in its meeting held on 24.07.2017 approved the revised PC-I with cost of Rs 740.00 million. The remarks were not convincing as matter for incorrect preparation of PC-I was not inquired in compliance of directive of CDWP dated 24.07.2017.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be inquired to fix responsibility for preparation of faulty PC-I in compliance of CDWP directives and inquiry report be shared with audit as per directives of CDWP.

DP # 9569

2.5.42 Award of contract on fake/bogus technical bid – Rs 250.73 million

Para 1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other Railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

During audit of Accounts Officer/Projects, Headquarters office, Lahore for the year 2018-19, it was observed that tenders for demolition and reconstruction of Hassan Abdal Railway station were opened on 05.10.2016 and M/s HMS Enterprise was declared the lowest bidder. Before award of contract, the tender committee visited the lowest bidder's office along with a representative of M/s NESPAK to check the veracity of technical bid. M/s NESPAK being a consultant advised Pakistan Railways to reject the bid as professional capabilities of workforce and working experience of HMS Enterprise did not correlate with submitted technical bid. But Pakistan Railways awarded the contract valuing Rs 250.73 million to M/s HMS Enterprise on 03.04.2017. During execution of work M/s NESPAK pointed out that the contractor had deployed inexperienced and unqualified workforce but Railway management did not take up these matters with contractor. This depicts that undue favour was given to contractor in awarding the contract. The interest of Pakistan Railway was not safeguarded as the contract was awarded by ignoring the advice of the consultant to a firm who submitted fake/bogus technical bid.

The matter was taken up with the management in May 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed at an appropriate level to fix responsibility for award of contract despite adverse advice of NESPAK and action be taken against those held responsible besides strengthening the internal controls regarding evaluation of bids and contract management.

DP # 9494

2.5.43 Loss due to non-recovery of liquidated damages charges – Rs 207.80 million

As per clauses 7.4, 7.5 and 47.1 of the General Conditions of Contracts and clauses 6 and 9 of special conditions of contracts if the contractor fails to comply with the time for completion, then the contractor shall pay to the employer liquidated damages subject to maximum 10% of contract price for such default.

During audit of following formations of Pakistan Railways, cases of non-recovery of liquidated damages were observed:

(Rs in million)

Sr #	DP #	Formation	No. of cases	Amount
1.	9493	AO/Project, HQ, Lahore	10	189.21
2.	9719	PRFTC	01	16.45
3.	9754	DGM, Lahore	08	1.54
4.	9640	AO, CSF	01	0.35
5.	10088	MD, CFI	05	0.25
Total				**207.80**

The matter was taken up with the management from February 2019 to November 2019. Matter at Sr. No. 3 was discussed in DAC meeting held on 16.12.2019. DAC directed that revised reply along with findings of Inquiry Committee be shared with Audit within 01 week. Compliance of DAC directives was awaited.

Against Sr. No. 2 management replied that extension in time without imposing LD charges was granted by the competent authority on the recommendations of the consultant i.e. M/s NESPAK. Against Sr. No. 5 management replied that although the works were a little bit delayed which was inevitable due to the fact that the work fell in the territorial justification of Islamabad where movement of vehicles was restricted resulting extra time for transportation of material.

The remarks against Sr. No. 2 were not acceptable as the contractors were bound to complete the work within scheduled period of time. Furthermore, “No loss certificate” was not given by the management while granting extension in time without imposition of LD charges. Due to granting extension in time, management had to pay extra payment of Rs 3.46 million to the consultant as supervision charges which could have been avoided if LD charges were imposed. The remarks against Sr. No. 5 were an admission of audit observation. In respect of matter at Sr. No. 1 and 4 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC except Sr. No. 3.

Audit recommends that responsibility for unjustified grant of extension and non-imposition/recovery of LD charges be fixed besides recovering the loss from the persons at fault.

2.5.44 Irregular expenditure due to splitting of purchases/works – Rs 59.46 million

Rule 9 of Public Procurement Rules - 2004 provides that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or re-grouping of the procurements so planned.

During audit of different formations, splitting of similar nature purchases/works worth Rs 59.46 million was observed. The detail is annexed in **Annexure - 14**.

Despite repeated requests the PAO did not convene meeting of DAC except Sr. No. 10 and DAC directives of the same had been incorporated in **Annexure - 14.**

Audit recommends that responsibility for splitting of purchases/works be fixed and action against responsible persons be taken under the E&D rules.

2.5.45 Loss due to violation of rental policy – Rs 7.08 million

Pakistan Railways policy regarding auction of Cycle/Motor Cycle / Rickshaw /Taxi / Car / Bus / Parking Stands at A, B & C class Railway Stations stipulates that all the contracts will be awarded for a period of one year subject to satisfactory working, which will be further extendable for period of one year on 15% enhanced rate on the previous bid money.

During audit of Divisional Commercial Officer, Lahore Division in February 2019, it was observed that a contract for security arrangement and parking stand at Lahore Railway Station was awarded to M/s AA Enterprises on 15.06.2015, for three years plus three months mobilization period, at an annual rate of Rs 20,100,786 with 10% annual escalation instead of 15% in violation of above policy. This resulted in loss of Rs 7.08 million due to irregular award of contract and application of lesser rate in violation of the policy.

The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 10.01.2020. DAC was informed that an inquiry has already been conducted and its findings were sent to Ministry of Railways for approval. DAC directed the PO that findings of the stated inquiry be shared with Audit at the earliest along with justification for curtailing annual enhancement in rent from 15% to 10%. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for irregular award of contract and action be taken against those held responsible. Amount involved be recovered from those responsible or from contractor.

DP # 9491

2.5.46 Irregular release and non-deduction of retention money – Rs 4.35 million

As per general conditions of contract and acceptance notification for the construction of main station building Block- A & B at Narowal Railway Station dated 01.09.2016, 5% retention money will be deducted from each running bill and 2.5% will be released upon completion. Remaining 2.5% will be kept up-to defect liability period.

During audit of Railway Constructions Pakistan Limited (RAILCOP), Islamabad in April 2019, it was observed that the construction work of Main Station Building Blocks- A, B, C, platforms No. 1 and 2 at Narowal Railway Station was awarded to M/s Techno-time Construction with a face value of Rs 206.44 million from May 2016 to September 2016. An amount of Rs 87.03 million was paid to the contractor. But retention money amounting to Rs 4.35 million was not deducted from running bills or if deducted was irregularly released out before completion of work as detailed below: -

(Rs in million)

Sr. #	DP #	Description	Amount
1	9574	Irregular release of retention money	2.31
2	9689	Non-deduction of retention money	2.04
Total			**4.35**

The matter was taken up with the management in July 2019 and also discussed in DAC meeting held on 07.11.2019. Against Sr. No. 1, DAC directed the PO to submit a revised reply along with documentary evidence to DAC and responsibility be fixed for release of retention money and be recovered from those held responsible. Against Sr. No. 2, DAC was informed that retention money was to be deducted from each running bill which was not deducted from the invoices mistakenly. DAC did not accept the stance of management and constituted an inquiry committee comprising Dy. CEN/North & Dy. FA to fix responsibility for non-deduction of retention money and to recover the amount involved from those held responsible within 15 days. DAC also directed the MD/RAILCOP to blacklist the contractor (firm). Compliance of DAC directives was awaited.

Audit recommends that compliance of the DAC directives be ensured in letter and spirit under intimation to Audit.

2.5.47 Loss due to unjustified payment of consultancy services – Rs 1.25 million

Clause 5.2.30 of Terms of Reference (ToR) of Contract for Consultancy Services executed between Pakistan Railways and M/s Master Consulting Engineers (Pvt.) Ltd. provides that construction supervision would not necessarily start immediately after completion of stage-1, designing. The construction supervision would commence with the commencement of construction by the contractor. No payment for idle time, if any, between completion of stage-1 and commencement of construction would be paid.

During audit of Accounts Officer Projects, HQ office, Lahore for the financial year 2018-19, it was observed that a contract for Architectural & Engineering Designs and Construction Supervision of construction of staff quarters at Lahore, Karachi and Narowal was awarded to M/s Master Consulting Engineers (Pvt.) Ltd. The contract for construction of staff quarters at Narowal was awarded to M/s. Iftikhar & Company (Pvt.) Ltd. with date of commencement of 01.08.2016 whereas the actual work commenced on 29.12.2016 as reported by the consultant. The actual work was delayed by five months due to late mobilization of contractor/standing water at site. PR management paid an amount of Rs 1.25 million to M/s Master Consulting Engineers as construction supervision for idle time from August 2016 to December 2016. Thus, PR suffered loss of Rs 1.25 million on account of excess payment in contravention of the provisions of the contract.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene the DAC meeting.

Audit recommends that matter be probed to fix responsibility for unjustified payment made to the consultant and amount involved be recovered from the consultant.

DP # 9487

E) Assets management

2.5.48 Loss due to non-recovery of cost of land from Government of the Punjab – Rs 5,534.62 million

Rule 287(B)(2) of General Financial Rules (GFR) of the Federal Government regarding transfer of government land and buildings provides that in the case of transfers to and from the Railway Department, the full market value will be charged in each case.

During audit of Property and Land, Workshop Division, Mughalpura, Lahore in February 2019, it was observed that 13 different Railway sites measuring 93.037 acres were encroached by private parties within the jurisdiction of Workshop Division. Later on these 13 sites were declared as katchi abadies by Government of the Punjab but PR management issued NOC for only three katchi abadies established before 23.03.1985. Subsequently Government of the Punjab granted proprietary rights to occupants, but the cost of land of all the 13 katchi abadies was not paid to Pakistan Railways uptill now in violation of aforementioned statutory rule. As per DC value the cost of land comes to Rs 5,534,620,800 and Railway management failed to recover the same from Government of the Punjab. This state of affairs deprived Railway from precious land and PR suffered loss of Rs 5,534.620 million.

The matter was taken up with the management in March 2019 and also discussed in DAC meeting held on 03.12.2019. DAC was informed that NOC was issued by PR management as per policy of Federal and Provincial government. DAC did not accept the stance of management and directed to refer the matter to PAC for decision.

Audit recommends that matter be probed to fix responsibility for irregular issuance of NOC and non-recovery of dues from the Government of Punjab. Efforts be made to realize the cost of land from the Provincial government under intimation to Audit.

DP # 9791

2.5.49 Encroachment of Railway land – Rs 4,463.94 million

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

During audit of different formations, it was observed that 3,598.20 acres Railways land, 128 Railway quarters and 47 shops valuing about Rs 4,463.94 million were encroached by individuals and Government Departments etc. as detailed in **Annexure - 15**. Thus a huge chunk of Railway land was under encroachment due to negligence of management and Pakistan Railways was being deprived of potential earnings.

Most of the cases were discussed in various DAC meetings and directives of the same have been incorporated in **Annexure - 15**.

Audit recommends that action be taken for early retrieval of sites and responsibility be fixed against those found negligent.

2.5.50 Irregular award of lease agreement and loss due to non-inclusion of escalation clause – Rs 887.00 million

As per Executive Committee of Railway Board decision dated 13.07.2009 regarding rental policy, the annual escalation rate of rental should be 8%. Further, Para 807 of Pakistan Railway Code for the Engineering Department stipulates that all Railway land should be managed on commercial lines and Railway administration should endeavor to develop the resources of and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that land measuring 3,888 SqYd (34992 Sft) at Nowshera road near Bilal Masjid Mohallah Ram Bagh, Mardan was offered for commercial exploitation on 99 years basis. The 1st highest bid of Rs 7,201 per SqYd was rejected being lower than benchmark of Rs 9,000 per SqYd on 15th September, 2009. The highest bidder filed an appeal before Federal Minister showing his willingness to increase his offer. On the directives of

Federal Minister for Railways without going into the re-tendering process, the Executive Committee of the Railway Board leased out the land to applicant on 01.09.2010 for Rs 40,435,200 at the rate of Rs 10,400 per SqYd as premium and Re 1 per sft as annual rent (34992 sft) without including escalation clause. Moreover, 8% annual escalation clause was not inserted in agreement against the above said policy. This resulted in irregular execution of lease agreement by extending undue favour to lessee which ensued loss of Rs 887.00 million. This depicts poor financial and internal controls of contract management.

The matter was taken up with management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix the responsibility for undue favour to the bidder and action be taken against those held responsible besides recovery of the amount involved from those at fault.

DP # 9675

2.5.51 Wasteful expenditure on procurement and execution of works – Rs 767.26 million

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

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that an amount of Rs 767,259,723 was incurred on procurement of plant and machinery, construction of station building, carriage and wagon shop and loco shed etc. at Yousafwala without need assessment and estimation during the period from 2016 to 2018. After the procurement of items and completion of works, neither items procured were utilized nor the infrastructure were made operational. This resulted in wasteful expenditure amounting to

Rs 767.26 million on unjustified purchase of plant & machinery and execution of civil works.

The matter was taken up with the management in April 2019. Management replied that siding and plant & machinery had been transferred to Pakistan Railways at zero prices. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed at an appropriate level to fix responsibility for wasteful expenditure and action be taken against those held responsible. Audit further recommends that formal agreement be executed with PR management for maintenance of infrastructure and equipment.

DP # 9738

2.5.52 Irregular lease of land by overriding the decision of Executive Committee – Rs 612.99 million

As per decision on agenda item No. 3 of the Minutes of Executive Committee of Railway Board meeting dated 30.06.2009, the benchmark (reserve price) of the land to be leased out for more than 10 years and /or greater than 2000 Sft, should be fixed on the basis of rental ceiling as ascertained by Pakistan Banking Association accredited valuator.

During audit of the Railway Estate Development & Marketing Company (REDAMCO) in June 2019, it was observed that a piece of land measuring 13,599 Sq.ft. (1511 SqYd) at Wazir Mansion Station, Marri Pur Road, Karachi was offered for commercial exploitation on 33 years on rental basis during April 2009. The land was leased out to M/s Shiza Ali Enterprises for 33 years on 01.03.2010 at an annual rent of Rs 4.20 million with 8% annual escalation without ascertaining the value of rental from approved valuator as per ibid decision of the Executive Committee. Audit was of the view had the rental ceiling been ascertained by Pakistan Banking Association accredited valuator, PR management could have generated more revenue. This resulted in irregular leasing of Railway land amounting to Rs 612.99 million for 33 years.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for award of lease in contravention of policy and action be taken against those held responsible besides taking corrective measures under intimation to Audit.

DP # 9603

2.5.53 Loss due to delay in the execution of lease agreement – Rs 336.56 million

As per decision against agenda item No. 18 of the minutes of Executive Committee of Railway Board meeting dated 13.07.2009, the minimum reserve market price of Railway lands on ownership basis/sale (free hold) shall be fixed on the basis of the assessment made by the concerned Railway operational division and Directorate of Marketing, and also the assessment made by the independent accredited evaluator. In case the variance between Divisional Assessment and independent valuator goes up to 30%, the average of the two valuations shall be used as minimum reserve price.

During audit of Railway Estate Development & Marketing Company (REDAMCO) in April 2019, it was observed that plot “C” measuring 16,566 Sft at joint road Quetta was offered on lease for 33 years on 06.01.2018. Two bidders participated in the bidding process and M/s Mowraze Enterprises was declared 1st highest bidder. While examining the case, following irregularities were observed:-

i) The company management set the benchmark only on the value of premium assessed by approved valuator and value of lease premium assessment by divisional assessment was ignored in contravention of above referred decision. This resulted in loss of Rs 4,967,460 due to wrong calculation of lease premium.

ii) Letter of intent was issued to first highest bidder-M/s Mowraze Enterprises on 05.05.2018. The bidder deposited the full amount of lease premium and 1st year advance rent on 25.05.2018. However, management delayed the execution of agreement for seven (07) months without any reason. Later on, the Apex Court imposed ban on long term leasing during January 2019, which restricted the management to execute the lease agreement. This resulted in loss of potential revenue amounting to Rs 336.56 million on account of lease premium and rental charges.

iii) REDAMCO management deposited 10% withholding tax amounting to Rs 3,330,000 with FBR without executing the lease agreement. This was also a loss to the REDAMCO management, as the same would have to be returned to the bidder.

Resultantly, PR management sustained substantial loss of potential earning due to negligence of REDAMCO.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be inquired at an appropriate level to fix responsibility for non-compliance of decision of Executive Committee of Railway Board, non-execution of lease agreement and depositing the amount of 10% withholding tax with FBR without executing the lease agreement. Action be taken against those held responsible.

DP # 9871

2.5.54 Irregular award of contract to second highest bidder – Rs 269.61 million

Para 807 of Pakistan Railways Code for the Engineering Department stipulates that all Railway land should be managed on commercial lines and Railway administration should endeavor to develop the resources of and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

During audit of Railway Estate Development & Marketing Company (REDAMCO) in May 2019, it was observed that a tender for leasing out of Railway land for 33 years for installation of petrol pumps and allied facilities in Sukkur Division was advertised on 10.05.2017. The contract was awarded to the highest bidder, M/s Hascol Petroleum Ltd, on 31.05.2017 at an annual rent of Rs 3,780,000 and fixed commitment fee Rs 11,330,000. The highest bidder failed to deposit the bid amount up to 21.06.2017 and his bid was rejected with forfeiture of bid security. Instead of retendering, the contract was irregularly awarded to 2nd highest bidder at an annual rent of Rs 1,400,000 and fixed commitment fee of Rs 11,330,000. The accepted rates were 62% lower than the rates of 1st highest bidder. This depicts that 1st offer was rejected in haste just to favour the 2nd highest bidder. This resulted in loss of Rs 269.61 million to Pakistan Railways due to irregular award of contract.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for award of contract at very low rates and amount involved be recovered from those held responsible.

DP # 9829

2.5.55 Irregular execution of lease deed without fair competition – Rs 179.81 million

Para 807 of Pakistan Railways Code for the Engineering Department stipulates that all Railway land should be managed on commercial lines and Railway administration should endeavor to develop the resources of, and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that a tender for leasing out prime Railway land measuring 2,444 SqYd located at Rahim Yar Khan (in front of goods shed) for 33 years was advertised in April 2009. The highest bid of Rs 154.17 million was rejected by Executive Committee of Railway Board on 17.08.2009 without assigning any reason. Subsequently, after lapse of about two years on 12.04.2011 the highest bidder filed an appeal before Federal Minister for Railways. On the directives of Federal Minister for Railways the Executive Committee of Railway Board on 30.06.2011 decided that the highest bidder may be allowed to improve his offer or it may be re-advertised. The bidder improved his bid and land was leased out to him for 33 years at an increased bid of Rs 179.81 million. Audit was of the view that the land was leased out without generating fair competition on the directives of Federal Minister for Railways in complete violation of laid down procedure. This resulted in irregular lease of land for Rs 179.81 million.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for lease of land without fair competition and action be taken against those held responsible. The irregularity be got condoned from the competent forum.

DP # 9638

2.5.56 Loss due to lease of land below the benchmark – Rs 131.36 million

Para 807 of Pakistan Railways Code for Engineering Department provides that all Railway land should be managed on commercial lines and Railway administration should endeavor to develop the resources of, and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that a piece of land at Circular Road, Kasur adjacent to Railway Rest House near Railway Station was leased out to M/s Hub Enterprises on 17.11.2016 for 33 years at annual rent of Rs 1,200,000 against the benchmark of Rs 2,100,000 by extending undue favor to the lessee. This resulted in loss of Rs 131.36 million to Pakistan Railways due to irregular leasing of land below benchmark.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for leasing the site below benchmark and action be taken against those held responsible besides recovery of loss involved.

DP # 9636

2.5.57 Non-disposal of scrap – Rs 81.03 million

Para 2403 of Pakistan Railways Code for the Stores Department provides that the Store Department should arrange for the regular collection of all scrap from consuming departments and for its disposal to the best advantage of the Railways. If scrap is to be disposed off by public auction, arrangements should be made for its collection at convenient points for the purpose of such sales.

During audit of different formations, cases of accumulation of scrap were observed due to non-disposal which resulted in blockage of capital amounting to Rs 81.03 million as detailed below:-

(Rs in million)

Sr #	DP #	Formation	Description	Amount
1.	9983	Mechanical Department, Multan	Condemned goods wagons	58.27
2.	9864	Divisional Transportation and Commercial Officers, Quetta	Condemned coaching vehicles	14.20
3.	9817	Divisional Transportation and	Different types of	6.06

		Commercial Officers, Karachi	vehicles and Mud sludge with HSD Oil	
4.	9552	Mechanical Engineering Department Peshawar	Condemned oil tanks	2.50
Total				**81.03**

The matter was taken up with Railway management from September 2018 to July 2019. Management replied against Sr. No. 1 that cases were under process with CME office. Against Sr. No. 4 management replied that efforts had been made for disposal of oil tanks. The remarks against Sr. No. 1 and 4 were not acceptable as progress of the cases were not furnished. Against Sr. No. 2 and 3 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that expedient action for proper disposal of scrap be taken. Responsibility for unnecessary retention of scarp be fixed.

2.5.58 Unauthorized leasing of Railway land by Railway Police – Rs 77.50 million

As per Ministry of Railways letter No. W-II/90/A/36 dated 02.08.2001, any project proposed on Railway land with cost of land Rs 5.00 million or more selected for commercial exploitation should be considered as a major project. All such cases be brought before the Executive Committee of Railway Board for consideration and approval.

During audit of Inspector General, Railway Police, Lahore in April 2016, it was observed that prime land near Railway Police Line, Lahore measuring 11,435 Sq.ft. valuing Rs 77.50 million was leased out by the IG Railway Police to private contractor for installation of petrol pump on quotation basis. The leasing of Railway land without approval of competent forum was irregular. Furthermore, the revenue earned through leasing of said land was deposited into a private account instead of Railway treasury. This resulted in irregular leasing of Railway land valuing Rs 77.50 million in violation of aforementioned policy.

The matter was taken up with the management in April 2016 and also discussed in DAC meeting held on 28.06.2019. DAC was informed that the petrol pump was installed with the approval of Ministry of Railways. DAC did not agree with the stance of management and directed the Director Property & Land to take over possession of Railway premises forthwith and recover all outstanding dues immediately. Moreover, a copy of inquiry report of 2018 be shared with Audit for examination. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for unauthorized leasing of Railway land by Police Department and for keeping its revenue in the private account. Possession of Railway premises be taken over and amount involved be recovered besides furnishing a copy of inquiry report to Audit.

DP # 8149

2.5.59 Loss due to lease of Railway land at lower rates – Rs 17.84 million

As per decision against item No. 18 of Executive Committee of Railway Board meeting dated 13.07.2009, the minimum reserve market price of Railway lands on ownership basis/sale (free hold) shall be fixed on the basis of the assessment made by the concerned Railway Division and Directorate of Marketing, and also the assessment made by independent accredited evaluator. The minimum reserve price for 99 years lease hold rights shall be fixed at 90% of the value of the land on ownership basis as assessed. The minimum reserve price of the land to be given out on 33 years lease hold right basis shall be 35% of the value of the 99 years leasehold rights value as assessed.

