AUDIT REPORT

ON

THE ACCOUNTS OF

PAKISTAN RAILWAYS

AUDIT YEAR 2022-23

AUDITOR GENERAL OF PAKISTAN

PREFACE

Articles 169 and 170(2) 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 2021-22. 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 2022-23 with a view to report 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. Relatively less significant issues are listed as Memorandum for Departmental Accounts Committee (MFDAC) in Annexure-AO. These shall be pursued with the Principal Accounting Officer at 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.

Thematic Audit – as an across audit concept, has been introduced and made part of this report as Chapter-3. It is an attempt to improve organization's performance through critically reviewing its business processes to identify those risks which are hindering it from achieving its intended objectives.

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

Most of the observations included in this report have been finalized in the light of 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 Majlis-e-Shoora [Parliament].

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Islamabad **(Muhammad Ajmal Gondal)**
Dated: 27.02.2023 **Auditor General of Pakistan**

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ABBREVIATIONS & ACRONYMS

ACM	Assistant Commercial Manager
AEN	Assistant Executive engineer
AGM	Additional General Manager
AGP	Auditor General of Pakistan
AP	Audit Para
APO	Assistant Personnel Officer
BQM	Bin Qasim
C&W	Carriage and Wagon
CA	Certification Audit
CAO	Chief Accounts Officer
CBU	Completely Built Unit
C-I	Classified-I
CC-I	Contractor Certificate-I
CCM	Chief Commercial Manager
CCP	Chief Controller of Purchases
CCS	Chief Controller of Stores
CDL	Central Diesel Locomotive
CEN	Chief Engineer
CEO	Chief Executive Officer
CFI	Carriage Factory Islamabad
CIA	Chief Internal Auditor
CITGO	Citgo Petroleum Corporation
CME	Chief Mechanical Engineer
CMM	Chief Marketing Manager
COPS	Chief Operating Superintendent
CPEC	China Pakistan Economic Corridor
CPO	Central Police Office
CSF	Concrete Sleeper Factory
DAC	Departmental Accounts Committee
DAO	Divisional Accounts Officer
DCOS	District Controller of Store
DCP	District Controller of Purchase
DDWP	Departmental Development Working Party
DE LOCO	Diesel Electric Locomotive

DEE	Divisional Electrical Engineer
DG	Director General
DISCO	Distribution Company
DME	Divisional Mechanical Engineer
DP	Draft Para
DPU	Dalian Pakistan Universal
DS	Divisional Superintendent
DSKP	District Store Keeper
DTO	Divisional Transportation Officer
Dy.COPS	Deputy Chief Operating Superintendent
FA&CAO	Financial Advisor and Chief Accounts Officer
FBR	Federal Board of Revenue
FDA	Freight Deposit Account/ Fixed Daily Allowance
FEC	Foreign Exchange Component
FIR	First Information Report
FOB	Free on Board
FOR	Free on Road
FR	Fundamental Rule
FSMS	Filed Staff Monitoring System
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GE	General Electric
GEU	General Electric US
GM	General Manager
GPF	General Provident Fund
GST	General Sales Tax
HP	Horsepower
HR	Human Resource
HSD	High Speed Diesel
HSR	Huaneng Shandong Ruyi
HTS	High Tensile Steel
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IOW	Inspector of Works
JS	Joint Secretary

KC	Karachi Cantt
KE	Karachi Electric
KM	Kilometer
KPI	Key Performance Indicators
KPK	Khyber Pakhtunkhwa
KS&EW	Karachi Shipyard & Engineering Works
KUTC	Karachi Urban Transport Corporation
KWL	Khanewal
LC	Letter of Credit
LD	Liquidated Damages
LDC	Lower Divisional Clerk
LESCO	Lahore Electric Supply Company
LOCO	Locomotive
LON-SDR	Lodhran-Shahdara
LPFP	Low Power Factor Penalty
M&S	Manufacturing and Services
MB	Measurement Book
MD	Managing Director
MFDAC	Memorandum for Departmental Accounts Committee
MGPR	Mughalpura
ML-I	Main Line- I
MoR	Ministry of Railways
MoU	Memorandum of Understanding
MR Note	Material Return Note
MTBF	Medium