Audit of the Railway Estate Development & Marketing Company (REDAMCO) in May 2019, revealed that land measuring 3,024 Sq.Yd at Mardan was offered for commercial exploitation on 33 years lease basis on 21.04.2009. Subsequently, 99 years lease period was included in addition to 33 years through a corrigendum dated 21.05.2009. Four bidders offered bids for 99 years and two bidders offered bids for 33 years lease period. The highest bids for 33 years and 99 years lease period were Rs 15,120,000 and Rs 27,518,400 respectively and annual lease rental were Rs 458,182 and Rs 277,963 respectively. Audit observed that annual lease rental for 33 years lease was on higher side by Rs 180,219 p.a. Furthermore the premium for 33 years was comparatively higher and was the most suitable option. But the land was irregularly leased out to Mr. Aamir Sikandar for 99 years without ascertaining the lease premium/value of land from approved accredited valuator and without considering impact of annual lease rentals. This resulted in loss of Rs 17,841,681 (Rs 180,219 x 99) to Pakistan Railways due to award of lease at lower rate.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for leasing out the land without ascertaining the value of land in violation of policy guidelines and without considering impact of annual lease rentals. Action be taken against those held responsible besides recovery of amount involved.

DP # 9584

2.5.60 Loss due to leasing of land at nominal rates without fair competition – Rs 16.85 million

Para 803 of Pakistan Railways Code for the Engineering Department emphasizes the need to preserve unimpaired the title to land in its occupation and keep it free from encroachments. Further, Para 807 stipulates that all Railway land should be managed on commercial lines and Railway administration should endeavor to develop the resources of, and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

During audit of Property and Land Department, Workshops, Mughalpura, Lahore in February 2019, it was observed that Railway land measuring 29.17 Marlas situated at prime commercial location of Shalimar Link road was encroached by a private party who established a private hospital named as Yasir Hospital during 1977-78. Subsequently, the hospital was re-named as Abeeda Sardar Memorial Hospital. Audit observed that land in question was retrieved from encroachers and leased out to the same party for 99 years at nominal rates without adopting codal procedures and formalities. This resulted in loss of Rs 16.85 million due to lease of land at nominal rates.

The matter was taken up with the management in March 2019. Management replied that land in question was not leased out at nominal lease charges rather the same was leased out @ 100% of the prevailing DC value of the land. The remarks were not acceptable because prime commercial Railway land was leased out at nominal rate without fair competition on long term basis.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for execution of unauthorized lease agreement with encroachers. Corrective measures be taken with due process of law and policy under intimation to Audit.

DP # 10036

2.5.61 Unauthorized expenditure on general duty vehicles – Rs 12.13 million

As per policy prescribed by Cabinet Division through letter No.6/7/2011-CPC dated 12.12.2011 for monetization of transport facility to the civil servants (BPS-20 to BPS-22), the Ministries / Divisions / Departments requiring operational vehicles shall get their authorization of such vehicles fixed from the Vehicle Committee of Cabinet Division comprising of representatives each from Cabinet Division, Finance Division and the respective Ministry / Division / Department.

During audit of the Deputy General Manager, Headquarters office, Lahore in July 2019, it was observed that Railway management had 44 vehicles during 2012 out of which 42 vehicles were monetized leaving balance of two vehicles for general duty/operations. The Railway management had increased the general duty vehicles from 2 to 29 till July 2019 without getting the authorization of vehicles from Vehicle Committee of Cabinet Division required under the rules/policy. This resulted in unauthorized expenditure of Rs 12.13 million on account of POL, repair & maintenance of vehicles and pay & allowances of drivers during 2018-19.

The matter was taken up with the management in August 2019. Management replied that matter was referred to MoR in November 2018. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for not getting authorization from competent forum and action be taken against those held responsible under intimation to Audit.

DP# 9859

2.5.62 Loss due to incorrect demarcation of Railway land – Rs 10.80 million

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

During audit of the Deputy Director, Property & Land Multan in February 2016, it was observed that as per land plans of 1952 Railway land boundary in Dera Ghazi Khan Station Yard was 200 feet (left side) from center of track which was reduced to 118 feet in 1968 demarcation. Railway management conducted joint demarcation of the site along with Tehsildar (Revenue) Dera Ghazi Khan on 28.01.2008 but they did not raise objections on the wrong demarcation. This incorrect demarcation resulted in encroachment of Railway land measuring 54 Marlas valuing Rs 10.80 million.

The matter was taken up with the management in February 2016 and also discussed in DAC meeting held on 28.06.2019. Management informed the DAC that action had been initiated by Revenue authorities for rectification in the revenue record in favour of Pakistan Railways as per actual land plans. DAC directed the AGM/I to conduct an inquiry to determine the reasons for wrong demarcation/ non-conducting revised demarcation and report be furnished to Secretary/Chairman Railways and Audit within 15 days. Compliance of DAC directives was awaited.

Audit recommends that matter be taken up with Revenue department in the light of Pakistan Railways land plan 1952 and be probed to fix responsibility for wrong demarcation. Findings of inquiry along with corrected revenue record be furnished to Audit in compliance of DAC directives.

DP # 7783

2.5.63 Loss due to incorrect fixation of lease premium – Rs 4.69 million

As per decision against agenda item No. 18 of Executive Committee of Railway Board dated 13.07.2009, the minimum reserve market price of Railway lands on ownership basis/sale (free hold) shall be fixed on the basis of the assessment made by the concerned Railway Division, Directorate of Marketing and by the independent accredited evaluator. In case the variance between Divisional assessment and independent evaluation goes up to 30%, the average of the two valuations shall be used as minimum reserve price.

During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that a piece of land measuring 90 Marlas at Kaamra Attock road near GPO, Attock was leased out for 33 years at an annual rent of Rs 4,500,000 and lease premium of Rs 37,870,000 to M/s Gas & Oil Pvt. Ltd on 07.06.2017. The minimum lease premium as evaluated by an independent valuator and Divisional committee of Peshawar Division was Rs 37,867,500 and Rs 47,250,000 respectively. Company management irregularly fixed the value of lease premium as Rs 37,867,500 instead of Rs 42,558,750 by taking the average of valuations. This resulted in loss of Rs 4.69 million to Pakistan Railways due to incorrect fixation of lease premium in violation of above policy.

The matter was taken up with the management in June 2019 but no reply was received and despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for incorrect fixation of lease premium and action be taken against those held responsible besides recovery of the amount of loss be effected under intimation to Audit.

DP # 9620

2.5.64 Loss due to excess issuance of rails for manufacturing of turnouts – Rs 3.98 million

Clause 17 (i) of special conditions of contract dated 09.09.2017 executed between PD/dry ports and a joint venture of PRACS and M/s Al-Tech Engineering & Manufacturing Lahore states that rails for manufacturing of turnouts shall be supplied by Pakistan Railways. Furthermore, Para 118 of Pakistan Railways Code for the Engineering Department provides that it is the duty of the Executive Engineer to pay strict attention to the economical application of all labour and material under his control.

During audit of following formations of Pakistan Railways, it was observed that rails were issued in excess than the approved quantity as detailed below:-

(Rs in million)

Sr.#	DP #	Formation	Approved quantity	Issued quantity	Amount
1.	9806	PD/Dry Ports, H.Q. Office, Lahore	95 No	120 No	2.31
2.	9036	Civil Engineering Department, Peshawar	110600 Kg	145582.92 Kg	1.67
				Total	**3.98**

The matter was taken up with the management from August 2018 to September 2019. The matter at Sr. No. 02 was discussed in DAC meeting held on 10.01.2020. DAC was informed that all the six (06) deposit works were completed for which completion reports would be drawn shortly after reconciling the debits / credits as per liability and works registers. DAC directed the P.O that completion reports of all the works completed be provided to Audit within 02 months. Compliance of the DAC directives was awaited. Against Sr. No. 1 no reply was received and despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for issuance of excess quantity of rails and action be taken against those held responsible besides recovery of the amount involved. Contract management controls be strengthened to avoid recurrence.

F) Financial management

2.5.65 Undue favor to the contractor and non-termination of lease deed – Rs 612.42 million

As per clause-2 of lease deed executed between PR and M/s Aqeel Kareem Dhedhi Securities (Private) Limited on 24.05.2004, the annual rent was required to be paid to the lessor (PR) annually in advance. Further, clause-7 provides that in the event of any breach of the terms and conditions of this lease the lessor shall be entitled to terminate this deed without any notice and without being liable to pay any compensation whatsoever and the amount paid by the lessee in term of clause-2 and 3 of the un-expired period shall stand forfeited to the lessor.

During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in April 2019, it was observed that Hyatt Regency Hotel project comprising 10,207 square yard of Railway land was leased out to M/s Aqeel Karim Dhedhi Securities (Private) Limited (AKD) for 99 years on 24.05.2004. The assessed value of land was Rs 612.42 million. The annual lease money/rent was Rs 0.56 million for ten years from 2004 to 2014. The lessee paid the advance lease money only for the first year. Thereafter, the lessee paid annual lease money with a delay of 58 days to 1172 days and committed default by not making advance payment of annual lease money for the remaining term. Moreover, no record pertaining to receipts from the lessee for the period from 2011 to 2014 was found. Audit was of the view that undue favor was extended to the lessee by not terminating the lease deed valuing Rs 612.42 million. This depicts negligence and slackness on the part of management.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for contract mis-management and action be taken against those held responsible besides taking corrective measures under intimation to Audit.

DP # 9876

2.5.66 Loss due to non-recovery of Railway dues from private individuals – Rs 495.66 million

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

During audit of different formations of Pakistan Railways, it was observed that an amount of Rs 495.66 million was recoverable from the lessees/licensees of commercial & agriculture land and parking stands etc. on account of rental and penalty charges as detailed in **Annexure - 16**. Railway management failed to realize the same which reflects negligence on the part of management.

Despite repeated requests the PAO did not convene meeting of the DAC except Sr. No. 3, 21, 22 and 26. DAC directives had been incorporated in the **Annexure - 16.**

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

2.5.67 Loss due to non-recovery of Railway dues from Government Departments – Rs 369.24 million

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

During audit of different formations of Pakistan Railways, it was observed that an amount of Rs 369.24 million was recoverable from various Government Departments such as Lahore Development Authority, Postal Department, Foods Department, NLC, NHA, National Bank of Pakistan, Education Department, Khyber Pakhtunkhwa etc. as detailed in **Annexure - 17**. Railway management failed to realize the same which reflects negligence on the part of management.

Despite repeated requests the PAO did not convene meeting of the DAC except Sr. No. 3, 4, 8 and 11. DAC directives had been incorporated in the **Annexure - 17**.

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

2.5.68 Loss due to incorrect fixation of annual lease money – Rs 366.94 million

As per clause-5 of Martial Law Order No. 105 dated 21.03.1985 regarding rehabilitation of Karachi Hotel Project Order 1985, the lease or sub-leases in respect of Railway land shall stand cancelled and the said land shall be deemed to have been leased out by Pakistan Railways to the project for a period of 99 years at an annual lease money of Rs 281,100 upto 01.01.1993, and at 9% of the assessed value of land for subsequent period, provided that the land value would be reassessed by a committee comprising of the Secretary Finance Department, Government of Sindh, the District Collector and the Divisional Superintendent of Railways, Karachi after every ten years.

During audit of the Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that a piece of Railway land measuring 10,207 Sq.Yd (Hyatt Regency Hotel Project) was leased out to M/s Aqeel Karim Dhedhi Securities (Private) Limited for 99 years on 20.05.2004. After expiry of 10 years in 2014 the value of land was to be reassessed for next ten years from 24.05.2014 to 23.05.2024. The assessment report was finalized by the unauthorized committee instead of notified committee that too with an inordinate delay of four years just to extend undue favour to the lessee. Moreover, the committee determined per annum lease money as Rs 4,644,758 by dividing the 9% assessed value of land for remaining lease term of 89 years whereas according to above said MLO the annual lease money should have been Rs 41,338,350 (Rs 4,593,150,000 x 0.09 ÷ 10) i.e. 9% of reassessed value of land. Audit further observed the default of lessee in depositing the lease money. This resulted in loss of Rs 366.94 million due to incorrect calculation of annual rent for the period of 10 years.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for unlawful change in composition of assessment committee. Lease money be worked out as per MLO 105 and be recovered from the lessee under intimation to Audit.

DP # 10038

2.5.69 Injudicious expenditure on double track – Rs 325.00 million

Para 807 of Pakistan Railways 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 audit of Pakistan Railways Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that company management laid 4.125 kilometers new rail link double track valuing Rs 325 million from Yousafwala Railway Station to Qadirabad Coal power plant in 2017. During site visit it was observed that only one track was operational through which the coal was being transported regularly without any impediment. The other track was lying idle since its construction i.e. 2017 and was being deteriorated over the time due to non-utilization. This resulted in injudicious expenditure amounting to Rs 325.00 million and also depicts weak planning of the management.

The matter was taken up with the management in April 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for infructuous expenditure and action be taken against those held responsible. Internal controls be strengthened to avoid recurrence.

DP# 9849

2.5.70 Non-deduction of withholding income tax and GST – Rs 264.95 million

As per letter of Chief Commercial Manager dated 15.04.2015, all offices, dealing with contractors under agreements executed by them are responsible to collect and deposit withholding Tax @ 10% and General Sales Tax @ 17% from the contractors and deposit with the FBR.

During audit of different formations of Pakistan Railways, it was observed that an amount of Rs 264.95 million was not deducted from different lessees/contractors on account of withholding income tax/GST. This resulted in loss of Rs 264.95 million to Government Exchequer due to weak tax management as detailed in **Annexure - 18**.

Despite repeated requests the PAO did not convene meeting of the DAC except Sr. No. 7 and 10. DAC directives had been incorporated in the **Annexure - 18**.

Audit recommends that matter be probed at an appropriate level to fix responsibility for non-deduction of taxes and action be taken against those held responsible besides recovery of the amount involved from those held responsible.

2.5.71 Loss due to non-provision of escalation and withholding tax clauses in agreement – Rs 171.49 million

As per Executive Committee of Railway Board decision dated 03.06.2009 regarding rental policy, the annual escalation rate of rental should be 8%. Further, Sections 80 and 236-A of Income Tax Ordinance, 2001 provides that a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of Inland Revenue or any other authority, shall collect advance tax, @ 5% on the basis of sale price of such property from the person to whom such property or goods are being sold.

During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that a Plot-F measuring 750 SqYd near Mardan Railway Station was offered for commercial exploitation on 99 years lease basis in September 2009. The contract was awarded to Mr. Muhammad Arif at the rate of Rs 10,400 per SqYd for commercial exploitation. It was also observed that the clauses of 8% annual escalation and 5% withholding income tax were not incorporated in the agreement just to extend undue favour to lessee. This resulted in loss amounting to Rs 171.49 million to Government Exchequer due to violation of above policy/law.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-provision of escalation and withholding income tax clauses in the agreement and action be taken against those held responsible and amount involved be recovered from lessee under intimation to Audit.

DP # 9873

2.5.72 Loss due to non-recovery of dip shortage from CRR contractor – Rs 91.05 million

As per clause 8.10 of fuel transportation agreement dated 24-05-2017 executed between Pakistan Railway and M/s PSO, any product shortage in tank wagons after arrival at delivery point shall be construed as product loss. Railways representative will issue a certificate verifying such shortfall after calculating the respective tonnage and / or volume as the case may be. Such certificate shall be countersigned by representative of PSO and on the basis of such certificate the PSO will file a claim. PSO will not deduct any amount from Railways freight bills unilaterally against such shortages/ claims. Moreover as per clause 2.7 of CRR (Clear Railway Receipt) agreement dated 1-11-2010 executed between PR and CRR contractor any shortage of fuel will be debited to the CRR contractor.

During audit of Commercial Branch of Karachi Division in March 2018, it was observed that M/s PSO deducted Rs 91.05 million on account of dip shortage charges from Railways freight bill for the period from October 2010 to September 2017 unilaterally. Railway management did not debit the said amount to CRR contractor despite lapse of more than two years in violation of the above clauses. This resulted in loss of Rs 91.05 million due to non-recovery of dip shortage charges from CRR contractor.

The matter was taken up with the management in June 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be taken up with PSO for unauthorized deduction. Responsibility be fixed for non-recovery from CRR contractor. Action be taken against those held responsible besides recovery of the amount involved under intimation to Audit.

DP # 9418

2.5.73 Loss due to non-realization of bills receivable from lessees of Railway shops – Rs 74.10 million

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

During audit of different units of Pakistan Railways, it was observed that an amount of Rs 74.10 million was recoverable from the lessees/licensees of shops on account of rental and penalty charges as detailed in **Annexure - 19.** Railway management failed to recover the same which reflects negligence on the part of management.

The matter was taken up with the management from February to June 2019 and management replies had been incorporated in the **Annexure - 19**.

Despite repeated requests the PAO did not convene meeting of the DAC.

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

2.5.74 Loss due to non-realization of bills receivable from Railway subsidiaries – Rs 42.48 million

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

During audit of different formations of Pakistan Railways, it was observed that an amount of Rs 42.48 million was recoverable from the subsidiaries of Pakistan Railways on account of rental charges, pension/service contribution and medical charges etc. as detailed in **Annexure - 20**. Railway management failed to recover the same which reflects negligence on the part of management.

Despite repeated requests the PAO did not convene meeting of the DAC except paras at Sr. No. 2, 3 and 6. DAC directives of the same had been incorporated in **Annexure - 20**.

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

2.5.75 Loss due to imposition of penalty by FBR – Rs 21.00 million

Rule 43 of the Income Tax Rules 2002 stipulates that tax collected or deducted must be deposited to Govt. treasury within 7 days from the end of each fortnight. Further, Section 161 further provides that withholding agents shall be personally liable to pay the amount of tax to the commissioner if they fail to collect tax or deduct tax or having collected tax but fail to pay the tax to the concerned corner.

During audit of Chief Commercial Manager, Lahore in April 2019, it was observed that an amount of Rs 38,967,850 was deducted by the

National Bank of Pakistan, Main Branch, Lahore from the Collection Account of Pakistan Railways in April 2019 and transferred to the FBR against the outstanding tax as demanded by the FBR for the years 2015 to 2018. Out of total deductions, an amount of Rs 21,002,622 was deducted as penalty for non-remission of tax within due time. This resulted in loss of Rs 21.00 million as penalty imposed by FBR due to non-remittance of withheld tax within prescribed time.

The matter was taken up with management in April 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-remittance of collected withholding tax and action be taken against those found at fault besides making the loss good and its reporting in the financial statements.

DP # 9664

2.5.76 Irregular procurement of vehicles by circumventing orders of Finance Division – Rs 16.27 million

As per Finance Division, Expenditure Wing's Office Memorandum dated 26.07.2017, there was a complete ban on purchase of vehicles from revenue budget as well as PDSP allocation except operational vehicles of law enforcing agencies for which NOC from Finance Division would be required.

During audit of Pakistan Railway Freight Transportation Company, Lahore in May 2019, it was observed that management irregularly introduced a clause in contract agreements of different works, for provision of nine new vehicles in violation of Government instructions regarding ban on purchase of vehicles. This resulted in irregular purchase of nine vehicles valuing Rs 16.27 million.

The matter was taken up with the management in June 2019. Management replied that tender documents were prepared by M/s NESPAK in accordance with Public Procurement Rules and no irregularity was committed. The remarks were an admission of audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be got regularized from Finance Division at the earliest besides fixing responsibility for unauthorized procurement of vehicles.

DP # 9753

2.5.77 Irregular cash payment against local purchases – Rs 12.32 million

Federal Board of Revenue circular No. C.No. 1(42) STM/2009/99638-R dated 24.07.2013 provides that purchase of taxable goods may only be made from sales tax registered persons against sales tax invoices and payments through banking channel.

During audit of different formations, it was observed that an expenditure of Rs 12.32 million was incurred on procurement of different types of material through Misc. Advance local purchase and payment was made to suppliers in cash instead of banking channel in violation of FBR instructions as detailed below:-

(Rs in million)

Sr.#	DP #	Formation	Period of audit	Amount
1.	9694	Deputy General Manager, H.Q. Office, Lahore	August, 2019	8.48
2.	9564	Accounts Officer/ Projects, H.Q. Office, Lahore	May, 2019	3.84
Total				**12.32**

The matter was taken up with the management in May and August 2019. Management replied against Sr. No. 1 that there was no practice in the local market for payment through cheques, so they were compelled to make cash payments. The remarks of management against Sr. No. 1 were an admission of Audit observation. Against Sr. No. 2 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for making payments in cash instead of through banking channel. Action be taken against those held responsible under intimation to Audit.

2.5.78 Loss due to non-recovery of rental charges on account of utilization of additional land – Rs 6.31 million

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

During audit of different formations of Pakistan Railways in February 2019 to June 2019, it was observed that an amount of Rs 6.31 million was recoverable from the lessees of land on account of utilization of additional land. But Railway management failed to recover the same which reflects negligence on the part of management as detailed below:-.

(Rs in million)

Sr #	DP #	Formation	Description	Amount
1.	9612	REDAMCO	Rental charges of excess land	3.50
2.	9644	Commercial and Transportation Department, Sukkur	Rental charges of extra space	2.81
Total				**6.31**

The matter was taken up with the management from February 2019 to June 2019. Sr. No. 2 was discussed in DAC meeting held on 16.12.2019. DAC did not accept the stance of management and constituted an Inquiry committee comprising CCM/P & FA&CAO/Rev. to inquire the matter for fixing responsibility within 01 week. Compliance of DAC directives was awaited. Against Sr. No. 1 no reply was received and despite repeated requests the PAO did not convene DAC meeting.

Audit recommends that serious efforts be made to expedite recovery besides retrieval of unauthorized occupied land. Responsibility for negligence by the management be fixed.

2.5.79 Non offsetting the payables against the receivables – Rs 5.68 million

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

During audit of Chief Controller of Purchase, Lahore in September 2019, it was observed that instead of offsetting the payables against receivables, Railway management paid an amount of Rs 5.68 million on account of commission to the same firms/suppliers against whom an amount of Rs 12.23 million was recoverable from 05.07.2017 to 04.09.2018. This resulted in loss of Rs 5.68 million by extending undue favour to the suppliers. This depicts weak financial controls and slackness on the part of management.

The matter was taken up with the management in September 2019. Management replied that the matter pertains to FA&CAO/PR. The remarks were not acceptable because it was responsibility of CCP office to keep close watch on recoverable amounts from the suppliers. Further, it was also the responsibility of executive department to mention the recoverable amount on bills while submitting bills to Accounts Department.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-adjustment of the receivables and action be taken against those held responsible. Internal controls regarding financial management be strengthened to avoid recurrence.

DP # 9904

2.5.80 Irregular payment of mobilization advance without approval of Railway Board – Rs 3.21 million

As per instructions of Ministry of Railways letter dated 13.09.2017, all concerned should obtain prior approval of the Board in respect of all draft contracts involving payment of advance to a contractor in future. Non-compliance of this directive may be treated under E&D rules.

During audit of Accounts Officer/Projects, Headquarters Office, Lahore for the year 2018-19, it was observed that a contract agreement amounting to Rs 21.42 million was executed on 13.12.2018 with M/s STZ Engineers for supply, installation, testing and commissioning of 03-phase automatic voltage regulators/stabilizers of 80 KVA ratings for 23 Railway stations of MRP-BQM Section under Signal Rehabilitation Project. A clause of advance payment to contractor @ 15% of total contract value was inserted in the agreement and paid to the contractor on 18.12.2018 as mobilization advance without prior approval of Railway Board. This resulted in irregular payment of mobilization advance Rs 3.21 million.

The matter was taken up with the management in September 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for irregular payment of mobilization advance and action be taken against those held responsible.

DP # 9716

Value for money and service delivery issues

2.5.81 Loss of potential earnings due to inordinate delay in repair of locomotives – Rs 4,738.88 million

As per maintenance regulation NO.ME/DE-1011 (REV-IV) 2007 and revised maintenance regulation NO.ME/DE-1011 REV (VI) 2013, maintenance of D.E. locomotives in respect of F schedule and for Class I should be completed within 7 days and 32 days respectively.

During audit of Works Manager, CDL Workshop Rawalpindi in November 2018, it was observed that classified repair of 42 Nos. D.E. locomotives were delayed by 07 to 4430 days. Audit was of the view that had these locomotives been repaired within scheduled time and put in to operation PR could have earned substantial earnings. This resulted in loss of potential earnings of Rs 4,738.88 million due to negligence and inefficiency of Railway management.

The matter was taken up with the management in November 2018 and also discussed in DAC meeting held on 13.01.2020. PO explained that the loss pointed out by Audit was not actual. DAC did not consider the stance of management and directed the PO to provide the revised reply explaining the reasons for inordinate delay in repair duly supported by documentary evidence within one month. Compliance of DAC directives was awaited.

Audit recommends that matter be probed to fix responsibility for inordinate delay in scheduled repair and action be taken against those held responsible.

DP # 9436

2.5.82 Irrational consumption of electricity on service buildings – Rs 1,416.67 million

Para 1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other Railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

During audit of following formations, it was observed that 71,970,988 electric units valuing Rs 1,416.67 million were charged to the service buildings without justification for the period from 2016 to 2018 as detailed below:-

(Rs in million)

Sr #	DP #	Formation	Units charged to service buildings	% of total unit charged to service buildings	Amount
1.	9378	Electrical Department, Karachi	38,123,129	66 %	775.81
2.	9420	Electrical Department, Sukkur	33,847,859	86 %	640.86
Total			**71,970,988**		**1,416.67**

The above state of affairs indicated that huge percentage of electricity purchased was being utilized on service buildings and other divisional activities due to mismanagement and poor monitoring. No separate electric meters were installed on service buildings to gauge consumption.

The matter was taken up with the management in November 2018. Management replied against Sr. 1 that electricity was being purchased in bulk on higher rate and being charged to consumers on lesser rates. PR management was making efforts for handing over of Railway colonies to DISCOs for direct electricity supply to avoid further losses.

The remarks were an admission of Audit observation. In the absence of separate electric meters on the service buildings, theft and illegal use of electricity could not be ruled out. Against Sr. 2 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that separate electric meters be installed on each service building to assess the actual utilization of electricity and to avoid further losses to Pakistan Railways.

2.5.83 Loss of potential earnings due to non-auction of surplus sites – Rs 1,133.76 million

Para 807 of Pakistan Railways Code for the Engineering Department provides that all Railway land should be managed on commercial lines, and Railway administration should endeavor to develop the resources of, and put to profitable use, any areas in its occupation which, though not eligible for disposal are lying idle and can be put to profitable use.

During audit of different formations, it was observed that Railway management failed to arrange auction of vending stalls, parking stand, shops, land and erection of billboards timely. In certain cases possession of shops and auctioned land were also not handed over to lessees. This resulted in loss of potential earnings amounting to Rs 1,133.76 million due to negligence and inefficiency of Railway management as detailed in **Annexure - 21.**

Despite repeated requests the PAO did not convene meeting of the DAC except Sr. No. 2, 10 and 19. DAC directives had been incorporated in **Annexure - 21**.

Audit recommends that auction of sites be ensured by the management without further delay to augment Railway receipts.

2.5.84 Loss due to award of contracts at lower rates – Rs 622.63 million

As per clause 10 of Pakistan Railways policy for leasing of land for car parking stand dated 03.01.2017, minimum annual rent to be set as base price for open auction of category A @ 10%, category B @ 8% and category C @ 6% of the DC value of land to be leased out. Moreover, Para 5 (ii) of policy for leasing out the Railway Land to Government Departments / Organizations for establishing offices & other installations describes that the concerned Government Department shall be liable to pay 100% of market value (DC value in case it is higher than market value) of the ongoing year as land lease charges in advance.

During audit of different formations, it was observed that Railway land, parking stand, luggage van, Kiosks etc. were leased out to LDA and various private parties. The rates accepted were on lower side as compared to benchmarks. This resulted in loss of Rs 622.63 million to Pakistan Railways due to award of contracts at lower rates as detailed in **Annexure - 22.**

Despite repeated requests the PAO did not convene meeting of DAC except Sr. No. 1, 5 and 6. DAC directives had been incorporated in **Annexure - 22**.

Audit recommends that matter be probed at an appropriate level to fix responsibility for non-observance of policy and action be taken against those held responsible besides the loss be made good under intimation to Audit.

2.5.85 Loss due to provision of electricity to domestic consumers at lower rate – Rs 344.68 million

According to instructions circulated by General Manager, Operations, Lahore vide letter dated 28.01.2013, cost of electricity charges was required to be recovered from the consumers at no profit no loss basis.

During audit of the Chief Electrical Engineer, Headquarters Office, Lahore in November 2018, it was observed that Pakistan Railway sustained a loss of Rs 344.68 million due to provision of electricity to domestic consumers on lower rate than the rate of purchase for the year 2017-18. This resulted in loss of Rs 344.68 million to Pakistan Railways due to violation of above instructions. This depicts negligence and slackness on the part of management.

The matter was taken up with the management in November 2018 but no reply was received. Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-compliance of above instructions and action be taken against those held responsible. Audit further recommends that distribution network of domestic Railway colonies be handed over to respective DISCOs for direct billing to minimize the loss.

DP # 9411

2.5.86 Loss due to non-revision of fare structure of outsourced trains – Rs 299.98 million

As per note (d) of article 6.11(a) of the agreement executed between Pakistan Railways (Party No.01) and S. Jameel & Co and MD/PRACS (Party No.02) for the privatization of Fareed Express, Hazara Express and Khushhal Khan Khattak Express on 09.08.2016 and 29.07.2016 respectively, the increase in fare would accordingly change the seven days payments to be made by party No. 2 (contractors) to party No.1 (PR) and the figures mentioned in the article 6.10 shall be revised accordingly.

During audit of FA & CAO, Revenue, Lahore for the year 2018 - 19, it was observed that three trains i.e. Fareed Express, Hazara Express and Khushhal Khan Khattak Express were outsourced in 2016. The passenger fare was enhanced by Pakistan Railways ranging from 7% to 19% during the period from January 2018 to March 2019 but the fare structure of round trip journey was not revised by the contractors in accordance with clause 6.11 of agreements. The contractors had started charging the revised fare from passengers during the same period. This resulted in loss of Rs 299.98 million due to non-revision of fare structure in violation of the provisions of the agreements.

The matter was taken up with the management in October 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for accepting short payment from the contractors and action be taken against those held responsible besides recovery of the amount involved.

DP # 9639

2.5.87 Loss due to award of contracts at exorbitant rates – Rs 264.20 million

Para 807 of Pakistan Railways 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 audit of different formations, it was observed that various contracts for civil works and procurement were awarded to different contractors on different rates. The rates accepted were on higher side as compared to other similar nature of works/procurement awarded during the same financial year within the same vicinity. This resulted in loss of Rs 264.20 million due to negligence of management as detailed in **Annexure - 23**.

Despite repeated requests the PAO did not convene meeting of DAC except Sr. No. 1, 5 and 10. DAC directives of the same had been incorporated in **Annexure - 23**.

Audit recommends that the matter be probed for awarding contracts at higher rates in order to fix the responsibility and action be taken against those held responsible besides recovery of the amount involved

2.5.88 Loss due to non-realization of penalty charges from M/s ZIYANG CRRC – Rs 140.45 million

Article 7 of the agreement dated 15.07.2017 executed between Pakistan Railways and M/s Ziyang CRRC for maintenance of ZCU 20/30 DE Locomotives provides that if fleet average quarterly availability falls below 90%, the penalty will be imposed at the rate of USD 2,500 per percent including fraction thereof. Similarly, if availability falls 2% less than the targeted availability then the penalty will be USD 5,000 and so on. If fleet average yearly availability is over 90%, the imposed penalty in this year shall be reimbursed to Seller. If locomotives fail on the Seller's account more than the target of 3 failures per year per loco (on average) or below 70,000 KM/failure, the penalty will be incurred at USD 2,500 per failure. Furthermore, clause 7.2 and 7.4 provides that the penalty will be worked out and recovered on quarterly basis.

During audit of the Chief Controller of Purchase, Lahore in September 2019, it was observed that a contract agreement for maintenance of 63 ZCU 20/30 D.E Locomotives was executed between Pakistan Railways and M/s CRRC Ziyang Co. Ltd on 15.07.2017 for a period of three years. The contractor failed to provide average availability of locomotives during the currency of the agreement from November 2017 to April 2018. Resultantly, Railway management imposed the penalty of Rs 140,452,650 as per ibid provisions of agreement. Railway management failed to recover the penalty charges from M/s Ziyang CRRC. This resulted in loss of Rs 140.45 million due to non-recovery of penalty charges.

The matter was taken up with the management in September 2019. Management replied that the matter was under amicable settlement. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-recovery of penalty charges and action be taken against those held responsible. The amount of penalty for the entire period of contract be worked out and recovered under intimation to Audit.

DP # 9896

2.5.89 Loss due to substandard procurement/execution of works – Rs 140.14 million

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

During Audit of different formations of PR, following instances of substandard procurement and execution of works were observed:

(Rs in million)

Sr.#	DP #	Formation	Description	Amount
1.	9633	PRFTC	Procurement of cracked wooden sleepers	48.34
2.	9906	CCP, Lahore	Acceptance of Goods of incorrect specifications	32.44
3.	9964	Directorate of Procurement, Islamabad	Acceptance of Machines of incorrect specifications	28.29
4.	9777	PRFTC	Building material was not used as per prescribed ratios	27.28
5.	9937	MD,CSF, Lahore	Acceptance of sand of incorrect specifications	3.79
			Total	**140.14**

The matter was taken up with the management in April to November 2019. Matter at Sr. No. 1 was discussed in DAC meeting held on 07.11.2019. DAC was informed that proper inspection of the sleepers was carried out by the officers of Pakistan Railways and Project Director/PRFTC in Malaysia. All sleepers were within the prescribed limits and were not defective. All sleepers laid under track were in good condition and train operation was being continued for the last 2 years. DAC did not accept the stance of the management and directed to conduct joint verification of wooden sleepers by a committee comprising one member from Civil Engineering, one from Audit and one from PRFTC and verification report be submitted to DAC within a week. Against Sr. No. 2 management replied that certificate of origin was not necessary in case of M/S GE Transportation. Against Sr. No. 3 management replied that specifications were changed with the approval of competent authority. Against Sr. No. 4 management replied that the samples were taken by Vigilance Cell of PR who has no knowledge of taking the sample and its preservation as per relevant codal provision. Against Sr. No. 5 management replied that inquiry was under process and report would be submitted to Audit after finalization of inquiry.

Against Sr. No. 1 compliance of DAC directives was awaited. Against Sr. No. 2, 3 & 4, the remarks were not acceptable, as the certificate of origin was mandatory as per conditions of tenders/purchase order. Moreover, there was no justification for acceptance of goods that were not according to the specifications. Further, as per test carried out by the Vigilance Department of Pakistan Railways the material was found substandard. Against Sr. No. 5 progress of inquiry report was not furnished to Audit.

Despite repeated requests the PAO did not convene meeting of the DAC except Sr. No. 1.

Audit recommends that matter be probed at an appropriate level for fixing responsibility of making payment against substandard procurement / works and amount involved be recovered from those held responsible.

2.5.90 Loss due to procurement of defective PSC sleepers – Rs 136.95 million

Para 807 of Pakistan Railways 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.

Audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019 revealed that 35,000 PSC sleepers valuing Rs 136.95 million were procured vide purchase order dated 18.04.2016. Audit observed that broken/damaged/cracked sleepers were laid in the track. This resulted in loss of Rs 136.95 million to the company due to purchase of defective sleepers.

The matter was taken up with the management in April 2019. Management replied that all the sleepers were inspected and accounted for by the Railway administration before dispatch to PRFTC. PRFTC received all the sleepers in good & perfect condition without any damage and breakage.

The remarks were not acceptable as during the physical verification Audit found that most of the PSC sleepers laid in the yard/track were damaged.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for procurement of defective sleepers and action be taken against those held responsible. The sleepers be got replaced or the amount involved be recovered from supplier.

DP # 9847

2.5.91 Loss due to defective production of parts – Rs 122.41 million

Para 1103 of Pakistan Railways Code for the Mechanical Department stipulates that most important objective of a costing system in Railway workshops is to ensure that waste is prevented. Para 1132 further provides that the cases of faulty workmanship should be taken up with the Forman responsible.

During audit of Works Manager/Steel Shops Mughalpura in November 2019, it was observed that different parts/items valuing Rs 122.41 million were manufactured in Steel Shops. These parts were rejected by the Senior Inspector of Production and Chemist Steel Shops Laboratory due to poor casting, machining and quality of material, under size and wrong chemical composition etc. during the period from 01.07.2017 to 30.06.2019. This resulted in loss of Rs 122.41 million due to defective production of parts.

The matter was taken up with the management in November 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for defective manufacturing of items/parts and action be taken against those held responsible besides making the loss good under intimation to Audit.

DP # 10077, 10080

2.5.92 Unjustified payment of piece work profit and overtime allowances – Rs 17.98 million

Para 1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other Railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

During audit of Works Manager/Steel Shop, Mughalpura in November 2019, it was observed that an amount of Rs 17.98 million was paid to the employees on account of overtime and piece work profit during the financial year 2018-19 despite low production of certain types of material as pointed out by Production Engineer vide letter dated 10.08.2019. This resulted in unjustified payment of piece work profit and overtime allowance of Rs 17.98 million despite non-achievement of targets.

The matter was taken up with the management in November 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for unjustified payment of piece work profit and overtime allowances, responsibility be fixed and action be taken against those held responsible. Unjustified payment be got regularized from competent forum.

DP # 10079

2.5.93 Loss due to reduction in benchmark – Rs 11.53 million

Para 807 of Pakistan Railways Code for the Engineering Department provides that all Railway land should be managed on commercial lines and Railway administration should endeavor to develop the resources of, and put to profitable use, any areas in its occupation which are lying idle and can be put to profitable use.

During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that on 11.01.2017, REDAMCO management invited bids to lease out fully developed site measuring 22,500 sft for 33 years for installation of petrol pump/CNG station at Bhalwal at a lease premium of Rs 36.30 million and annual rental value of Rs 1.10 million valuated by an independent valuator M/s International Design Group. Two bidders participated in bidding process and M/s Imex Associates was declared 1st highest bidder. Accordingly, a Letter of Intent was issued to M/s Imex Associates on 03.02.2017 but the bidder failed to deposit the lease premium and advance annual rent. Consequently, the letter of intent was revoked in February 2017. Instead of retendering on same benchmark, the management got two more valuations for the same site from the same valuator with the sole object to reduce the benchmark to Rs 10.17 million as lease premium and Rs 0.61 million for annual rent as a matter of favoritism in order to award the lease agreement to the favorite bidder. During second tender inquiry, the site was leased out to Syed Azhar Abbas Bukhari at the lease premium of Rs 10.18 million and annual rent of Rs 1.20 million. This resulted in loss of Rs 11.53 million due to award of contract below the benchmark.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for leasing out a fully developed site at lower rate and action be taken against those held responsible.

DP # 9631

2.5.94 Wasteful expenditure on account of consultancy charges – Rs 1.77 million

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

During audit of Project Director/Doubling of Track (DOT), Khanewal to Raiwind in November 2019, it was observed that in the PC-1 the provision of work regarding Demolition and Re-construction of Railway Station building Khanewal in connection with doubling of track was provided with a cost of Rs 276.77 million. The tender for the said work was advertised and four firms participated in the bid. The bidding process could not be finalized due to expiry of validity period on 30.01.2019. The work was pended due to administrative reasons and an amount of Rs 1.77 million was paid to M/s NESPAK on account of consultancy charges. This resulted in wasteful expenditure of Rs 1.77 million on account of consultancy charges without commencement of work.

The matter was taken up with the management in November 2019. Management replied that Federal Minister for Railways pended the work on the recommendations of committee and project was closed by 30.06.2019. The planning finalized in consultation of M/s NESPAK has been kept reserved and the same will be followed as and when the up-gradation of the station building of Khanewal would be carried out. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for unjustified payment of consultancy charges, responsibility be fixed and action be taken against those held responsible.

DP # 9994

2.5.95 Infructuous expenditure incurred by subsidiaries of PR – Rs 1.65 million

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

i) During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that an amount of Rs 875,457 was incurred on construction of shops at Chaklala Railway Station through private contractor during stay orders by the Court. Later on the petitioner filed a contempt of court application against the REDAMCO and court appointed a local commission to submit report regarding factual position of alleged construction work. As per commission report the REDAMCO management was found at fault. Therefore, the management stopped the construction work and contract was terminated.

ii) During audit of PRACS, Rawalpindi in April 2016, it was observed that an amount of Rs 776,650 was incurred on the Children's Play Ground at Karachi Cantt Station without requisition from the Pakistan Railways.

This resulted in incurrence of infructuous expenditure amounting to Rs 1.65 million due to negligence and slackness on the part of management of the subsidiaries.

The matter was taken up with the management during April 2016 and May 2019. Management replied against Sr. No. (ii) that PRACS and DS Karachi mutually decided to develop a play area at Cantt station for facilitation of general public. The remarks were not acceptable as maintenance of playground within Railways premises was not the responsibility of PRACS. Against Sr. (i) no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for incurring infructuous expenditure and action be taken against those held responsible besides recovery of the amount involved.

DP # 9572, 10033

Others

2.5.96 Irregular/unauthorized execution of work by borrowing a loan from Punjab Govt. – Rs 4,612.21 million

Para 2027 of Pakistan Railways Code for the Engineering Department provides that the term Deposit Work is applied to works of construction or repair, the cost of which is met, not out of Railway funds, but out of funds from non-Railways sources. Works executed by a Railway for other Government Departments, Municipalities and other local bodies, and private firms and individuals fall under this category. Further, Para 2011 and 2028 also provide that all works within Railway premises should be executed only by or under the direct supervision of Railway authorities and the estimated amount of the cost to be borne by the applicant should be deposited with the Railway administration before the construction of the siding is taken in hand.

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that the company entered into an agreement with M/s HSR (Pvt) Ltd for transportation of coal from seaport to the project site at Qadirabad on 07.07.2015. For this purpose, construction of spur line (assisted siding) and other peripheral infrastructure within Railways premises between Yousafwala Railway Station to Qadirabad Power Plant was to be provided and according to codal provisions the cost of said work was required to be deposited in advance by M/s HSR with Pakistan Railways. Instead of taking advance payment from M/s HSR against the said works, the PRFTC management borrowed a loan of Rs 4,612.21 million from Energy Department, Govt. of the Punjab under financial facility agreement dated 12.02.2016. Furthermore, under clause 8.3 of the said agreement in case of default of borrower in repayment of loan, the defaulted amount would have to be paid by Pakistan Railways. This resulted in irregular/unauthorized execution of work amounting to Rs 4,612.21 million.

The matter was taken up with the management in April 2019. Management replied that if the works were carried out as Deposit Works, the ultimate ownership of assets created would have been rested with the sponsor. The arrangement of funds through finance facility was done in order to retain the ownership of assets created with PR/PRFTC. There was no liability of PR and PRFTC to repay the loan. If no amount was received from M/s HSR, PRFTC is not liable to pay the principal as well as the interest. As such, assets of billions of rupees had been created without investing even a single penny by Pakistan Railways and PRFTC.

The remarks were not acceptable because the execution of a Deposit Work through loan was irregular/un-authorized. The interest of Pakistan Railways was also not safeguarded by entering into a faulty agreement as in case of default of PRFTC in repayment of loan, the defaulted amount would have to be paid by Pakistan Railways.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be inquired to fix responsibility for irregular/unauthorized execution of Deposit Work by taking loan without safeguarding the interest of Pakistan Railways. Action be taken against those held responsible besides revision of facility agreement by terminating Pakistan Railways liability to repay the loan in case of PRFTC default.

DP # 9850

2.5.97 Non-payment of loan installments by M/s HSR – Rs 689.93 million

As per facility agreement executed between Energy Department, Government of the Punjab, and PRFTC on 12.02.2016 for provision of funds for construction of spur line from Yousafwala Railway Station to Sahiwal Coal Power Plant, the loan was required to be re-paid by M/s Huaneng Shandong Ruyi (HSR) in terms of section 6.1(e) & 6.4(i) of the ICTA dated 07.07.2015 executed between PRFTC and HSR. Further, clause 8.3 of the agreement provides that, in case of default by the borrower in repayment of the finance facility or any installment thereof, through the Development Freight Charges and Repayment Schedule, as specified in the repayment schedule, non-paid or default amount will be paid by the Pakistan Railways.

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that M/s PRFTC borrowed a loan amounting to Rs 4,612.21 million from Government of Punjab on behalf of M/s HSR under Facility Agreement dated 12.02.2016. According to the agreement, the loan was required to be repaid by M/s HSR but the firm failed to make payment against 1st invoice dated 22.10.2018 amounting to Rs 689.93 million for the period from October 2017 to September 2018. Audit was of the view that burden of repayment of loan would be shifted to Pakistan Railways for Rs 689.93 million in case of default by the borrower. This depicts weak financial and contract management.

The matter was taken up with the management in April 2019. Management replied that M/s HSR had paid partial payment of Rs 19.11 million on 03.06.2019. The remarks were an admission of Audit observation as only a meager amount of Rs 19.11 million out of total Rs 689.93 million paid by the firm.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be taken up at an appropriate level for the payment of outstanding installments of loan as per provisions of the agreement.

DP # 9834

2.5.98 Loss due to non-collection of supervision charges – Rs 512.43 million

Chapter-xx of Pakistan Railways Code for the Engineering Department provides that all works within Railway premises should be executed only by or under the direct supervision of Railway authorities. Further, AGM/I’s letter No. 264-W/O (W-I) dated 08.07.2008 provides that earth work for the embankment and other structural works will be carried out by the sponsor subject to approval of design by Pakistan Railways. Pakistan Railways will only charge supervision charges (maximum upto 10%) on the cost of works to be executed by the sponsors.

During audit of Pakistan Railways Freight Transportation Company (PRFTC) in April 2019, it was observed that a design for laying of Railway track between Yousafwala-Qadirabad stations on KWL-LHR section along with other structures was prepared by PRFTC and got it approved from Railway management for transportation of imported coal from Port Qasim to Qadirabad Coal Power Plant. The work valuing Rs 5,124.35 million was executed by the sponsor itself on the basis of approved design of Pakistan Railways but PR management failed to recover the supervision charges @ 10% of total cost of the project in the light of the ibid instructions. This resulted in loss of Rs 512.43 million to PR on account of 10% supervision charges.

The matter was taken up with the management in April 2019. Management replied that no departmental charges and supervision charges were required to be levied in the instant case. There was no loss to Pakistan Railways and instead, PR had got assets of billions of Rupees with no cost at all. The remarks were not acceptable because the amount of Rs 512.43 million on account of 10% supervision charges was required to be recovered from the PRFTC as all the drawings, designs and layout plans were approved by the Pakistan Railways.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for non-recovery of supervision charges from the sponsoring agency, responsibility be fixed and action be taken against those held responsible besides its recovery under intimation to Audit.

DP # 10056

2.5.99 Loss due to execution of work through contractor instead of departmental labour – Rs 82.11 million

Chapter-xx of Pakistan Railways Code for the Engineering Department provides that all works within Railway premises should be executed only by or under the direct supervision of Railway authorities. Further, Section - 7 of the Railway Act 1890 confers powers/legal authority upon the Railway administration for construction of Railway line (including Railway siding as defined in section 3 (4) (b) of the said Railway Act).

Audit of Pakistan Railways Freight Transportation Company (PRFTC) in April 2019, revealed that work of linking of track from Yousafwala Railway Station to Qadirabad Coal Fired Power Plant and Yousafwala Station Yard was carried out by M/s Infrastructure Engineers at a cost of Rs 82.11 million vide agreement dated 19.10.2016. Audit observed that all the permanent way material i.e. rails, sleepers, fastenings, points & crossing etc. was provided by PRFTC. Instead of entrusting to Pakistan Railways, the said work was got executed from private contractor. This resulted in loss of Rs 82.11 million to PR as the work should have been done through Railways' departmental labour.

The matter was taken up with the management in April 2019. Management replied that the contractors for various works were engaged through open tender in strict compliance of Public Procurement Rules. The contract was awarded to M/s Infrastructure Engineers being the lowest bidder. The remarks were not tenable because technically linking of track was the expertise of Pakistan Railways.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-execution of work through PR and action be taken against those held responsible.

DP # 9724

2.5.100 Irregular award of contract due to unauthorized amendments in bidding data – Rs 71.34 million

Rule 30 (1) of Public Procurement Rules - 2004 provides that all bids shall be evaluated in accordance with the evaluation criteria and other terms & conditions set forth in the bidding documents. Furthermore, Rule - 40 prohibits all type of negotiations after the opening of bids.

During audit of Pakistan Railways Freight Transportation Company (PRFTC) in April 2019, it was observed that work of construction of Yousafwala Railway Station was awarded to M/s A.H Constructions in September 2016 at a cost of Rs 71.34 million. The award of contract was irregular because substantial amendments in bidding data/tender conditions were made in pre-bid conference which was held after closing of selling date of tender documents. Financial capabilities and working experience of bidders was reduced to qualify certain firms. Furthermore, the bid of M/s A.H Constructions was customized and accepted subject to reduction in offered rates in violation of Public Procurement Rules 2004. This resulted in irregular award of contract of Rs 71.34 million due to illegal amendments in evaluation criteria after closing of selling date of tender documents and negotiation after opening of financial bid.

The matter was taken up with the management in July 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for irregular award of contract and expenditure incurred be got regularized from the competent forum.

DP # 9723

2.5.101 Unjustified acceptance of plant & machinery in violation of maintenance contract – Rs 59.54 million

Article 3.2 of the Maintenance Contract of ZCU-20/30 Diesel Electric Locomotives dated 15.07.2017 provides that the spare parts supplied by the seller would be from Original Equipment Manufacturer (OEM). Further, as per Article 12.1 the supplier warrants that material supplied shall be free from defects of design, quality and workmanship and shall arrange for replacing free of cost which under normal use and maintenance prove defective in design, quality or workmanship for a period of 18 months from the date of putting into service or 24 months from the date of delivery whichever comes earlier.

During audit of Mechanical Department, Lahore Division (New Diesel Shed) in September 2019, it was observed that 73 items of plant & machinery valuing Rs 59.54 million supplied by M/s CRRC Ziyang were not shipped from the OEM and found of incorrect model/specification as compared to those mentioned in the maintenance contract. Moreover, out of these 73 items, 13 items were put into operation and found defective. This resulted in loss of Rs 59.54 million due to accepting plant & machinery of incorrect specification.

The matter was taken up with the management in September 2019. Management replied that the issue regarding difference in model and manufacturer was being dealt by CCP and CME/Loco. The WM/Loco Mughalpura had verified working of 60 out of 73 items of plant & machinery. Moreover, matter of warranty claims pertained to CCP office. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for acceptance of items with incorrect specifications and action be taken against those held responsible besides making the loss good either by replacement or recovery.

DP # 9927

2.5.102 Wasteful expenditure on the construction of Roller Bearing Shop - Rs 49.96 million

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

During audit of Mechanical Department Workshop Division, Mughalpura in September 2019, it was observed that Roller Bearing Shop was constructed with an amount of Rs 49.96 million. The construction work was completed in February 2018 and the shop could not be made operational till September 2019. This resulted in wasteful expenditure of Rs 49.96 million without need based assessment.

The matter was taken up with the management in September 2019. Management replied that new Roller Bearing Section could not be made operational because of non-provision of electric supply and re-commissioning of cranes and other machinery. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed for incurrence of wasteful expenditure without need based assessment. Responsibility be fixed and action be taken against those held responsible.

DP # 10081

2.5.103 Loss due to excess consumption of HSD oil – Rs 42.79 million

In terms of COPS office letter No. 39-FA/0-XV (P) dated 05.12.1991, to achieve economy in use of HSD oil, trip ration of HSD oil for each class of locomotive was fixed. All cases of excess consumption by 10% than the fixed ration be examined on merits, responsibility be fixed and disciplinary action be taken under the rules.

During audit of the Chief Operating Superintendent, Pakistan Railways, Lahore in April 2019, it was observed that 407,284.6 liters HSD oil valuing Rs 42,793,392.92 was utilized, in different classes of locomotives, in excess of fixed quota inclusive of 10% admissible limit by 2% to 31% from July 2017 to June 2018. Moreover, the record of five Diesel sheds i.e. Quetta, Kundian, Samasata/Multan, Sibi and Faisalabad was not furnished to Audit for examination. This resulted in excess consumption of HSD oil of Rs 42.79 million due to negligence of management.

The matter was taken up with the management in May 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-production of record and utilization of HSD oil in excess of quota and action be taken against those held responsible besides regularization of the amount involved.

DP # 9669

2.5.104 Loss due to modification in lease deed – Rs 39.55 million

In terms of Ministry of Railways Notification No. 24(24)/2012-E-I dated 03.04.2012 the Managing Director/CEO of the REDAMCO shall be authorized to sign and execute agreements after obtaining necessary approval from Executive Committee of Railway Board in respect of the cases transferred from the Directorate of Marketing. Further, as per clause 7(iii) and article 3.3(b) of special conditions for invitation of bids for installation of Radio Repeater Stations/Base Transceiver Station (BTS) and Master Lease Deed dated 16.09.2005 respectively, the minimum number of sites shall be 25.

During audit of Railway Estate Development & Marketing Company (REDAMCO) Rawalpindi in May 2019, it was observed that Railway management executed a Master Lease Deed with M/s Telenor Pakistan Private Limited for installation of Radio Repeater Stations/Base Transceiver Station (BTS) at 25 sites on 16.09.2005. On expiry of first term on 15.09.2010 the lease deed was extended for another five years. Subsequently, before the expiry of second term of lease deed, the REDAMCO management irregularly modified the Master Lease Deed by reducing the number of sites from 25 to 14 sites and area by 54% with retrospective effect from 21.01.2011, through addendum dated 30.01.2015, without the approval of Executive Committee of Railway Board. The unauthorized modification in Master Lease Deed caused a loss of Rs 39.55 million to Pakistan Railways.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for unauthorized modification in lease deed and action be taken against those held responsible besides recovery of the amount involved.

DP # 9673

2.5.105 Loss to Government exchequer due to retention of deducted withholding Income Tax and GST– Rs 33.76 million

Rule 43 of the Income Tax Rules 2002 stipulates that tax collected or deducted must be deposited to Govt. treasury within 7 days from the end of each fortnight. Section 161 further provides that withholding agents shall be personally liable to pay the amount of tax to the commissioner if they fail to collect tax or deduct tax or having collected tax but fail to pay the tax to the concerned corner.

During audit of following formations, it was observed that an amount of Rs 33.76 million was deducted from contractors on account of Income Tax and GST but the same was retained and not remitted to FBR despite lapse of three years. This resulted in loss of Rs 33.76 million to Government exchequer due to slackness on the part of Railway management as detailed below:-

(Rs in million)

Sr.#	DP #	Formation	Amount
1.	8982	Commercial & Transportation Department, Sukkur	20.28
2.	9565	FA&CAO (Revenue) Lahore	11.17
3.	9593	Commercial & Transportation Department, Sukkur	1.89
4.	9530	Station Superintendent, Rawalpindi	0.42
Total			**33.76**

The matter was taken up with the management from April 2017 to March 2019. Management replied against Sr. No. 3 & 4 that instructions had been issued to all concerned to deposit the amount of tax with FBR. The remarks against Sr. No. 3 & 4 were not acceptable as the progress regarding deposit of amount with FBR was not furnished. Against Sr. No. 1 & 2 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-remission of withholding tax to FBR and action be taken against those held responsible under intimation to Audit.

2.5.106 Irregular mutation of land – Rs 9.65 million

Para 2008 of Pakistan Railways Code for the Engineering Department stipulates that the land to be acquired for the siding outside the applicant's premises should be paid for by the applicant; such land should vest in the name of Federal Government absolutely.

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Limited in April 2019, it was observed that 15 Kanal & 8 Marla land valuing Rs 9,648,000 was acquired for the construction of an assisted siding between Yousafwala Railway Station and Qadirabad Power Plant. The land was transferred in the name of PRFTC. The mutation of land in the name of PRFTC instead of Pakistan Railways/Federal Government was irregular. This resulted in irregular mutation of land valuing Rs 9.65 million.

The matter was taken up with the management in April 2019 and also discussed in DAC meeting held on 18.11.2019. DAC was not convinced with the stance of management regarding mutation of land in the name of PRFTC and referred the matter to PAC.

Audit recommends that land be got mutated in the name of Pakistan Railways and assets management controls be strengthened to avoid recurrence.

DP # 9693

2.5.107 Irregular deployment of extra police staff on security of Khushhal Khan Khattak Express train – Rs 4.80 million

As per clause 4.13 of the agreement between Pakistan Railways and Pakistan Railways Advisory & Consultancy Services Limited (PRACS) for commercial management and passenger facilitation of

Khushhal Khan Khattak Express dated 15.06.2017, PRACS will ensure its own security arrangement on train. However, two Railway Police personnel will accompany each train. The presence of Railway Police personnel shall not, in any manner preclude the responsibility of PRACS to ensure the security and safety of its passengers/luggage and personal belonging.

During audit of Commercial and Transportation Department, Peshawar in February 2019, it was observed that Railway management deployed five Railway Police personnel (one ASI and four Constables) daily on Khushhal Khan Khattak Express instead of two personnel in violation of agreement. This resulted in irregular deployment of three Railway Police personnel and loss on account of pay & allowances amounting to Rs 4.80 million which was required to be recovered from PRACS management as it was the responsibility of PRACS management to make its own security arrangement of train.

The matter was taken up with the management in February 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for irregular deployment of excess staff and action be taken against those held responsible besides recovery of the amount involved from PRACS.

DP # 9429

2.5.108 Irregular expenditure on insurance of vehicles – Rs 4.79 million

Section 166 of Insurance Ordinance 2000 states that all insurance business relating to a public property, shall be placed with National Insurance Company Limited only and shall not be placed with any other insurer.

During audit of following formations, it was observed that an amount of Rs 4.79 million was spent on account of insurance of vehicles in violation of Insurance Ordinance 2000. This resulted in irregular expenditure of Rs 4.79 million as detailed below:-

(Rs in million)

Sr. #	DP #	Formation	Description	Amount
1.	9647	RAILCOP	Vehicle insurance	2.16
2.	9573	PRACS	Vehicle insurance	1.86
3.	9562	REDAMCO	Vehicle insurance	0.77
			Total	**4.79**

The matter was taken up with the management in May 2019. Matter at Sr. No. 1 was discussed in DAC meeting held on 16.12.2019. DAC did not accept the stance of management and directed the PO to fix responsibility for non-compliance of government policy and irregularity be condoned from competent forum. Sr. No. 2 was discussed in DAC meeting held on 08.11.2019. DAC did not accept the stance of management and directed the PO that expenditure incurred on account of insurance expenses be got regularized from the competent forum.

Against Sr. No. 1 and 2 compliance of DAC directives was awaited. Against Sr. No. 3 no reply was received and despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility and action be taken against those held responsible. Amount involved be got regularized from competent forum under intimation to Audit.

2.5.109 Loss due to insertion of defective clause – Rs 4.43 million

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

During audit of the Medical Superintendent, P.R. Rawalpindi in March 2016, it was observed that Pakistan Railways paid electricity charges of Rs 5.86 million during the period from July 2012 to February 2016 out of which IIMCT shared only Rs 1.43 million in terms of clause 38 of the agreement dated 10.06.2004. Audit was of the opinion that electricity share was injudiciously fixed as hospital was being operated by

IIMCT. This reflected that undue favour was extended to IIMCT and no prudence was exercised at the time of outlining the terms and conditions of the agreement. This resulted in loss of Rs 4.43 million to Pakistan Railways due to injudicious insertion of clause in the agreement.

The matter was taken up with the management in March 2016. Management admitted the audit observation with the remarks that remedial measures would be taken.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for insertion of defective clause 38 in the agreement and action be taken against those held responsible besides taking corrective measures.

DP # 10035

2.5.110 Non-transparent tendering of scrap material – Rs 3.75 million

According to Policy for disposal of scrap circulated by the Ministry of Railways vide letter dated 11.10.2003 the scrap shall be sold out through open advertised competitive bidding under the extent rules as this is considered more representative, safe and transparent compared with auction.

During audit of Commercial and Transportation Department, Multan in April 2019, it was observed that tenders for sale of scrap material were opened on 25.07.2017 and only one firm M/s Shabbir Traders participated with a lump-sump offer of Rs 2,500,000. The assessment committee assessed the rate of scrap as Rs 3,647,140. Consequently, M/s Shabbir Traders voluntarily enhanced his bid to Rs 3,700,000 on 18.01.2018. But the Railway management cancelled the tenders and recalled the bids on 20.03.2018. M/s Shabbir Traders again participated and offered highest bid of Rs 3,700,000 but the Railway management fraudulently included the name of firm M/s Al-Qammar Traders who did not participate in bidding process and declared him the first highest bidder. The tenders were again cancelled and recalled for the third time on 28.08.2018. M/s Al-Qammar Traders was the only participant, with an offer of Rs 3,360,000 which was voluntarily enhanced to Rs 3,750,000. This depicts that undue favor was granted to M/s Al-Qammar Traders by cancelling the tender twice with more or less equal bid despite the fact that M/s Shabbir Traders had offered a reasonable rate of Rs 3.70 million more than one year earlier. This resulted in non-transparent award of contract amounting to Rs 3.75 million as a matter of favoritism.

The matter was taken up with the management in April 2019 and also discussed in DAC meeting held on 16.12.2019. DAC was not satisfied with the explanation of management. DAC constituted an inquiry committee consisting of GM/M&S and CIA to probe the matter and submit its report to Audit within 02 weeks. Compliance of DAC directives was awaited.

Audit recommends that matter be investigated to fix responsibility for unjustified cancellation of tenders twice and fraudulent inclusion of the name of M/s Al-Qammar Traders in the comparative statement. Action be taken against those held responsible under intimation to Audit.

DP # 9615

2.5.111 Loss due to Low Power Factor Penalty (LPFP) – Rs 2.32 million

Bulk Supply Tariff C-1 to C-3 of WAPDA applicable to all electricity consumers including Pakistan Railways stipulates that average Power Factor of a consumer at the point of supply shall not be less than 90 percent. In the event of the said Power Factor falling below 90%, the consumer shall pay a penalty of two percent increase in fixed charges corresponding to one percent decrease in Power Factor below 90 percent.

During audit of Divisional Accounts Officer/Workshops, Mughalpura, Lahore for the year 2018-19, it was observed that an amount of Rs 2.32 million was paid to WAPDA on account of LPFP during the period from July 2018 to February 2019. Audit was of the opinion that had the Pakistan Railways maintained the load of bulk supply properly, the loss of Rs 2.32 million on account of low power factor penalty could have been avoided. Thus, the negligence of the management resulted in loss of Rs 2.32 million to Pakistan Railways.

The matter was taken up with the management in June 2019 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be probed to fix responsibility for non-maintaining the power load as per prescribed limits fixed by WAPDA besides taking corrective measures.

DP # 9656

2.5.112 Loss due to the connivance of management – Rs 1.68 million

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

During audit of Divisional Commercial Officer and Transportation Officer, Quetta in April 2019, it was observed that tender to lease out parking stand at Railway Station Quetta was advertised on 15.09.2018 and the highest bid of Rs 3.00 million was accepted but the highest bidder refused to execute the contract agreement. Instead of re-tendering, the contract was awarded to the 2nd highest bidder at a very low rate of Rs 1.32 million. Audit further observed that there was a cartel of bidders who acted with the connivance of Railway management because the 1st highest bidder was the witness of the contract agreement of present lessee. This resulted in irregular award of contract and loss of Rs 1.68 million to Pakistan Railways due to connivance of management and award of contract at lower rates.

The matter was taken up with the management in April 2019. Management replied that matter would be inquired. The remarks were an admission of Audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be inquired to fix responsibility for award of contract at lower rate and action be taken against those held responsible besides cancellation of contract agreement and retendering the same.

DP # 9764

2.5.113 Loss due to short composition of outsourced train – Rs 1.51 million

Clause 5.15 of the agreement dated 15.06.2017 executed between Pakistan Railways and PRACS provides that in case of cancellation of train or short composition, the party No.2 (PRACS) shall prefer its claim to CCM duly verified by DTO/DME concerned. The CCM office after due verification shall forward the claim to FA & CAO/Revenue for concurrence/payment. The party No. 2 shall not be allowed to deduct any amount on this account at its own. The amount claimed by party No. 2 shall be reimbursed within 45 days from the date of filing of the claim.

During audit of Divisional Commercial and Transportation Officers, Peshawar in February 2019, it was observed that composition of Khushhal Khan Khattak Express - 20/DN train was occasionally changed and the train was running short by 1 or 2 coaches in violation of the composition & marshaling order of COPS, Lahore and M/s PRACS unilaterally deducted the penalty by invoking the concerned clause of the agreement. This resulted in loss of Rs 1.51 million due to slackness on the part of management.

The matter was taken up with the management in February 2019. Management replied that train composition was directly controlled by the Headquarters Office, Lahore. The remarks were an admission of audit observation.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that responsibility be fixed for allowing short composition of train in violation of instruction of Headquarters office Lahore and action be taken against those held responsible under intimation to Audit.

DP # 9512

2.5.114 Unauthorized payment of bonus – Rs 1.08 million

In terms of Finance Division office memorandum No.F.3 (5) R.12/80(R.14)/2002-154 dated 18.03.2002, managing directors and members of board of directors will not be entitled to receive bonuses.

During audit of following formations, it was observed that an amount of Rs 1.08 million was paid to the managing directors of the companies on account of bonuses in contravention of above instructions. This resulted in unauthorized payment of bonus amounting to Rs 1.08 million due to slackness of management as detailed below:-

(Rs in million)

Sr.#	DP #	Formation	Description	Amount
1.	9605	REDAMCO	Award of bonus to MDs	0.57
2.	9570	PRACS	Award of bonus to MDs	0.32
3.	9748	PRFTC	Award of bonus to MDs	0.19
			Total	**1.08**

The matter was taken up with the management from October 2018 to June 2019. The matter at Sr. No. 2 was discussed in DAC meeting held on 08.11.2019. DAC was informed that audit observation was noted and recovery process was being initiated. Further progress would be intimated in due course of time. DAC directed the P.O to refer the matter to Finance Division for clarification whether Finance Division directives issued vide letter No. 3(5)R.12/80(R.14)/2002/154 dated 18.03.2002 regarding non-payment of bonus to Managing Directors and Members of the Board of Directors were still enforceable after issuance of Public Sector Companies (Corporate Governance) Rules, 2013. Against Sr. No. 3 management replied that bonus was announced by the Prime Minister of Pakistan. The remarks against Sr. No. 3 were not acceptable as the bonus was given against the orders of Finance Division and documentary evidence in support of approval of the Prime Minister regarding award of bonus was not furnished to Audit. Against Sr. No. 1 no reply was received. Against Sr. No. 2, compliance of DAC directives was awaited.

Despite repeated requests the PAO did not convene meeting of the DAC except Sr. No. 2.

Audit recommends that matter be probed to fix responsibility for unauthorized payment of bonus and action be taken against those held responsible. Amount in question be recovered under intimation to Audit besides ensuring the compliance of DAC directives.

Annexure - 1 (Para # 1.1.5)

Unnecessary accumulation/ non-adjustment of Suspense Balances

Rs in million

Sr. No	Description	2017-18	2018-19
1	Sales (Scrap)	4,033.10	4,424.12
2	Balance in Workshop Suspense Accounts and Manufactures	3,943.55	4,667.43
3	Suspense-Other Accounts	22.48	20.41
Total		**7,999.13**	**9,111.96**

Annexure - 2 **(Para # 1.1.7)**

Overstatement of miscellaneous advances due to less recovery of different utilities from employees of PR (revenue)

Figure in Rs

Sr. No	Suspense Head	Cumulative Outstanding on 30/06/2019		Relating to 2018-19	
		Cr	Dr	Cr	Dr
i	Advance for Local Purchase	92,263,883	111,049,358	29,676,618	26,617,684
ii	Outstanding Electric Charges	554,894,596	353,808,503	229,244,418	192,802,356
iii	Outstanding Sui Gas Charges	36,681,624	1,507,275,358	136,604	101,137
iv	Outstanding Telephone Charges	26,114	105,866		
v	Other items	35,023,875	303,209,667	1,236,819	11,709
Total Miscellaneous advance (Revenue)		**718,890,092**	**2,275,448,752**	**260,294,459**	**219,307,194**
Net Off		**1,556,558,660**		**(40,987,265)**	

Overstatement of miscellaneous advance capital and purchases

Sr. No	Suspense Head	Cumulative Outstanding on 30.06.2019		Relating to 2018-19	
		Cr	Dr	Cr	Dr
i	Miscellaneous advance (Capital)	23,246,111	43,663,507	-	2,068,262
ii	Purchases	(615,455,157)	4,210,943,772	1,474,459,411	(254,616,254)
Total Miscellaneous advance (Revenue)		**(592,209,046)**	**4,254,607,279**	**1,474,459,411**	**(252,547,992)**
Net Off		**4,846,816,325**		**(1,221,911,419)**	

Annexure - 3 (Para # 1.1.8)

Inadequate disclosure and non-segregation of retirement of foreign loans and interest

Rs in million

Year	Principal	Interest	Ex. Risk	Total
2015-16	-	300.00	-	300.00
2016-17	1,364.40	808.20	567.99	2,740.59
2017-18	-	300.00	-	300.00
2018-19	-	579.23	220.77	800.00
Total	**1,364.40**	**1,987.43**	**788.76**	**4,140.59**

Annexure - 4 (Para # 1.1.9)

Excess expenditure against allocated budget

(Rs in million)

Division wise position of Excesses and Savings as per Revised FR 2018-19						
Division/ Accounting Unit	**Expenditure Component**	**NAM Head**	**Budget for the FY 2018-19**	**Expenditure for the FY 2018-19**	**Excess**	**Savings**
Lahore Division	Employee Related Expenses	A01	4,415.06	4,454.80	39.74	
	Operating Expenses	A03	414.11	450.30	36.20	
	Pension Payment	A04	4,069.03	4,527.01	457.98	
	Loans & Advances	A08	9.97	22.18	12.21	
	Purchase of Physical Assets	A09	0.56	0.24		(0.32)
	Repair & Maintenance	A013	1,435.24	1,028.37		(406.87)
	Misc Advance		-	85.50	85.50	
Multan Division	Employee Related Expenses	A01	3,189.48	3,246.30	56.82	
	Operating Expenses	A03	360.89	329.53		(31.36)
	Pension Payment	A04	3,754.49	3,491.56		(262.92)
	Loans & Advances	A08	10.36	23.74	13.38	
	Purchase of Physical Assets	A09	0.80	1.28	0.49	
	Repair & Maintenance	A013	498.22	360.81		(137.41)
	Misc Advance		-	(0.69)		(0.69)
Rawalpindi Division	Employee Related Expenses	A01	2,758.56	2,833.48	74.91	
	Operating Expenses	A03	419.47	426.24	6.77	
	Pension Payment	A04	3,428.45	3,233.68		(194.77)
	Loans & Advances	A08	11.17	24.16	12.99	
	Purchase of Physical Assets	A09	0.86	0.56		(0.30)
	Repair & Maintenance	A013	1,313.77	768.14		(545.64)
	Misc Advance		-	(22.93)		(22.93)
Peshawar Division	Employee Related Expenses	A01	1,701.82	1,746.66	44.84	
	Operating Expenses	A03	192.41	146.01		(46.40)
	Pension Payment	A04	1,877.24	1,717.29		(159.96)
	Loans & Advances	A08	3.77	4.48	0.71	
	Purchase of Physical Assets	A09	1.08	0.72		(0.37)
	Repair & Maintenance	A013	483.38	364.03		(119.36)
	Misc Advance		-	4.06	4.06	
Karachi Division	Employee Related Expenses	A01	4,372.44	4,514.67	142.24	
	Operating Expenses	A03	914.43	836.39		(78.04)
	Pension Payment	A04	4,681.61	4,395.08		(286.53)
	Loans & Advances	A08	8.83	10.30	1.47	
	Purchase of Physical Assets	A09	3.76	0.34		(3.42)
	Repair & Maintenance	A013	995.76	592.39		(403.37)
	Misc Advance		-	16.20	16.20	
Quetta Division	Employee Related Expenses	A01	1,677.07	1,704.88	27.80	
	Operating Expenses	A03	210.97	202.68		(8.30)

	Pension Payment	A04	1,252.16	1,205.88		(46.28)
	Loans & Advances	A08	4.10	7.65	3.55	
	Purchase of Physical Assets	A09	0.78	0.40		(0.38)
	Repair & Maintenance	A013	282.20	182.91		(99.29)
	Misc Advance		-	(1.84)		(1.84)
Sukkur Division	Employee Related Expenses	A01	2,867.25	2,937.12	69.88	
	Operating Expenses	A03	560.10	487.62		(72.49)
	Pension Payment	A04	2,813.86	2,570.55		(243.31)
	Loans & Advances	A08	6.22	4.72		(1.50)
	Purchase of Physical Assets	A09	0.43	0.21		(0.22)
	Repair & Maintenance	A013	490.48	455.39		(35.09)
	Misc Advance		-	(0.53)		(0.53)
Store	Employee Related Expenses	A01	540.04	554.96	14.93	
	Operating Expenses	A03	16,085.60	16,276.04	190.44	
	Pension Payment	A04	-	-	-	
	Loans & Advances	A08	-	-	-	
	Purchase of Physical Assets	A09	0.68	0.11		(0.56)
	Repair & Maintenance	A013	3.03	0.32		(2.70)
	Misc Advance		-	(0.05)		(0.05)
WAC	Employee Related Expenses	A01	2,738.72	2,854.39	115.67	
	Operating Expenses	A03	639.91	621.91		(18.00)
	Pension Payment	A04	3,755.99	4,260.32	504.33	
	Loans & Advances	A08	8.54	23.27	14.73	
	Purchase of Physical Assets	A09	1.67	0.71		(0.96)
	Repair & Maintenance	A013	1,255.21	897.57		(357.64)
	Misc Advance		-	9.55	9.55	
HQ	Employee Related Expenses	A01	2,086.72	1,921.48		(165.23)
	Operating Expenses	A03	2,264.20	1,881.65		(382.55)
	Pension Payment	A04	4,888.88	5,321.39	432.52	
	Loans & Advances	A08	227.60	172.32		(55.28)
	Purchase of Physical Assets	A09	68.33	85.92	17.60	
	Repair & Maintenance	A013	395.52	332.51		(63.01)
	Misc Advance		-	(30.69)		(30.69)
Others	Employee Related Expenses	A01	725.34	749.86	24.52	
	Operating Expenses	A03	218.84	156.55		(62.29)
	Pension Payment	A04	792.35	696.14		(96.21)
	Loans & Advances	A08	19.70	33.71	14.00	
	Purchase of Physical Assets	A09	0.39	0.37		(0.03)
	Repair & Maintenance	A013	790.13	661.07		(129.06)
	Misc Advance		-	(4.17)		(4.17)
Total					**2,326.64**	**(4,458.95)**
Net Off					**(2,132.31)**	

Annexure - 5 (Para # 1.1.12)

Misclassification of expenditure under different heads of accounts

Sr. No	Accounting Unit	Para No	Correct Head	Wrong Head	Amount Rs
1	DAO Sukkur	7	A0 4114	A-2111, BB-1151, E-1151	9,777,909
2		14	A0 4114	A-2111, E-3122, F-1151	19,353,239
3		39	A0 3807	A0 3809	173,101
4		40	A0 4114	A-2111	679,733
5	DAO Quetta	51	A0 9201	A 13101, A3970	17,600
6		52	A09701	A13201	90,000
7		53	Electrical Dep	A13302 (Engi Dep)	92,500
8	DAO Karachi	7	A0 3408	A-13370	97,200
9		14	A0 3001	A 13101, A 13901	1,813,993
10		20	A0 3303	H 3217	34,826,139
11		22	A03501	A03806	14,180,268
12	AO CFI	13	A0 3927	A03970	81,079
13		19	A03906, A13701	A13003, A03970	150,424
14		21	A09201, A03970, A13701	A03970, A13301, A03970	167,258
15		26	A13001	A13301	284,385
16		28	A09701	A03970	23,400
17		30	A-13001, A-3901	A-3901, A-13001	60,950
18	AO MOR	17	A-09701	A-03970	60,000
19		20	A0 9701	A-13201	14,000
20		28	A03901	A03970	26,900
21		29	A13701	A03970	3,800
22		30	A-13201	A03970	6,090
23		31	A03901	A03970	6,380
24		32	A09201	A03970	5,650
25		33	A-13101	A03970	1,500
26		34	A-13101	A-03970	22,500
27		35	A-13701	A-03970	8,350
28		36	A03901	A-03970	21,400
29		37	A03902	A03970	57,600
30		38	A03902	A03970	27,500

31		39	A03901	A03970	24,200
32		40	A03901	A03970	45,100
33		41	A03901	A)3970	16,950
34		42	A03901	A03970	9,200
35		43	A09601	A03970	154,000
36		44	A03901	A03970	18,000
37		45	AO3902	A03970	16,500
38		46	A-03905	A03970	1,419
39	AO PLF	23	PLF	WM CDL RWP	8,421
40		26	A09601	A13302, A09201	57,000
41		30	A03906,A09201	A03970, A13701	6,090
42		35	PLF	WM CDL RWP	2,997,000
43		40	PLF	AO CDL RWP	5,000
44		41	PLF	WM CDL RWP	231,700
45		48	PLF	DME RWP	1,840,390
46		50	PLF	AO/ CDL	168,200
47		58	PLF	DAO PSC	915,520
48		63	PLF	AO CDL	7,623,000
49		73	A09601,A03970, A13001	A03901, A03970	97,236
50		78	PLF	DME LHR	332,334
51	DAO PSC	21	A03970	A13002	98,330
52		22	A03970, A-13302	A13003, A-13301	108,150
53		27	RWP	PSC	1,200,000
54		33	MGPR	PSC	100,576
55		37	A13902, A3970, A9201	A13901, A13301,A13701	254,765
56		57	A13902	A13901	95,000
57		62	A13001-4	A13901	29,282
58		67	A-13902	A-13901	95,682
59		73	A-3901	A-03970	49,005
60		77	A-13101	Deposit Misc	282,378
61		81	MGPR	PSC	2,606,200
62	AO Project	7	3731, 3713, 3715	3710, 3743, 3710	15,055,930
63		9	4400, 4220 (PSDP)	4420, 3321 (PSDP)	82,805,431
64		26	3731	3743	1,622,224
65		66	3731	3710	7,501,704

66		73	PSDP	PSDP	69,017,000
67		74	3611, 512,3710,3731,4400	6420, 3511, 3743, 3611, 4500	350,863,181
68		75	head not allocated	3741, 4144	7,879,112
69	AO CSF	13	SUKKUR	CSF	446,794
70	SAO GB	1	A03202	A03915	361,368
71		3	A03202	A03919	832,047
72		7	A01202	A01102	8,182
73		17	A03202	A03915	2,197,500
74		19	A01202	AO1102	43,475
75		24	AO1202	AO1102	12,273
76		27	A03202	A03970	10,900
77	DAO Lahore	3	A13001	A13301	17,450
78		16	IOW-III & MGPR	A13302/ B-1, A13002/ B-2	1,196,446
79	DAO Multan	55	RWP	MULTAN	215,553
80		65	A13101, A09802 & others	A13001, A03970 & others	370,352
81		70	A09802, A13101, others	A03970, A13001, others	954,141
82		78	A09802, A03927	A-03970, A03970	171,180
83		92	A09601, A13301 & others	A13101, A13302 & others	768,217
84		100		A03970, A13370	1,904,240
85	AO CDL	12	A01265	A012-2	36,400
86		14	CDL	DAO RWP	2,880,000
87	AO Project	82	TR Project (KPR-LON)	DOT-II	35,757,000
Total					**684,545,576**

Annexure - 6 **(Para # 1.1.15)**

Unauthorized expenditure without budget allotment

(Rs in million)

Actual Expenditure without provision in Budget of PR (FY 2018-19 Final)			
Head of Account	**NAM**	**Budget**	**Actual Expenditure**
RAILWAY BOARD			
Rent of Office Building	A03402	0	1.975
Purchase of Medicine	A03927	0	0.060
Write off Loans Advances (Govt. Servants)	A05301	0	0.013
LOCOMOTIVE FACTORY			
Rent of Office Building	A03402	0	0.307
Rent for Res. Building	A03403	0	0.353
F.A. & C.A.O/PR			
Insurance	A03602	0	0.090
Purchase of Medicine	A03927	0	0.019
Software.	A13702	0	0.036
F.A. & C.A.O/M&S			
Entertainment & Gifts	A06301	0	1.009
F.A. & C.A.O/REVENUE			
Bank / Legal Fees	A03101-2	0	2.363
CHIEF INTERNAL AUDITOR			
Rent for Res. Building	A03403	0	0.009

Lump sum Grant	A05216	0	0.006
Write off Loans Advances (Govt. Servants)	A05301	0	0.488
POLICE DEPARTMENT			
Insurance	A03602	0	0.395
Software.	A09202	0	0.003
Software.	A13702	0	0.002
DIVL/HQ ADMINISTRATION			
Rent of Office Building	A03402	0	0.208
Rent for Res. Building	A03403	0	2.681
Conference Workshop Seminar Symposia	A03903	0	0.056
Advertisement & Publicity	A03907	0	9.612
Delegation Abroad	A03912	0	0.578
STORES DEPARTMENT			
Insurance	A03602	0	0.085
Transportation of Goods	A03806	0	3.766
MISC. EXPENSES:			
Purchase of Medicine	A03927	0	0.082
MANAGEMENT INFORMATION SYSTEM (I.T)			
POL Charges	A03807	0	0.025
P. WAY ENGG. & STRUCTURAL WORKS			
Furniture & Fixture	A13201	0	5.090

Track Machine	A13101	0	171.739
OPERATING EXPENSES			
Electricity	A03303	0	14.707
ELEC. & GENL. COMM. SERVICES			
T.A/D.A.	A03805	0	30.686
Others	A03970	0	2.240
IMP. & WELFARE EXPENDITURE			
Others	A03970	0	24.287
STAFF WELFARE WORKS			
Others	A03970	0	80.943
G.M./DEVELOPMENT			
Write off Loans Advances (Govt. Servants)	A05301	0	0.043
Furniture & Fixture	A09701	0	0.003
Hardware / I.T Equipment	A09201& 03	0	0.119
MEDICAL			
Cash awards.	A06103	0	0.003
DIRECTOR SCHOOL			
Rent for Res. Building	A03403	0	0.197
Misc. Advance		0	54.409
Total			**408.687**

Annexure - 7 (Para # 1.1.18)

Wrong booking of withholding tax in Gross Earnings

(Rs in million)

Name of accounting unit	Deposited in Earnings	Deposited in Deposit Misc.	Total
DAO Lahore Para No 4	0.31	--	0.31
DAO Lahore Para No 13	--	2.40	2.40
SAO/Revenue Para No 5	11.17	--	11.17
SAO/Revenue Para No 14	0.44	--	0.44
SAO/Revenue Para No 7	56.25	--	56.25
Total	**67.85**	**2.40**	**70.55**

Annexure - 8 (Para # 2.5.1)

Non production of record

Sr #	DP #	Formation	Description
1.	10042	DGM, Lahore	1. Bids submitted in response to tender advertised for canteen operation in Pakistan Railways Headquarters Office Lahore during February 2015. 2. Misc. Advance Register 3. Imprest accounts 4. Copy of reconciled statement of budget and expenditure for the month of June 2019 5. Detail of expenditure incurred from imprest from July 2017 to June 2019 6. Detail of expenditure incurred on purchase of T&P items from July 2017 to June 2019 7. Detail of expenditure incurred on purchase of C&P items from July 2017 to June 2019 8. Detail of expenditure incurred on purchase of Stationery items from July 2017 to June 2019 9. To June Case file of agreement with National Bank of Pakistan at HQ Office Lahore 10. Case file of agreement with Post office at HQ Office Lahore 11. Case file of building/land under-utilization with Railcop and Larechs society at HQ office Lahore.
2.	10043	Carriage Factory, Islamabad	1. Rate/cost analysis in respect of repair of coaches, Power van, Brake van 2018-19 2. Estimates in respect of repair of coaches, Power van, Brake Van 2018-19 3. Release material Accounts (all Shops) (partially provided) 4. Theft cases (partially provided) 5. Supporting record of head wise expenditure on material, labour and FOH of coaches repaired in 2018-19. 6. Information regarding material for the year 2018-19 in respect of coaches repaired in 2018-19 on prescribed proforma. 7. Scrap tender cases No: i. 197/DCOS/CF/Sale of Scrap 01/18 ii. 197/DCOS/CF/Sale of Scrap 05/18 iii. 197/DCOS/CF/Sale of Scrap 06/18 iv. 197/DCOS/CF/Sale of Scrap 07/18

Annexure - 9 (Para # 2.5.7)

Loss due to misappropriation/theft of material

(Rs in million)

Sr.#	DP #	Formation	Description	Amount	Remarks
1.	10040	Mechanical Department, Multan	Furnace & HSD oil	30.02	The matter was taken up with the management in September 2019. Management replied that HSD oil was burnt in 1971 war and matter was under process at Headquarter level. The remarks were not acceptable as no documentary evidence regarding reporting of loss in financial statements or writing off of loss was furnished to Audit.
2.	10037	Civil Engineering Department, Karachi	Stone Ballast	7.83	The matter was taken up with the management in September 2019 but no reply was received.
3.	9999	MD, PLF, Risalpur	Mild Steel Scrap	3.87	The matter was taken up with the management in September 2019. Management replied that due to shortage of scrap material the amount in question was refunded to the contractor. The remarks were not acceptable because a huge quantity of scrap was misappropriated.
4.	9131	Mechanical Department, Karachi	Tank wagons	3.02	The matter was taken up with the management in September 2018 but no reply was received.
5.	9995	Chief Controller of Stores, Lahore	Copper field coil	1.29	The matter was taken up with the management in November 2019. Management replied that inquiry report had been remanded back to the inquiry committee. The detailed reply would be submitted after finalization of inquiry report but progress of the case was not furnished.
6.	9840	Station Manager, Karachi Cantt	Mobile Phone	1.08	The matter was taken up with the management in May 2019. Management replied that the case was under process, inquiries were being conducted and final outcome would be intimated to Audit. The remarks were not acceptable as progress of the case was not furnished.

7.	9921	Civil Engineering Department, Multan	Building material	0.91	The matter was taken up with the management in August 2019. Management replied that detailed response would be provided after scrutiny of record but no reply was received.
8.	9699	Commercial & Transportation Department, Karachi	11 Laptops	0.60	The matter was taken up with the management in April 2019. Management replied that FIRs had been lodged with Railway Police and matter was under investigation. The remarks were not acceptable as progress of the case was not furnished.
9.	9733	Civil Engineering Department, Rawalpindi	P. Way material	0.32	The matter was taken up with the management in August 2019 and also discussed in DAC meeting held on 02.12.2019. DAC did not consider the reply satisfactory and directed the department to submit a revised reply showing appropriate justification up to satisfaction of Audit within 02 weeks. The chair further directed that the FIRs regarding theft be pursued vigorously to make good the loss. Compliance of DAC directive was awaited.
10.	9895	Mechanical Department, Lahore	Distributor valves	6.34	The matter was taken up with Management in September 2019. Management replied that Superintendent Railway Police Lahore would be requested to improve security measure to curb this menace. The remarks were not acceptable as Railway management failed to protect Railway assets.
11.	9978	Mechanical Department, Multan`	Distributor valves	6.34	The matter was taken up with Management in September 2019. Management replied that 21 Nos distributive valves were missing from originating stations. The remarks were not acceptable because distributive valves were stolen as per report of concerned staff.
Total				**61.62**	

Annexure - 10 (Para # 2.5.18)

Irregular award of contract through negotiation

(Rs in million)

Sr. #	DP #	Formation	Period of Audit	Amount	Remarks
1.	9872	MD, Up-gradation/ renovation of major Railway Station HQ, Lahore	September 2019	193.08	The matter was taken up with the management in June 2019 but no reply was received.
2.	9900	MD, Up-gradation/ renovation of major Railway Station HQ, Lahore	September, 2019	151.00	The matter was taken up with the management in September 2019. Management replied that the work was awarded on the recommendation of consultant at 4% above CSR with the approval of CEO/Sr.GM to avoid retendering. The reply was not acceptable as Public Procurement Rule 31(1) clear stipulated that no bidder should be allowed to amend or modify his bid after the bid had been opened.
3.	9634	Concrete sleeper Factory, Lahore	April, 2019	76.80	The matter was taken up with the management in April 2019 and also discussed in DAC meeting held on 16.12.2019. DAC agreed that mis-procurement was made and directed the PO to refer the case to PPRA for clarification of principle of voluntary reduction in rates by the lowest bidder and condonation of irregularity within 03 days. Compliance of DAC directives was awaited.
4.	9739	Civil Engineering Department, Rawalpindi	August 2019	45.87	The matter was taken up with the management in August 2019 and also discussed in DAC meeting held on 02.12.2019. Department contended that there was no negotiation and voluntary reduction was made in benefit of Department. The chairman advised that case would be referred to PPRA for clarification. Compliance of DAC directives was awaited.
5.	9835	PRFTC	April, 2019	29.76	The matter was taken up with the management in April 2019. Management replied that neither change of substance of the bid nor modification or alteration had been made after the technical or financial bid was opened. The reply was not acceptable as Public Procurement Rule 31(1) clear stipulated that no bidder should be allowed to amend or modify his bid after the bid had been opened.
6.	9751	Pakistan Railways Freight Transportation Company, Lahore	April, 2019	25.00	The matter was taken up with the management in June 2019 but no reply was received.
7.	9686	Deputy General	July, 2019	18.62	The matter was taken up with the management in

		Manager, Lahore			August, 2019. Management replied in November 2019 that the contractor voluntarily reduced his rates hence, no irregularity in this account was occurred and there is no violation of PPRA. The reply was not acceptable as Public Procurement Rule 31(1) clear stipulated that no bidder should be allowed to amend or modify his bid after the bid had been opened.
8.	9861	Carriage Factory, Islamabad	April, 2019	11.40	The matter was taken up with the management in April, 2019. Management replied that the contractor voluntarily reduced his rates and no loss was sustained by Railway. The reply was not acceptable as Public Procurement Rule 31(1) clear stipulated that no bidder should be allowed to amend or modify his bid after the bid had been opened.
9.	9714	Deputy General Manager, Lahore	July, 2019	1.89	The matter was taken up with the management in August 2019 and also discussed in DAC meeting held on 02.12.2019. DAC did not consider the reply satisfactory as DGM was not competent to negotiate the rates. DAC directed the DGM to submit revised reply to Audit duly substantiated after inquiring into the matter within 15 days. Compliance of DAC directives was awaited.
10.	9947	MD CFI	September 2019	1.74	The matter was taken up with the management in November 2019. Management replied that the lowest bidder had themselves reduced their rates voluntarily which was not the violation of Public Procurement Rules. The reply was not acceptable as Public Procurement Rule 31(1) clear stipulated that no bidder should be allowed to amend or modify his bid after the bid had been opened. Further, PPRA clarification vide letter dated 27.12.2018 provides that negotiation with any bidder whether he is lowest or otherwise for price matching or the reduction in the price are prohibited and unilateral discounts in price offered voluntarily by any bidder, rebate or negotiation in price are not allowed.
11.	9681	Divisional Electric Engineering, Rawalpindi	May, 2019	0.80	The matter was taken up with the management in May 2019 but no reply was received.
Total				**555.96**	

Annexure - 11 **(Para # 2.5.21)**

Irregular award of work without tenders/fair competition

(Rs in million)

Sr. #	DP #	Formation	Description	Amount	Remarks
1.	9854	RAILCOP	Without generating fair competition	122.01	The issue was taken up with the management in July 2019. Management replied that (04) firms requested for issuance of tender documents which include M/s Rizcon Engineering. Tender was opened on 05.08.2016, in which only one firm i.e. M/s Techno Time Construction dropped its bid for Rs 122.01 million. The committee found the tender responsive and recommended for acceptance of the tender. Further, Public Procurement Rules do not put any limit on number of tenders/ bids received in response to tender notices provided that the procurement opportunity has been advertised in the prescribed manner. The reply was not acceptable as in absence of free and fair competition the rate accepted cannot be considered as economical.
2.	9559	REDAMCO	Irregular extension for 3rd term	59.49	The matter was taken up with the management in June 2019 but no reply was received.
3.	9747	PRFTC	Without floating tender	39.47	The matter was taken up with the management in April 2019. Management replied that Auxiliary Tow Truck was a peculiar type of equipment of Railways, which was being used worldwide to handle the wheel lock and hot axle problem for quick rescue but had never been used in Pakistan Railways. Thus, neither market nor competition was available in Pakistan. Local quotations were not possible in this case. The remarks were not acceptable because procurement was irregular as the contract was awarded without generating healthy competition.
4.	9630	PRACS	Without fair competition	22.68	The matter was taken up with the management in June 2019 and also discussed in DAC meeting held on 08.11.2019. DAC was informed that all the Partners were part of team before winning of the bid/contract and accordingly they were paid payment of their part of work done. DAC did not consider the reply satisfactory and directed the PO to fix responsibility for making irregular payment to the consultant. DAC further directed

					that committed irregularities be got condoned from the PPRA and Board of Directors of the company under intimation to Audit. Compliance of DAC directives was awaited.
5.	9874	REDAMCO	Without generating fair competition	18.09	The matter was taken up with the management in June 2019 but no reply was received.
6.	9578	REDAMCO, Rawalpindi	Without generating fair competition on quotation basis	8.21	The matter was taken up with the management in June 2019 but no reply was received.
7.	9674	PRACS, Rawalpindi	Without fair competition	6.60	The matter was taken up with the management in May 2019 and also discussed in DAC meeting held on 18th November, 2019. DAC was informed that the tenders of the allotment of dining car of 11Up/12Dn (Hazara Express) was floated on January, 2013. The highest bid of M/s Afzal Shah was accepted with the total value of Rs. 10 Million for the period from 15-02-2013 to 14-02-2014. Numerous complaints were received against the poor substandard/quality of eatables which necessitated the engagement of experienced person with the objective to not only avoid public complaints but also enhance the marketability of the business. DAC did not consider the reply satisfactory and directed the PO that matter be got inquired through an inquiry committee comprising FA&CAO / Revenue and AGM / Traffic and submit inquiry report to DAC within 15 days. Compliance of DAC directives was awaited despite lapse of stipulated period.
Total				**276.55**	

Annexure - 12 (Para # 2.5.22)

Unnecessary procurement resulting in blockage of capital

(Rs in million)

Sr #	DP #	Formation	Description	Amount	Remarks
1.	9707	Carriage and Wagon Shop, Workshops Mugalpura, Lahore	Unnecessary procurement	135.84	The matter was taken up with the management in May 2019 but no reply was received.
2.	9866	Civil Engineering Department, Sukkur	Unnecessary procurement	24.37	The matter was taken up with the management in August 2019 but no reply was received.
3.	9831	PRFTC	Unnecessary procurement	11.60	The matter was taken up with the management in April 2019 but no reply regarding regularization of DG set was received.
4.	9798	PD, Dry Port Lahore	Unnecessary procurement	10.88	The matter was taken up with the management in September 2019 but no reply was received.
5.	9695	PRFTC	Unnecessary procurement	9.74	The matter was taken up with the management in April 2019. Management replied that procurement was made according to approved plan and design. The work was in progress; therefore, the remaining quantity would be utilized in the remaining work of yard. The remarks were not acceptable as the work of Yousafwala Yard and track of coal power plant was abandoned in March 2019 and the P. way labour was dispensed with and some portion of Track was also handed over to PWI/Okara. The remaining quantity of 7074 sets was lying unutilized since March 2019.
6.	10020	Mechanical Department, Lahore	Unnecessary procurement	3.37	The matter was taken up with the management in September 2019. Management replied that arrangements were being made for disposal and use of material. The remarks were not acceptable as progress regarding utilization of material was not furnished.
7.	9903	Bridge Workshop, Jhelum	Non-utilisation of material	2.35	The matter was taken up with the management in September 2019. Management replied that material was lying in the store due to non-completion of work. The remarks were admittance of audit observation.
8.	9918	Bridge Workshop, Jhelum	Unnecessary procurement	1.34	The matter was taken up with the management in September 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
9.	9930	Civil Engineering Department, Peshawar	Non-utilisation of material	0.55	The matter was taken up with the management in August 2019. Management replied that detailed response would be submitted after disposal of material. Progress of the case was awaited.
Total				**200.04**	

Annexure - 13 (Para # 2.5.28)

Irregular award of contract agreement due to expiry/non-receipt/extension of performance security

(Rs in million)

Sr. #	DP No.	Formation	Description	Period of Audit	Amount	Remarks
1.	9704	PRFTC	Non-obtaining of performance guarantee	April, 2019	16.45	The matter was taken up with the management in April 2019. Management replied that condition of submission of 10% performance bond in shape of Bank Guarantee or deduction of 10% amount from each running bill was adopted by NESPAK for all other works being executed at Yousafwala station. The reply was not acceptable as the procedure adopted was in contradiction of Public Procurement Rules.
2.	9624	Accounts Officer / Project, Lahore	Expired performance security and bank guarantee	March, 2019	8.18	The matter was taken up with the management in April 2019. Management replied that the contractor had been asked to submit bank guarantee valid till defect liability period. Further, contractor bill amounting to Rs 3.741 million (IPC-5) was held up while Rs 1.218 million was available as 10% retention money. The remarks were not acceptable as the value of performance guarantees was much higher than the held up amount of contractor's bills therefore performance security/bond and bank guarantee should have been renewed.
3.	9765	Deputy General Manager, HQ Office, Lahore	Non-extension in Bank guarantee	July, 2019	1.28	The matter was taken up with the management in July 2019 and also discussed in DAC meeting held on 16.12.2019. Reply was not acceptable to DAC as serious violations were made against the contract provision and undue benefits were given to contractor. Irregularity be got condoned from PPRA. DAC directed to conduct fact finding Inquiry by Dy. FA&CAO /M&S within 02 weeks. Compliance of DAC directives was awaited.

4.	9486	Audit of AO Project DOT-II	Non-collection of performance security	April 2019	0.98	The matter was taken up with the management in April 2019 and also discussed in DAC meeting held on 10.01.2020. DAC did not accept the management stance and directed that non-receipt of performance security at initial stage which constituted the violation of SOP/rule, be got condoned from appropriate forum. In future full performance security be obtained prior to execution of contracts.
5.	9607	Audit of Workshops, Mughalpura	Non-obtaining of performance guarantee	June, 2019	0.90	The matter was taken up with the management in June 2019 but no reply was received.
6.	9767	Deputy General Manager, HQ Office, Lahore	Non-obtaining of performance security	July, 2019	0.59	The matter was taken up with the management in July 2019 and also discussed in DAC meeting held on 16.12.2019. DAC directed to submit revised reply keeping in view contents of Audit observation within 01 week. Compliance of DAC directives was awaited.
Total					**28.38**	

Annexure - 14 (Para # 2.5.44)

Irregular expenditure due to splitting up of purchases/works

(Rs in million)

Sr #	DP #	Formation	Purchases/ works Splitted	Amount	Remarks
1.	9965	Directorate of Procurement, Islamabad	Light weight ballast tamping machines	34.91	The matter was taken up with the management in November 2019. Management replied that the tender for the procurement of four light weight ballast temping machines was floated as per specification received from PD/MTM in accordance with provision in the PC-I. During tender finalization stage the quantity was reduced to 02 Nos. Later on other demand for the procurement of two light weight ballast tamping machine (universal) was received from PD/MTM alongwith specifications and tender was floated / finalized accordingly. The tender was floated as per revised specification to cater for the requirement of PR. The specification of both the tenders were different and as such there was no splitting of the tender. The remarks were not acceptable as PR sustained a loss due to procurement of machines second time at higher rates which could be avoided if all machines were procured under same tender
2.	9860	Deputy General Manager, H.Q. office, Lahore	Special repair of officers bungalows	9.92	The matter was taken up with the management in August 2019. Management replied that works were not splitted as the location, scope and time was different. The remarks were not acceptable as the works were in same boundary having similar scope. Further, the work orders/agreements were executed in same months.
3.	9462	Divisional Transportation and Divisional Commercial Officers, Lahore	Office furniture, Laptop and Batteries etc.	3.94	The matter was taken up with the management in March 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
4.	9613	Divisional Accounts Officer, Workshops Division, MGPR, Lahore	Different types of hardware material	3.27	The matter was taken up with the management in May 2019 but no reply was received.
5.	9949	Civil Engineering Department,	Special repair of offices	1.97	The matter was taken up with the management in August 2019. Management replied that it was not splitting of work due to different nature i.e. one was

		Quetta			renovation of old hall and making it residence and the other was construction of office for GEU-20 staff. The remarks were not acceptable as the both works were adjacent in the vicinity and under the same supervisor.
6.	9778	Divisional Accounts Office, Sukkur	Different types of hardware material etc.	1.90	The matter was taken up with the management in May 2019 but no reply was received.
7.	9165	Civil Engineer, Department, Peshawar	Painting material	1.20	The matter was taken up with the management in August 2018. Management replied that no splitting was made in the procurement as the material was procured for different subordinates. The remarks were not acceptable because the material for different subordinates was to be procured collectively instead of piece meal.
8.	9608	Carriage and Wagon Shops, Workshops Division, MGPR, Lahore	Wall paper	0.99	The matter was taken up with the management in May 2019 but no reply was received.
9.	9680	Deputy General Manager, Lahore	Special Repair including local purchase of material	0.75	The matter was taken up with the management in August 2019 but no reply was received.
10.	9814	Deputy General Manager, Lahore	Local purchase of material	0.32	The matter was taken up with the management in August 2019 and also discussed in DAC meeting held on 02.12.2019. DAC did not consider the reply satisfactory and directed to submit revised reply justifying properly the facts to Audit. Compliance of DAC directives was awaited.
11.	9803	PD, Dry Port, Lahore	Procurement of laptops	0.29	The matter was taken up with the management in September 2019 and also discussed in DAC meeting held on 03.12.2019. DAC was informed that local purchase was made on need basis according to the requirement of the Project. As evident from date and month of purchase, the requisite procurement was made in different months as and when required. Proper procedure of obtaining quotation from local market was adopted. Purchase was made within sanctioned amount through a shopping committee. DAC directed the management to provide relevant / complete documents / vouchers to Audit for verification.
Total				**59.46**	

Annexure - 15 **(Para # 2.5.49)**

Detail of Encroached land

(Rs in million)

Sr.#	DP #	Formation	Area under encroachment	Cost of area	Remarks
1.	9541	Deputy Director, P&L, Sukkur	662.66 acre	1,310.96	The matter was taken up with the management in February 2019. Management replied that these encroachments were very old and administration was trying its best to remove these encroachments. However, few encroachments had been removed during last year. Latest position regarding retrieval of land was not furnished.
2.	9641	Deputy Director, P&L, Sukkur	21.95 acre	600.48	The matter was taken up with the management in February 2019. Management replied that efforts were being made to retrieve the land. Progress of the case was not furnished.
3.	9529	Director, P&L, Karachi	1.74 acre	403.50	The matter was taken up with the management in February 2019. Management replied that the encroachment had been removed/ stopped. The remarks were not acceptable as no documentary evidence regarding retrieval of land was provided to Audit.
4.	9379	Civil Engineering Department, Lahore	2755.22 acre along with Railway line	246.00	The matter was taken up with the management in September 2018 and also discussed in DAC meeting held on 10.01.2020. DAC was informed that court proceedings are under trial against XEN, Sub Divisional Engineer and Sub-Engineer of Punjab Highway department in respect of FIR No 01/2018 dated 07.01.2018. DAC directed that updated status of FIR be provided to Audit and court proceedings be pursued vigorously. Compliance of DAC directives was awaited.
5.	9948	MD CFI	3.02 acre	243.10	The matter was taken up with the management in November 2019. Management replied that efforts were being made for retrieval of encroached land with the assistance of civil administration. Progress of the case was awaited.
6.	9470	Director, P&L, Karachi	0.66 acre	238.80	The matter was taken up with the management in February 2019 but no relevant reply was received.
7.	9477	Deputy Director, P&L, Peshawar	138.14 acres	235.71	The matter was taken up with the management in February, 2019 and also discussed in DAC meeting held on 08.11.2019. The chair took serious concern for misleading the DAC about the title of land issue by Director/P&L. DAC directed the PO that till decision of title of land, no one would be allowed to

					encroach the Railway land on the basis of title of land issue. In case of any incident, the DS concerned would be held responsible for such encroachment. DAC directed the PO that a proper report by Director Legal and Director P&L be furnished to DAC within fifteen days. Compliance of DAC directives was awaited.
8.	9461	Director, P&L, Karachi	0.62 acre	225.60	The matter was taken up with the management in February 2019. Management replied that the issue was being pursued vigorously with KPT authority to resolve the issue. Progress of the case was awaited.
9.	9507	Deputy Director,P&L, Multan	2.45 acre	190.26	The matter was taken up with the management in February 2019.Management remarked that Police Department requested for NOC after construction of building. However Divisional office highlighted the issue well in time. The remarks were not tenable as highlighting the issue was not a solution but actions were needed for removal or regularization of unauthorized occupation.
10.	9407	Deputy Director, P&L, Workshop, Mughalpura	1.11 acre	185.83	The matter was taken up with the management in December 2018. Management replied that the matter regarding recovery of rent had been taken up with PD/RAILCOP. Progress of the recovery was not furnished to Audit.
11.	9534	Director, P&L, Karachi	0.64 acre	123.56	The matter was taken up with the management in February 2019. Management replied that the sectional staff tried to stop the encroachment. However, the encroachers were the District administration itself from where logistic support/legal assistance for removal of encroachment was to be sought. However, DEN-2 had requested to ADLA/KYC to file the court case accordingly. Progress of the case was not furnished.
12.	9504	Deputy Director, P&L, Peshawar	0.60 acre	114.48	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 08.11.2019. The chair took serious concern for misleading the DAC about the title of land issue by Director/P&L. DAC directed the PO that a proper report by Director Legal and Director P&L be furnished to DAC within fifteen days. Compliance of DAC directives was awaited.

13.	9503	Deputy Director, P&L, Peshawar	47 shops	80.362	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 07.11.2019. DAC was informed that REDAMCO has constructed 48 Nos. shops at Karkhano Market. These shops were auctioned on 28-12-2017 but unfortunately possession of these shops could not be handed over to the successful bidders as some outsiders encroached the shops by claiming the ownership of land in the court of law. DAC directed the CEO to constitute an inquiry committee comprising FA&CAO/M&S and D.S/Peshawar to investigate the matter, fix responsibility for not safeguarding the assets of PR and pursue the court case efficiently and submit report within one month. Compliance of DAC directives was awaited.
14.	9661	REDAMCO	0.87 acre	69.60	The matter was taken up with the management in June 2019 but no reply was received.
15.	9502	Deputy Director, P&L, Peshawar	4.81 acre	61.30	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 16.12.2019. DAC was informed that efforts were being made to retrieve the encroached land in assistance with District Police and Administration.
16.	9500	Deputy Director, P&L, Peshawar	0.77 acre	54.82	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 07.11.2019. Audit informed the DAC that land was encroached in January 2016 but Railway management did not initiate any action to retrieve the land rather provided an opportunity to the encroachers to file civil suits, which was filed on 31.07.2019 after pointation by Audit. DAC directed the CEO/Senior General Manager to nominate a PO level inquiry committee to probe the matter, in the light of AEN/Nowshera letter No.17-M dated 01.01.2016 and view point of Audit, within one month. Compliance of DAC directives was awaited.
17.	8904	Deputy Director, P&L, Quetta	128 quarters	25.97	The matter was taken up with management in February 2018 and also discussed in DAC meeting held on 11&12.10.2018. DAC directed the P.O to initiate disciplinary action against the employees involved in subletting the Railway quarters and documentary evidence in support of action taken be furnished to Audit. The detail of vacated quarters may also be got verified from Audit within ten days. Compliance of DAC directives regarding initiation of disciplinary action against the employees was awaited.

18.	9468	Director, P&L, Karachi	0.31 acre	17.94	The matter was taken up with the management in February 2019. Management replied that the lessee was allowed by DS/KYC to use the site with 15% increase in lease charges till the proper decision regarding KCR project. The remarks were not acceptable because the plot was handed over in 2004 and no proper action was taken by the management despite lapse of 12 years.
19.	9467	Director, P&L, Karachi	2.08 acre	17.75	The matter was taken up with the management in February 2019. Management replied that the case was under NAB inquiry. Progress of the case was not furnished.
20.	9456	Deputy Director, P&L, Peshawar	0.40 acre	16.77	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 07.11.2019. Railway management informed the DAC that 59.48 marlas of land had been retrieved. Audit pointed out that retrieved land is different from the land objected by Audit. DAC directed the PO to furnish the position regarding retrieval of land pointed out by Audit to DAC and got verified from Audit within three months. Compliance of DAC directives was awaited.
21.	9479	Director, P&L, Karachi	0.191 acres	1.15	The matter was taken up with the management in February 2019. Management replied that the sectional staff tried to stop the encroachment. However, the encroachers were the District administration itself from where logistic support/legal assistance for removal of encroachment was to be sought. However, DEN-2 had requested to ADLA/KYC to file the court case accordingly. Progress of the case was not furnished.
Total				**4,463.94**	

Annexure - 16 (Para # 2.5.66)

Detail of non-recovery from the lessees of Commercial & Agriculture land

(Rs in million)

Sr. #	DP. #	Formation	Description	Period of Audit	Amount	Remarks
1.	9567	Managing Director, REDAMCO	Rental charges against different department	June, 2019	103.76	The matter was taken up with the management in June 2019 but no reply was received.
2.	9469	Director, P&L, Karachi	Illegal occupation of land and rental charges against NCL	February, 2019	69.44	The matter was taken up with the management in February 2019. Management replied that no proper record was available regarding NCL encroachment at subject site. Therefore, at this stage the subject encroachment by NCL could not be verified/ proved. Further, the encroachment had removed and site had been leased out. The remarks were not acceptable as DD/P&L Karachi letter No. 473-W/Godown/R.A/DD/P&L/KYC dated 08.09.2016 and Director Vigilance (South) letter No. 0009/C.R/GRS/KYC/207/2016(L) dated 11.08.2016 clearly showed that the land was encroached since two decades.
3.	9451	Deputy Director, P&L, Peshawar	Rental charges against shops, land and buildings	February, 2019	65.06	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 08.11.2019. DAC directed the P.O that documentary evidence in support of recovered amount may be furnished and got verified from Audit. A revised reply in respect of court cases by giving detailed facts and figures may also be provided to Audit within one week. Compliance of DAC directives was awaited.
4.	9476	Deputy Director, P&L, Multan	Rental charges against M/s Shell Oil Company	February, 2019	58.91	The matter was taken up with the management in February 2019. Management replied that the matter had already been taken up and results would be intimated shortly. Progress of the case was not furnished to Audit.

5.	9678	Deputy Director, P&L, Lahore	Rental charges against petrol pump	June, 2019	50.70	The matter was taken up with the management in June 2019. Management replied that the case is subjudice. Progress of the court case was awaited.
6.	9475	Deputy Director, P&L, Multan	Rental charges of land leased out to private individual	February, 2019	31.43	The matter was taken up with the management in February 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
7.	9827	Civil Engineering Department, Peshawar	Rental charges against M/s Mobi Link	August, 2019	18.03	The matter was taken up with the management in August 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
8.	9676	Deputy Director, P&L, Lahore	Rental charges of nurseries	April, 2019	17.09	The matter was taken up with the management in April 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
9.	9522	Deputy Director, P&L, Sukkur	Rental charges against agriculture land	February, 2019	11.93	The matter was taken up with the management in February 2019. Management replied that final outcome would be intimated after consulting the record but no reply was received.
10.	9743	Deputy Director, P&L, Peshawar	Rental charges of parking stand	February, 2019	11.77	The matter was taken up with the management in February 2019. Management replied that an amount of Rs 2.00 million was recovered from the licensee and the remaining amount would be recovered soon. The remarks were not tenable because the rental charges were required to be deposited in monthly installments whereas the licensee deposited only Rs. 2.00 million out of Rs. 11.77 million after a period of one year and no action was taken against him by the management under terms & conditions of agreement.
11.	9473	Deputy Director, P&L, Multan	Rental charges of land leased out for agriculture, stacking & shops	February, 2019	11.14	The matter was taken up with the management in February 2019. Management replied that efforts were being made to recover the outstanding amount. Progress of recovery was awaited.
12.	9940	Directorate of Procurement, Islamabad	Non-recovery of freight charges	November, 2019	8.72	The matter was taken up with the management in November 2019. Management replied that matter was

						already under correspondence and notice had been issued to the firm to deposit the excess freight charges. Progress of the case was awaited.
13.	9521	Deputy Director, P&L, Quetta	Rental charges of track crossing of optical fiber cable	February, 2019	6.93	The matter was taken up with the management in February 2019. Management replied that notices had been issued to the licensee and the licensee would deposit the amount in near future. Progress of recovery was awaited.
14.	9809	Deputy Director, P&L, Lahore Division	Rental charges of stacking	April, 2019	5.14	The matter was taken up with the Railway management in June, 2019. Management replied that the firms were giving freight business to Railways and they were reciprocated by leasing Railway land. Visits were made to make sure that they stack their materials within the specified area and in case extra land was found to be in use of these firms claim of rent was also made. Moreover, efforts were being made for reconciliation and recovery of rent. The reply was not acceptable as management failed either to retrieve the land after expiry of agreements or to recover the outstanding rent from the parties.
15.	9428	Commercial and Transportation Department, Peshawar	Rental charges of Railway building	February, 2019	4.57	The matter was taken up with the management in February 2019. Management replied that efforts would be taken for early clearance. Progress of the recovery was not furnished to Audit.
16.	9516	Deputy Director, P&L, Sukkur	Rental charges of Railway quarters	February, 2019	3.79	The matter was taken up with the management in February 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
17.	9732	Divisional Commercial & Transportation, Department Karachi	Rental charges against bill boards	April 2019	3.56	The matter was taken up with the management in April 2019. Management replied that efforts were being made to recover the outstanding amount. Progress of recovery was awaited.
18.	9447	Deputy Director, P&L, Rawalpindi	Rental charges of agriculture land	February, 2019	3.11	The matter was taken up with the management in February 2019. Management replied that outstanding

						amount would be recovered from security deposit. The remarks were not acceptable because land was utililsed after expiry of agreement and without recovery of rental charges.
19.	9513	Deputy Director, P&L, Sukkur	Penalty charges against marriage lawn & Swimming pool	February, 2019	1.79	The matter was taken up with the management in February 2019. Management replied that final outcome would be intimated after consulting the record but no reply was received.
20.	9828	Station Superintendent, Multan Cantt.	Rental charges of parking stand	April, 2019	1.52	The matter was taken up with the management in April 2019. Management replied that efforts were being made to recover the outstanding amount. Progress of recovery was awaited.
21.	9444	Deputy Director, P&L, Rawalpindi	Rental charges against commercial & agriculture land	February, 2019	1.33	The matter was taken up with the management in February 2019 and discussed in DAC meeting held on 13.01.2020. PO informed the DAC that out of recoverable amount of Rs 1.334 million, Rs 1.245 million had been recovered leaving a balance of just Rs 0.089 million. DAC directed that documentary evidence in support of recovery be submitted to Audit for examination. Efforts be made to recover the balance amount expeditiously. Compliance of the DAC directives was awaited.
22.	9443	Deputy Director, P&L, Rawalpindi	Rental charges of commercial and agriculture	February, 2019	1.17	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 13.01.2020. PO informed the DAC that out of recoverable amount of Rs 1.170 million, Rs 0.524 million had been recovered leaving a balance of Rs 0.646 million. DAC directed that documentary evidence in support of recovery be submitted to Audit for examination. Efforts be made to recover the balance amount expeditiously. DAC further directed that instructions be issued for starting process of fresh leasing at least 03 to 04 months before expiry of existing lease agreements. Compliance of the DAC directives was awaited.

23.	9702	DGM, H.Q. Office, Lahore	Rental charges against parking stand	August, 2019	1.06	The matter was taken up with the management in August 2019 but no reply was received.
24.	9682	Commercial and Transportation Department, Karachi	Rental charges of parking stand	April, 2019	0.97	The matter was taken up with the management in April 2019. Management replied that size of plot was wrongly written in agreement as 20,628 sft instead of 30,628 sft. The remarks were not acceptable as no documentary evidence i.e. advertisement notice/approval of competent authority clearly showing that 30,628 sft land was auctioned for parking stand.
25.	9390	MD,PLF, Risalpur	School bus charges	November, 2018	0.91	The matter was taken up with the management in November 2018. Management replied that amount had been recovered from the salary of concerned employees and in cash from those who had been transferred to other Divisions. The remarks were not tenable as documentary evidence in support of recovery made was not furnished to audit.
26.	9606	Managing Director, PRACS	Rental charges of Guest room	April, 2019	0.90	The matter was taken up with the management in May 2019 and also discussed in DAC meeting held on 07.11.2019. DAC constituted a committee comprising Secretary PRACS, Deputy DS/Rawalpindi and FA&CAO/M&S to probe the matter regarding use of room No. 3 by an outsider without payment of rental charges and fix responsibility for allowing an outsider to stay in Govt. accommodation. Compliance of DAC directives was awaited.
27.	9439	Deputy Director, P&L, Peshawar	Rental charges against commercial land	February, 2019	0.61	The matter was taken up with the management in February 2019. Management replied that shops were regularised during 2001 and rental charges would be recovered as early as possible. The remarks were not acceptable as lease was not renewed after expiry of lease in 2010 and rental charges were also not recovered since 2015.

28.	9786	Deputy Director, P&L, Lahore	Rental charges of agriculture land	April, 2019	0.32	The matter was taken up with the management in June 2019. Management replied that the said land proposed for auction for cultivation and parking stand. For recovery of occupancy charges notices had been served. The remarks were not tenable as the same land could not be leased out for cultivation and commercial purpose simultaneously. Non-retrieval of land and non-recovery of outstanding charges depicts poor land management controls.
Total					**495.66**	

Annexure - 17 (Para # 2.5.67)

Detail of non-recovery from Government Departments

(Rs in million)

Sr. #	DP #	Formation	Description	Period of Audit	Amount	Remarks
1.	9505	Deputy Director, P&L, Workshop, Mughalpura	Land lease charges against sports complex, LDA	February, 2019	123.96	The matter was taken up with the management in February 2019. Management replied that Headquarters office accorded approval and 25% amount was adjusted on account of clearance and levelling of site as the land in question was full of silage and slush and earth filing and levelling of the site. Moreover, LDA also levelled the additional adjoining Railways land which was not leased out to LDA. The remarks were not acceptable as the Railway management did not recover the full amount from LDA in the light of lease policy. Further, the agreement was not also executed till February 2019.
2.	9934	Deputy Director, P&L, Lahore	Rental charges against Government Departments	April, 2019	66.81	The matter was taken up with the management in June 2019. Management replied that efforts were being made to recover the outstanding amount. Progress of recovery was awaited.
3.	9763	Civil Engineering Department, Rawalpindi	Maintenance charges of level crossing	August, 2019	44.32	The matte was taken up with the management in August, 2019. And also discussed in DAC meeting held on 03.12.2019. DAC directed the P.O that recovered amount of Rs 3.94 million be got verified from Audit. DAC further directed that matter regarding recovery of balance amount of Rs 40.39 million be pursued at appropriate level with provincial authorities and progress be intimated to Audit. Compliance of DAC directives was awaited.
4.	9484	Deputy Director, P&L, Peshawar	Rental charges against Education	February, 2019	28.58	The matter was taken up with the management in February, 2019 and also discussed in DAC meeting held

			Department Khyber Pakhtunkhwa			on 07.11.2019. The chair took serious concern regarding non recovery of objected amount and directed the PO to take up the matter at an appropriate level and outstanding amount be recovered within six months. All audit recommendations may also be followed in letter and spirit. Compliance of DAC directives was awaited.
5.	9398	Civil Engineering Department, Lahore	Land charges from LDA	September, 2018	24.52	The matte was taken up with the management in September, 2018. Management replied in October, 2019 that Rs 0.417 million had been recovered out of 24.52 million and efforts were being made to recover the remaining amount. The reply was not acceptable as only 2% amount was recovered despite lapse of considerable period.
6.	9501	Deputy Director, P&L, Multan	Rental charges against Food Department	February, 2019	18.22	The matter was taken up with the management in February, 2019. Audit verification revealed that out of total recoverable Rs 57.62 an amount of Rs 39.40 had been recovered. Progress of remaining recoverable was not furnished.
7.	9899	Accounts Officer/ Projects, Headquarters office, Lahore	Non-recovery of mobilization advance from NLC	September, 2019	14.48	The matter was taken up with the management in August 2019 but no reply was received.
8.	9626	RAILCOP	Railway dues	May, 2019	12.88	The matter was taken up with the management in July 2019 and also discussed in DAC meeting held on 08.11.2019. DAC was informed that the payable stands in the Financial Statement amounting to Rs 12.88 million against TWS project and TMS Lahore for the Financial year 2017-18. RAILCOP is facing serious financial constraints. The liability against these balances shall be released to Pakistan Railways on receipt of bill from PR. DAC constituted a high

						level committee comprising AGM/I, Member Finance and MD/RAILCOP who would resolve the issue of settlement of claims of both parties i.e. Pakistan Railways and RAILCOP and report to DAC within one month. Compliance of DAC directives was awaited.
9.	9922	Ministry of Railways, Islamabad	MCA & HBA ex-Railway employees on deputation	October, 2019	10.84	The matter was taken up with the management in October 2019. Management replied that the concerned officers were being contacted to make the payments of advances outstanding against them at the earliest. The reply was not acceptable as no efforts were made by the MoR during 2016 to 2019 for recovery of the Railway dues.
10.	9465	Deputy Director, P&L, Rawalpindi	Rental charges against PSO	February, 2019	10.71	The matter was taken up with the management in February 2019. Management replied that the matter had already been taken up with PSO and amount was outstanding due to difference in calculation of amount between oil companies and Railway. The reply was not acceptable as considerable period had elapsed but the amount could neither be reconciled nor recovered.
11.	9448	Deputy Director, P&L, Rawalpindi	Rental charges against Food Department	February, 2019	5.04	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 13.01.2020. DAC was informed that out of recoverable amount of Rs 5.043 million, Rs 4.035 million had been recovered leaving a balance of Rs 1.008 million. DAC directed that documentary evidence in support of recovery be submitted to Audit for examination. Efforts be made to recover the balance amount expeditiously. Compliance of DAC directives was awaited.
12.	9897	Civil Engineering Department, Rawalpindi	Rental charges against PAF	August, 2019	3.75	The matter was taken up with the management in August 2019. Management replied that efforts were being made to recover the

						outstanding amount. Progress of recovery was awaited.
13.	9480	Deputy Director, P&L, Multan	Rental charges against Postal Department	February, 2019	3.29	The matter was taken up with the management in February 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
14.	9540	Station Manager, Lahore	Admitted debits of station outstanding	February, 2019	1.20	The matter was taken up with the management in February 2019 but no reply was received.
15.	9510	Deputy Director, P&L, Workshop, Mughalpura	Rental charges against National Bank of Pakistan, Mughalpura	February, 2019	0.64	The matter was taken up with the management in February 2019. Management replied that determination of fair rent and term of enhancement of rental charges was not restricted through rent laws rather it is fixed by the parties through mutual consent. However, this office was being entering into fresh agreement with National Bank of Pakistan. The National Bank of Pakistan was paying rental charges regularly and there was nothing outstanding against it. The remarks were not acceptable and relevant as Railway management failed to recover rental charges at enhanced rate of 25% after every three years.
Total					**369.24**	

Annexure - 18 **(Para # 2.5.70)**

Non-deduction of withholding income tax and GST

(Rs in million)

Sr.#	DP No.	Formation	Type of tax	Amount	Remarks
1.	9744	Chief Commercial Manager, H.Q. Office, Lahore	Withholding income tax	118.64	The matter was taken up with the management in May 2019 but no reply was received.
2.	9566	REDAMCO	Withholding income tax	59.78	The matter was taken up with the management in June 2019 but no reply was received.
3.	9525	Director P&L, Karachi	Withholding income tax	25.02	The matter was taken up with the management in February 2019. Management replied that instructions had been noted for future. The remarks were an admittance of audit observation.
4.	9670	CCM & COPS (Tax Facilitation)	Withholding Tax	22.93	The matter was taken up with the management in May 2019 but no reply was received.
5.	9801	Pakistan Railway Freight Transportation Company	Withholding income tax	20.52	The matter was taken up with the management in June 2019 but no reply was received.
6.	9855	Railway Constructions Pakistan Limited (RAILCOP)	Withholding income tax	5.00	The issue was taken up with management in July 2019. Management replied that deduction of @ 7.5% income tax from all running bills was deducted as required but after the deduction of secured advances against material the amount of income tax at the rate of 7.5% was not deducted from their secured advances. The remarks were not acceptable because income tax should have been deducted from secured advances.
7.	9488	Accounts Officer/ Projects, Headquarters office, Lahore	Withholding income tax	3.88	The matter was taken up with the management in April 2019 and also discussed in DAC meeting held on 10.01.2020. DAC was informed that the contractor's names were available on active taxpayer list (ATL) on the date of payment. DAC directed that documentary evidence in support of reply be provided to Audit for examination. Compliance of DAC directives was awaited.
8.	9575	Deputy Director P&L, Sukkur	Withholding income tax	3.49	The matter was taken up with the management in February 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
9.	9688	Commercial and Transportation Department, Quetta	Withholding income tax	1.75	The matter was taken up with the management in May 2019. Management replied that notices would be issued for recovery of W.I.T. Progress of the case was not furnished.
10.	9760	Deputy General Manager, H.Q.	General Sales Tax	1.44	The matter was taken up with the management in August 2019 and also discussed in DAC meeting

		Office, Lahore			held on 16.12.2019. DAC did not accept the stance of management and directed the AGM/I to inquire into the matter to fix responsibility for non-compliance of earlier DAC directives and violation of rule. DAC further directed to follow the instructions and in future purchases be made from registered taxpayers. Compliance of DAC directives was awaited.
11.	9898	Accounts Officer/ Projects, Headquarters office, Lahore	Withholding income tax	1.01	The matter was taken up with the management in September 2019. Management replied that the work was started by NLC but Lahore High Court Lahore granted stay order on the issue. The case was still pending in the honorable court and all issues raised by audit would be properly addressed in due course of time. Progress of the case was awaited.
12.	9442	Deputy Director, P&L, Quetta	Withholding income tax	0.82	The matter was taken up with the management in February 2019.Management replied that after the completion of construction of shops withholding tax would be recovered. Progress of the case was awaited.
13.	9553	MD, Carriage Factory, Islamabad	Withholding income tax	0.67	The matter was taken up with the management in September 2018. Management replied that contractors were tax filers and they had paid income tax at the rate of 7.5% as per rules. Further, the tax from officers and staff would be recovered according to the rules if previous deductions were wrong. The remarks were not acceptable as tax from contractors and employees was not collected/deducted according to tax rules. Progress of the case was also awaited.
Total				**264.95**	

Annexure - 19 **(Para # 2.5.73)**

Detail of non-recovery from the lessees of Shops

(Rs in million)

Sr. #	DP #	Formation	Description	Period of Audit	Amount	Remarks
1.	9555	Deputy Director, P&L, Workshop, Mughalpura	Rental charges of shops	February, 2019	27.30	The matter was taken up with the management in February 2019. Management replied that the Honorable Wafaqi Mohtasib in a complaint lodged by Licensee of Khokha Shop has categorically declared that the enhancement could only be made by enhancing the rental charges @ 25% of the previous rent. However, even though the rental charges of Khokha Shops were revised at the possible extent through bilateral negotiations. The remarks were not acceptable because no evidence in support of Wafaqi Mohtasib orders was provided to Audit. Further, the outstanding amount was not recovered in compliance of orders of District and Session Judge, Lahore.
2.	9807	Deputy Director, P&L, Lahore Division	Rental charges of shops	April, 2019	19.63	The matter was taken up with the management in June, 2019. Management replied that the efforts were being made for recovery and audit shall be informed after affecting recovery. The reply was not acceptable as the management failed to retrieve the possession of shops and to realize the outstanding Railway dues.
3.	9653	Director, P&L, Karachi	Rental charges of shops	February, 2019	17.91	The matter was taken up with the land management in February 2019. Management replied that monthly rent was fixed by the Divisional Assessment/ Auction committee and duly approved by DS/KYC. The remarks were not acceptable as the rent of the shops/khokhas was required to be fixed in the light of above instructions. Moreover, neither

						any lease agreement of these shops situated at Malir Station nor rent assessment of the committee was provided to audit for scrutiny.
4.	9449	Deputy Director, P&L, Rawalpindi	Rental charges against shops	February, 2019	5.61	The matter was taken up with the management in February 2019. Management replied that the rent was outstanding due to ambiguous policy regarding transfer of shop to widows/ daughters and sons of deceased employees. Further, non-posting of Magistrate in Rawalpindi Division also created difficulty in recovery of outstanding amount. The remarks were not convincing as formulation of clear policy and timely recovery of rent was the responsibility of the management.
5.	9770	Deputy Director, P&L, Lahore Division	Rental charges of khokha shops	May, 2019	1.06	The matte was taken up with the management in June, 2019. Management replied that said Khokha Shops were leased out to retired Railway employees and widows of deceased employees on year to year basis. The unauthorized persons were called for negotiation in 2001 and it was decided to recover the rent as per policy circulated by HQ office. These un-authorized persons had been charged as per policy. The reply was not acceptable as negotiating with encroachers was against the policy and no recovery was made despite lapse of considerable lapse of more than decade.
6.	9531	Deputy Director, P&L, Sukkur	Rental charges against shops	February, 2019	0.82	The matter was taken up with the management in February 2019.Management replied that detailed reply would be submitted after consulting the record but no reply was received.
7.	9511	Deputy Director, P&L, Workshop, Mughalpura	Penalty charges on late deposit of rent of shops	February, 2019	0.67	The matter was taken up with the management in February 2019. Management replied that the provision regarding imposition of late fee charges was made in the

						agreement with the sole object of ensuring timely deposit of lease charges. However, as per practice these were not leviable. The remarks were not acceptable because non-recovery of fine from defaulters was in against the agreement clause.
8.	9785	Deputy Director, P&L, Lahore	Rental charges of shops	May, 2019	0.571	The matter was taken up with the management in May 2019. Management replied that 18 shops at LRC were auctioned on 27.05.2015. 10 shops were approved by competent authority and 8 shops were cancelled. Occupancy charges are being recovered from these unauthorized occupants/ highest bidders as the possession was already with them. The remarks were not acceptable as bidders were holding the shops without execution of agreement which was not justified. Moreover, non-recovery of rental charges resulted in losses to Pakistan Railways.
9.	9870	Divisional Commercial & Transportation, Department Multan	Rental charges against vending contractors	September, 2014 and April, 2019	0.53	The matter was taken up with the management in February 2019 but no reply was received.
				Total	**74.10**	

Annexure - 20 **(Para # 2.5.74)**

Detail of non-recovery from Subsidiaries of Pakistan Railways

(Rs in million)

Sr. #	DP #	Formation	Description	Period of Audit	Amount	Remarks
1.	9629	Managing Director, REDAMCO	Recovery from PRACS	June, 2019	22.32	The matter was taken up with the management in June 2019 but no reply was received.
2.	9582	Managing Director, RAILCOP	Service contribution	July, 2019	12.60	The matter was taken up with the management in July 2019 and also discussed in DAC meeting held on 07.11.2019. DAC did not consider the contention of RAILCOP that they will pay the pension contribution to Railway as and when Pakistan Railway will clear their dues. DAC directed the PO that pension contribution be deposited with Pakistan Railways at the earliest. Compliance of DAC directives was awaited.
3.	9659	MD PRACS, Rawalpindi	Pension contribution	April, 2019	4.39	The matter was taken up with the management in May 2019 and also discussed in DAC meeting held on 08.11.2019. DAC directed the PO that matter be referred to Finance Division for clarification within one month. Compliance of DAC directives was awaited.
4.	9445	Deputy Director, P&L, Rawalpindi	Rental charges against REDAMCO	February, 2019	1.80	The matter was taken up with the management in February 2019. Management replied that several reminders had been issued for payment of rent and execution of agreement. The remarks were not acceptable as building was handed over to REDAMCO without execution of formal agreement which was not permissible.
5.	9701	Managing Director, PRACS	Non-payment of rent to PR by PRACS	May, 2019	0.76	The matter was taken up with the management in May 2019. Management replied that outstanding amount would be paid soon. Progress of recovery was awaited.
6.	9700	Ministry of Railways, Islamabad	Medical charges against RAILCOP	February, 2019	0.61	The matter was taken up with the management in March 2019 and also discussed in DAC meeting held on 02.12.2019. DAC was informed that Ex – employee has been directed to deposit Rs.0.606 million, as pointed out by Audit,

						in the account of Ministry of Railways. Instructions have also been issued to Accounts Officer / Payments & Budget and Control Section of Ministry of Railways to follow the rules and procedures for the payment of medical reimbursement in letter & spirit. DAC directed to get the relevant documents verified from Audit. Compliance of DAC directives was awaited.
Total					**42.48**	

Annexure - 21(Para # 2.5.83)

Loss of potential earnings due to non-auction/construction/non regularization, vending stalls, parking stand, land, erection of billboard and handing over the possession of shops

(Rs in million)

Sr.#	DP #	Formation	Description	Amount	Remarks
1.	9568	REDAMCO	Non auction of land	465.00	The matter was taken up with the management in June 2019 but no reply was received.
2.	9509	Deputy Director, P&L, Workshop, Mughalpura	Non-auction of 178 khokha shops	282.70	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 07.11.2019. DAC was informed that meetings with contractors had been arranged times and again for payment of Railway dues, but contractors did not agree with the view point of PR on the outstanding issues. Presently the cases are with DGLA for nomination of arbitrators to settle the issue. DAC directed the P.O to constitute a committee of senior scale officers to resolve this issue within one month under intimation to Audit and Ministry of Railways. Compliance of DAC directives was awaited.
3.	9560	Deputy Director P&L, Workshops, Mughalpura	Non auction of land	135.56	The matter was taken up with the management in February 2019. Management replied that all proposals for utilization of Railway land for commercial exploitation were under approval. The remarks were an admittance of audit observation.
4.	9893	Commercial and Transportation Department, Sukkur	Non auction of vending stalls	78.89	The matter was taken up with the management in April 2018 but no reply was received.
5.	9551	Deputy Director P&L, Sukkur	Non auction of land	31.46	The matter was taken up with the management in February 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
6.	9474	Deputy Director, P&L, Multan	Non-auction of Marriage lawn	31.43	The matter was taken up with the management in February 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
7.	9808	Deputy Director P&L, Sukkur	Non handing over the possession of shops	18.94	The matter was taken up with the management in February 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.

8.	9483	Deputy Director P&L, Karachi	Auction of parking stand	17.51	The matter was taken up with the management February 2019. Management replied that parking site near PIDC was auctioned on 10.10.2017 but no party participated/ offered rates on bench mark of 850,000/- per annum. So, it was proposed that another site adjacent to this site be combined and one plan for both sites be got approved from HQ, meantime current licensee was allowed to continue till re-auction. The remarks were not acceptable as the leasing process was carried out without completing the formalities due to which Railway suffered huge loss.
9.	9524	Deputy Director P&L, Karachi	Non-regularization of shops	16.58	The matter was taken up with the management in February 2019. Management replied that regularization of unauthorized shops could not be finalized, which was time bound. The reply was not acceptable as the management failed to take timely decision which caused not only loss of revenue but also illegal continuity of encroacher's unauthorized possession.
10.	9581	Deputy Director, P&L, Lahore	Non-auction of shops	12.46	The matter was taken up with the management in June 2019 and also discussed in DAC meeting held on 07.11.2019. DAC directed that a revised reply by giving detailed reasons for delay in finalizing the case duly supported by documentary evidence be furnished to Audit within one month. Compliance of DAC directives was awaited.
11.	9697	Railway Station, Bahawalpur	Non auction of vending stalls	11.11	The matter was taken up with the management in April 2019 but no reply was received
12.	9577	Director P&L, H.Q Office, Lahore	Delay in finalization of auction	6.89	The matter was taken up with the formation in June 2019. Management replied that the auction of shops for lease period of 10 years was held in June 2018 and the same was forwarded to Headquarters office in January 2019 for approval. However in January 2019 Supreme Court restricted Pakistan Railway to lease out its land not more than a period of 5 years. The reply was not acceptable as both the cases of auction remained under decision for more than 18 months; whereas Supreme Court restricted Pakistan Railway in January 2019.
13.	9435	Deputy Director P&L, Quetta	Re-auction of shops	6.05	The matter was taken up with the management in February 2018 but no reply was received.
14.	9518	Deputy Director P&L, Multan	Non-auction of land	4.75	The matter was taken up with the management in February 2019. Management replied that

					detailed reply would be submitted after consulting the record but no reply was received.
15.	9617	REDAMCO	Non handing over the possession of sites	4.68	The matter was taken up with the management in June 2019 but no reply was received.
16.	9463	Deputy Director P&L, Rawalpindi	Non auction of shops	4.16	The matter was taken up with the management in February 2019. Management replied that the shops could not be auctioned due to higher base rates. The remarks were not acceptable no efforts were made to rationalize the bench marks.
17.	9862	Civil Engineering department, Peshawar	non-auction of land and non – rent out quarters	2.24	The matter was taken up with the management in August 2019. Management replied that detailed reply would be submitted after getting report from AEN/Daudkhel/Attock City but no reply was received but no reply was received.
18.	9685	Commercial and Transportation Department, Karachi	Non erection of bill board	1.51	The matter was taken up with the management in April 2019. Management replied that the issue was being inquired and final outcome would be submitted shortly but no reply was received.
19.	9645	Director P&L, H.Q Office, Lahore	Non regularization of land	1.09	The matter was taken up with the management in March 2019 and also discussed in DAC meeting held on 03.12.2019. DAC was informed that policy for remedial management had been revalidated up to 31.12.2019 by Sr. G.M/CEO. DSs concerned had been asked to finalize the agreements and get the amount recovered. DAC directed the PO to resolve the issue of agreements and recovery of outstanding dues and get the record verified from Audit within 15 days. Compliance of DAC directives was awaited.
20.	9925	Commercial & Transportation, Department, Multan	Non-auction of Car parking stand	0.45	The matter was taken up with the management in April 2019. Management replied that auction of car parking stand at SamaSatta was arranged for several times but reasonable bids were not offered by the bidders. The reply was not acceptable as the car parking stand remained un-auctioned due to negligence of Railway resulting loss.
21.	9826	Railway Station, Bahawalpur	Non auction of cycle/motor cycle parking stand	0.30	The matter was taken up with the management in April 2019 but no reply was received.
Total				**1,133.76**	

Annexure - 22 **(Para # 2.5.84)**

Loss due to award of contracts at lower rates

(Rs in million)

Sr.#	DP #	Formation	Description	Amount	Remarks
1.	8927	Deputy Director Property & Land, Lahore	Commercial Land	504.04	The matter was taken up with management in February 2018 and also discussed in DAC meeting held on 11 &12.10.2018. DAC was informed that the land was leased out to LDA for public welfare project at DC rate which was taken as bench mark for assessing the land value. If the land had been leased out to any NGO or private individuals, then the market value could have been considered on commercial basis. DAC directed the P.O that revised reply showing the efforts made to get the market rate duly supported by documentary evidence be provided to Audit. Compliance of DAC directives was awaited.
2.	9759	Commercial & Transportation Department, Karachi	Parking stands	54.44	The matter was taken up with the management in May 2019. Management replied that contracts were awarded at lower rates because contractor had to improve the infrastructure and arrange security equipment for safeguarding of parking area; the equipment and other installations would become property of Pakistan Railways after expiry of parking contracts. The remarks were not acceptable as substantial amount of revenue earnings was forgone in the name of improvement of infrastructure/security equipment, which could be arranged by Pakistan Railways more economically and much better than the contractor.
3.	9532	Director P&L, Karachi	Commercial plot	21.62	The matter was taken up with the management in February 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
4.	9649	Chief Marketing Manager, Lahore	Luggage Van	14.72	The matter was taken up with the management in May 2019. . Management replied that detailed reply would be submitted after consulting the record but no reply was received.
5.	9627	Director P&L, Karachi	Commercial plot	12.42	The matter was taken up with the management in February 2019 and also discussed in DAC meeting held on 16.12.2019. DAC directed that

					land record along with approved plan of site and revised reply be submitted to Audit within 02 weeks. Compliance of DAC directives was awaited.
6.	8983	Commercial & Transportation Department, Sukkur	Kiosks	6.49	The matter was taken up with the management in April 2018. DAC was informed on 10.01.2020 that lower rates were charged in allotment of Kiosks due to the fact that a handsome amount of Rs 28.11 million was received from M/s Coca Cola Beverage Pakistan Ltd. on account of umbrella agreement of exclusive selling rights for the 1st year, with annual increase of 10% for 2nd and 3rd year. DAC was not satisfied with the remarks of the management and directed the PO to submit revised reply with full justification for charging low rates along with documentary evidence to Audit within 15 days for examination. Compliance of DAC directives was awaited.
7.	9482	Deputy Director P&L, Multan	Commercial land	5.85	The matter was taken up with the management in February 2019 but no relevant reply was received.
8.	9648	Chief Marketing Manager, Lahore	Kitchen portion	1.52	The matter was taken up with the management in May 2019. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
9.	9818	Commercial & Transportation Department, Quetta	Car parking	1.02	The matter was taken up with management in May 2019. Management replied that the participant offered low rates therefore to avoid loss the contractor was awarded at best rates. The remarks were not acceptable as the land should be leased keeping in view the policy guidelines.
10.	9804	Station Superintendent, Hyderabad	Vending Stall	0.51	The matter was taken up with management in February 2019. Management replied that the contract awarded to Pepsi Cola was being run at a specified fixed space and being run under the terms & conditions for daily wages policy (being space was lying vacant) with the administrative orders". The reply was not acceptable as the allotment of space was against the agreement executed with the coca cola beverages.
Total				**622.63**	

Annexure - 23 (Para # 2.5.87)

Loss due to award of contracts at exorbitant rates

(Rs in million)

Sr #	DP #	Formation	Amount	Remarks
1.	9708	PRFTC	142.04	The matter was taken up with the management in April 2019 and also discussed in DAC meeting held on 18.11.2019. DAC directed the PO that the contention of loss due to procurement at higher rate be got reconciled with Audit. Compliance of DAC directives was awaited.
2.	9824	PRFTC	47.45	The matter was taken up with the management in March 2018. Management replied that the work cannot be compared with Doubling of Track project as the cost of work taken by Doubling of Track's authority is based on the date of start of work & completion of work. Further in case of Railway all machinery like locomotive, special stock for transportation of linked track to site was provided by Pakistan Railways. The remarks were not acceptable as the revised PC-1 of doubling of track was approved in November, 2017 after incorporating latest market rates of labour and other items required for linking of track. Only 1 item unloading of Rails was awarded to the contractor on exorbitant rates just to extend undue favour to the contractor.
3.	9796	Project Director Dry Ports Railway HQ, Lahore	37.31	The matter was taken up with the management in September 2019 but no reply was received.
4.	9799	Project Director Dry Ports Railway HQ, Lahore	13.05	The matter was taken up with the management in September 2019 and also discussed in DAC meeting held on 03.12.2019. DAC directed the management to submit revised reply with full justification for purchase of 30 turnouts (90-R) sets, as well as receipt of 6 (UIC-54) turnouts from PRFTC which were not compatible with 90-R turnouts through AGM/Traffic with 10 days to Audit.
5.	9667	Accounts Officer/ CSF, Headquarters office, Lahore	7.84	The matter was taken up with management in February 2019 and also discussed in DAC meeting held on 02.12.2019. DAC directed the P.O that rate analysis /justification at the time of supply of material be provided to Audit. The management was also directed to forfeit security money and get all the documents verified from Audit within 15 days. Compliance of DAC directives was awaited.
6.	9718	PRFTC	5.29	The matter was taken up with the management in April 2019. Management replied that besides cost of material, loading/unloading and transportation charges were also

				included in the accepted rate which increased the total cost. The remarks were not acceptable because the rates were not compared with last purchase rates of Rs 3,786 by TSO in March 2016 but irregularly compared with the rates of 2013 amounting to Rs 4,420. LPR was deliberately misreported by the management in order to accept the higher rates as a matter of favoritism.
7.	9802	PD Dry Port, HQ, Lahore	4.53	The matter was taken up with management in September 2019 but no reply was received.
8.	9690	Senior Accounts Officer/Carriage Factory, Islamabad	2.74	The mater was taken up with the management in March 2019. Management replied that required stainless steel was not manufactured in Pakistan; therefore, its price was directly affected by dollar exchange rate. When the purchase was made in January 2018, original tender was opened in October 2017. At that time dollar exchange rate was Rs 105.55; whereas in June 2018 dollar exchange rate was 15.11% higher as Rs 121.50. The remarks were not acceptable as the material was purchased from local supplier. Therefore, the fluctuations in dollar exchange rate had no effect on price of local item. Further, the documentary evidence that the material was an imported item was not furnished to audit.
9.	9654	Account Officer/CSF, Lahore	2.20	The matter was taken up with the management in January 2019. Management replied that the rates were accepted keeping in view the increase in local market rates as well as increase in duties of steel items by GOP in the federal budget for the financial year 2017-18. The remarks were not acceptable because material was purchased at 41% higher rates than the LPR which was not justified.
10.	9768	Senior Accounts Officer/Carriage Factory, Islamabad	1.75	The matter was taken up with management in March 2019 and also discussed in DAC meeting held on 16.12.2019. DAC directed the MD/CFI to justify the difference of rates in Copper due to increase in US$ exchange rates on date of tender opening and documents in support be got verified from Audit within 07 days. Compliance of DAC directives was awaited.
Total			**264.20**	

Annexure - 24

List of paras included in MFDAC

Sr. #	DP #	Subject
1.	8558	Irregular award of car parking stand contract at lower rate resulting loss of Rs 39.86 million
2.	8569	Non-completion of works by contractors valuing Rs 5.65 million and non-forfeiture of securities
3.	8638	Mis-procurement due to non-observing of PPRA rules Rs 1.30 million
4.	8641	Irregular expenditure due to splitting of procurement Rs 3.02 million
5.	8858	Irregular purchase of Suzuki Jimny – Rs 9.17 million
6.	9037	Loss due to less charging of cost of rails issued to deposit works – Rs 2.19 million
7.	9096	Excess payment on account of procurement and fabrication of vehicles - Rs 0.88 million
8.	9120	Wasteful expenditure on account of consultancy and supervision charges – Rs 48.25 million
9.	9132	Irregular expenditure due to increase in the face value of tender – Rs 2.65 million
10.	9139	Irregular utilization of revenue funds - Rs. 2.37 million
11.	9155	Poor workmanship in repairing of traction motors – Rs 16.80 million
12.	9393	Irregular payment of pay & allowances due to mis-utilization of services of staff- Rs 3.950
13.	9394	Blockage of capital due to non-utilization of permanent way material of Karachi circular Railway - Rs 7.87 million
14.	9397	Unauthorized award of contracts without currency of administrative approval – Rs 23.13 million
15.	9399	Irregular / unjustified expenditure against PSDP Projects– Rs 43.32 million
16.	9409	Recoverable on account of lost blank EFT books from commercial staff – Rs 1.44 million
17.	9410	Loss of potential earnings due to non-auction and closure of vending stalls at Khanpur station – Rs 25.14 million
18.	9413	Irregular/unjustified advance payment of electricity charges – Rs 5.79 million
19.	9414	Irregular expenditure without/before sanctioned estimate – Rs 4.94 million
20.	9415	Non-acknowledgement of dispatched material by the recipient – Rs 9.78 million
21.	9416	Non realization/adjustment of electricity charges supplied to bridge workshop Jhelum- Rs 22.13 million
22.	9423	Loss due to payment of mileage allowance to other than train staff - Rs 0.63 million
23.	9425	Failure of PR Management to recover the losses of train accidents caused due to negligence of Railway employees - Rs. 4.70 million
24.	9426	Fraudulent payment to the contractor on account of janitorial services – Rs 25.98 million
25.	9427	Loss due to non-recovery of repairing cost of Tractions Motors from M/s CSR Ziyang Co. Ltd China – Rs 36.17 million
26.	9431	Irregular expenditure due to mis-utilization of services of staff on TLA basis – Rs.0.900 million
27.	9434	Unjustified billing by SEPCO authorities – Rs.4.10 million
28.	9440	Loss of potential earning due to non-achievement of earning target –Rs 108.48 million
29.	9450	Irregular regularization of shops without of proper lease agreements - Rs 18.24 million
30.	9455	Infringements of railway rights owing to misapplication of leasing policy
31.	9457	Loss due to award of contracts at exorbitantly higher rates– Rs 45.28 million
32.	9458	Loss due to irregular / unjustified payment on account of TA/DA & mileage allowance - Rs 0.73 million

33.	9460	Un-authorized occupation of shops without executing agreements – Rs 2.60 million
34.	9466	Irregular occupation of 60 Railway quarters by encroachers without executing agreements – Rs 13.20 million
35.	9471	Loss due to non-levy of interest/surcharge on receivables – Rs 914.49 million
36.	9472	Loss due to injudicious decision – Rs 2.43 million
37.	9478	Loss due to non-finalization of lease cases -Rs 1.07 million
38.	9485	Late commencement & completion of work and non-recovery of LD charges – Rs 0.98 million
39.	9492	Injudicious fixation of supervision charges to M/S NESPAK on monthly basis resulted in excess expenditure – Rs 100.25 million
40.	9496	Loss of potential earning due to non-auction of vending shops at Mughalpura Lahore – Rs 1.51 million
41.	9497	Avoidable and unjustified expenditure incurred as stitching charges – Rs 1.79 million
42.	9498	Loss due to award of contracts at higher rates and mismanagement – Rs 2.94 million
43.	9499	Loss due to non-recovery of outstanding rental charges from Cellular Companies - Rs 14.24 million
44.	9506	Irregular adjustment of Rs 175.00 million
45.	9508	Loss due to non-realization of rental charges from various departments – Rs 282.71 million
46.	9514	Loss of potential earnings due to un-necessary detention of wagons – Rs 2.05 million
47.	9515	Suspected bogus procurement of material through production of fake quotations – Rs 3.27 million
48.	9517	Recoverable amount of Rs 3.98 millions from Pakistan State Oil company limited (PSO) at ARL
49.	9519	Over statement of liabilities in financial statements – Rs 5.00 million
50.	9520	Loss due to interest/profit on late payment to NLC – Rs 6.40 million
51.	9527	Suspected loss due to non-renewal of expired performance security/bank guarantee – Rs 78.08 million
52.	9528	Misclassification of expenditure due to non-charging electricity bills to CDL workshop – Rs 121.16 million
53.	9536	Loss of potential earnings due to short composition of coaches in trains – Rs 14.78 million
54.	9537	Irregular expenditure due to wrong utilization of staff – Rs 35.196 million
55.	9538	Loss due to imprudent decision of management – Rs 1.03 million
56.	9539	Non-recovery of rental charges from the lessee of market shops, nurseries and adda shops – Rs 4.80 million
57.	9543	Loss due to non-auction of sale of platform tickets – Rs 5.18 million
58.	9544	Irregular/unjustified expenditure on repair and maintenance of condemned vehicles Rs 647,338
59.	9546	Irregular utilization of staff resulting irregular payment of pay and allowances – Rs 2.970 million
60.	9547	Loss due to irregular utilization of staff other than their place of posting – Rs 1.573 million
61.	9549	Loss due to hiring of Caterpillar Loader instead of Procurement – Rs 35.16 million
62.	9550	Irregular utilization of staff resulting irregular payment of Pay and allowances – Rs 3.221 million
63.	9554	Unauthorized grant of House Building Advance - Rs 3.52 million
64.	9557	Loss of fuel due to temporary speed restriction - Rs 31.54 million

65.	9558	Suspected loss to PR due to non-renewal of expired bank guarantees against mobilization advance - Rs 37.61 million
66.	9561	Loss due to less recovery from LDA – Rs 415.61 million
67.	9571	Irregular adjustment of loan Rs. 0.45 million
68.	9579	Illegal occupation of Khokha Shops valuing Rs 9.60 million
69.	9583	Loss due to unauthorized occupation of Railway land by the licensee after expiry of lease period - Rs 14.38 million
70.	9586	Excess tax deduction by Pakistan Railways - Rs. 21.52 million
71.	9587	Irregular booking of expenditure to Revenue Head Rs 19.98 Million
72.	9590	Suspected loss due to non-provision of accounts of disbursement on account of preparation of Azadi Train - Rs. 9.91 million
73.	9591	Illegal occupation of khoka shops at kot lakhpat resulting in loss on account of annual rent - Rs 4.04 million
74.	9592	Loss on account of high production cost in steel shop due to non-availability of hard coke – Rs 72.49 million
75.	9598	Irregular handing over of Railway Land without open auction valuing Rs 38.14 million
76.	9599	Assets amounting to Rs 57.93 million proned to embezzlement and misappropriation of Assets - Rs 75,900
77.	9611	Irregular award of tender in violation of Public Procurement Rules – Rs 2.92 million
78.	9614	Loss on account of running Khushal Khan Khattak (KKK) express – Rs 3.64 million
79.	9621	Loss on account of running Heritage Cell Department - Rs. 5.09 million
80.	9628	Non recovery of Service charges on account of sale of tickets – Rs 15.48 million
81.	9637	Failure of PRACS to claim refund of Income Tax – Rs 134.85 million
82.	9642	Non-recovery of receivables – Rs 628.17 million
83.	9643	Loss due to overstaffing - Rs. 10.59 million per annum (approx.)
84.	9646	Non-recovery of advances from the contractors - Rs 1.34 million
85.	9650	Irregular payment to inactive firm on active Taxpayer list (ATL) -Rs 1.67 million
86.	9655	Loss of potential earnings due to short composition of coaches in trains – Rs. 2.24 million
87.	9663	Irregular award of contract at lower rates-Rs 347.36 million
88.	9665	Un-authorized leasing of Railway land in contravention of MOR policy – Rs 91.27 million
89.	9666	Illegal transfer of work to the sub-contractor - Rs 122.02 million
90.	9679	Loss due to Mis-procurement of material costing Rs. 0.99 million in violation of PPRA rules - Rs. 0.14 million
91.	9684	Suspected loss due to non-supply of office equipment – Rs 0.45 million
92.	9687	Irregular/unauthorized payment of mobilization advance resulting into loss due to expiry of bank guarantee – Rs. 1.74 Million
93.	9691	Unauthorized special repairs to servants' quarter of officer's bungalows -Rs 3.454 million
94.	9692	Unauthorized payment of telephone and trunk call bills - Rs 6.19 million
95.	9698	Loss due to excess payment on account of work not executed by the contractor – Rs 0.39 million
96.	9709	Loss due to non-imposition/ recovery of penalty for late deposit of Railway dues – Rs 39.42 million
97.	9711	Fictitious payment to contractor without execution of work – Rs 0.27 million
98.	9715	Unauthorized expenditure on repair/beautification of bungalows - Rs.1.982 million
99.	9730	Loss due to irregular payment and mis-classification of Internet charges-Rs 0.44 million

100.	9734	Non-recovery of mobilization advance despite expiry of bank guarantee – Rs 5.14 million
101.	9736	Mis-utilization of funds reserved for research and development – Rs 3.06 million
102.	9745	Irregular payment on account of pay & allowances paid to utilized staff - Rs.1.731 million
103.	9750	Irregular/unjustified advance payment to PD/Signal PR – Rs. 660.00 million on account of CBI system
104.	9755	Unauthorized expenditure beyond financial power – Rs 2.59 million
105.	9757	Refund of passenger tickets due to inefficiency of IT Department (print fault) – Rs 4.29 million
106.	9758	Suspected misappropriation due to non-acknowledgement of common user items- Rs 1.65 million
107.	9762	Irregular local purchases without prior approval of competent authority – Rs 1.99 million
108.	9766	Irregular procurement in violation of PPRA – Rs 1.98 million
109.	9771	Substandard execution of work at Marshalling Yard Pipri – Rs 8.24 million
110.	9772	Wasteful expenditure due to poor planning – Rs 9.53 million
111.	9774	Non-recovery/adjustment of long outstanding loans granted to the officer/officials – Rs 0.49 million
112.	9779	Unauthorized utilization of official vehicles due to non-maintenance of log books – Rs 1.07 million
113.	9781	Unauthorized expenditure on construction of new rooms – Rs 1.06 million
114.	9782	Irregular award of contract for Rs 1.93 million
115.	9783	Execution of electric work against specifications – Rs 2.75 million
116.	9784	Loss due to non-achievement of targets of earning to be generated form railway surplus land – Rs 184.65 million
117.	9788	Irregular execution of work by contractor due to defective estimates Rs 1.59 million
118.	9792	Irregular/unauthorized expenditure without technical sanction of detailed estimate Rs 3,928.16 million
119.	9795	Misappropriation of laptops and non-maintenance of T&P Register – Rs 0.29 million
120.	9797	Irregular mode of payment of salaries to TLA staff through cash instead of bank accounts in DAO/Workshops& AO/PAEMS – Rs 9.97 million
121.	9800	Loss due to in efficiency/less loading of coal into wagons – Rs 327.30 million
122.	9811	Excess Payment on account of mileage allowance to the running staff – Rs 0.32 million
123.	9813	Blockage of capital due to unnecessary procurement of raw material – Rs 192.16 million
124.	9815	Overstatement of revenue in financial statement – Rs 0.85 million
125.	9823	Irregular payment on account of construction work – Rs 24.95 million
126.	9825	Irregular booking of expenditure (Pay and allowances) Rs 215,553
127.	9833	Irregular award of contract due to wrong evaluation of technical bid – Rs 4.65 million
128.	9836	Misrepresentation of financial statements on account of Work in Progress Rs 1,000.38 million
129.	9837	Loss due to excess expenditure on engagement of TLA staff for complete track renewal work – Rs 17.34 million
130.	9845	Unjustified expenditure due to hiring of vehicles from the cost of construction work - Rs 7.93 million
131.	9846	Loss due to non-utilization of available earth received from excavation - Rs 2.28 million
132.	9852	Illegal sub-letting of work by a sub-contractor – Rs 16.28 million
133.	9863	Loss due to unjustified expenditure on appointment of fictitious TLA employees - Rs 3.27 million

134.	9865	Unjustified and irregular expenditure on payment of commission charges to M/s PRACS & violation of PPRA Rules resulting loss to PR – Rs. 448.72 million
135.	9867	Loss due to non-provision of luggage/brake vans at Karachi Cantt station – Rs 154.50 million
136.	9869	Loss due to short recovery of rent and other irregularities in leasing of Railway land Rs 3.89 million
137.	9875	Unauthorized establishment of Italian restaurant in violation of agreement clause
138.	9877	Unjustified expenditure due to mis-utilization of Railway resources – Rs 0.92 million
139.	9879	Loss due to charging extra ordinary low rates - Rs 414.90 million
140.	9880	Irregular award of contract - Rs 0.49 million
141.	9883	Excess payment to the contractor for incomplete spreading of 63,000-cft ballast - Rs. 5.04 million
142.	9887	Suspected loss due to Non-accountal of 967 Nos (82 feet) UIC 54 rails. Valuing Rs 89.64 million
143.	9888	Loss due to injudicious award of contracts – Rs 8.41 million
144.	9890	Unjustified/ irregular payment of TA /DA - Rs 0.48 million
145.	9891	Loss due to booking of skilled/semi skilled staff on idle time- Rs 41.837 million
146.	9892	Acceptance of material without requisite tests and unauthorized utilization of PSDP funds - Rs 1.11 million
147.	9894	Irregular expenditure on account of pay & allowances- Rs 17.999 million per annum
148.	9902	Loss due to unjustified/irregular payment of supervision charges to NESPAK – Rs 4.68 million
149.	9909	Loss due to undue favor to Licensee of cultivation land and unreasonable delay in re-auction of land – Rs 1.15 million
150.	9912	Irregular/ unauthorized award of contract without open competition – Rs 1.45 million
151.	9913	Failure of PR management to recover the amount accrued on account of shortfall on coal loading by PRFTC - Rs 3050.93 million
152.	9914	Suspected misappropriation of HSD oil due to fictitious entries in log book - Rs 2.46 million
153.	9915	Unjustified issuance of Condonation of Manufacturing Certificate resulting substandard procurement – Rs 3.95 million
154.	9916	Irregular payment of pay & allowances due to promotion of staff against the rules – Rs 1.88 million
155.	9923	Loss due to allotment of vending stalls at lower rates - Rs 1.98 million
156.	9924	Un-authorized expenditure on account of execution of excess quantities than agreement - Rs 2.10 million
157.	9926	Suspected misappropriation of material due to non receipt of verified copies of issue notes – Rs 68.10 million
158.	9928	Irregular/ unauthorized utilization of PSDP funds - Rs 7.07 million
159.	9929	Unauthorized award of contract due to unlawful amendment in bidding documents – Rs 41.61 million
160.	9943	Irregular expenditure on staff engaged on TLA basis – Rs 4.35 million
161.	9950	Irregular HBA Granted to CEO of the PRFTC without collateral and Markup - Rs. 1.37 million
162.	9951	Irregular/ unauthorized execution of work - Rs 1.00 million
163.	9991	Unauthorized payment of Motor Car Advance - Rs 1.00 million
164.	9992	Irregular engagement of a deputy driver – Rs 1.03 million

165.	10000	Unauthorized execution of left over-works without fresh administrative approval-Rs 5.18 million
166.	10008	Irregular award of contract of Sahiwal Railway Station to 3rd lowest bidder through negotiation – Rs 210.83 million
167.	10015	Acceptance of material without inspection - Rs 17.93 million
168.	10022	Wasteful expenditure on account of payment of membership fees – Rs 170.58 million
169.	10024	Loss due to under charging per unit rate of sleeper – Rs 317.12 million
170.	10025	Irregular procurement of ballast without budget allotment – Rs 332.38 million
171.	10028	Wasteful expenditure due to deletion of locomotive after C-I repair - Rs 17.83 million
172.	10034	Procurement of consumable worth Rs 10.22 & 12.79 million due to inclusion of defective clause in the minutes of 10th and 12th management committee meeting (MCM).
173.	10044	Unlawful existence of Railway Board and its Executive Committee – Rs 224.84 million
174.	10045	Loss due to excess expenditure incurred on the renewal of tracks - Rs 1.45 million
175.	10046	Loss due to procurement of Ballast at high rates – Rs 2.63 million
176.	10048	Loss due to improper planning by the PRACS management- Rs 41.98 million
177.	10060	Undue favour to the contractor by changing the specification and cancellation of purchase requisition - Rs 895,167 resulted into loss of Rs 44,667 due to higher rates
178.	10075	Undue favour to the contractor by non-forfeiture of security money- Rs 1.57 million
179.	10089	High production cost due to wrong charging of rate of material –Rs 110.90 million
180.	10112	Fraudulent award of contract for procurement – Rs 359.73 million
181.	10122	Unauthorized expenditure due to unlawful existence of Federal Government Inspector of Railways office – Rs 109.29 million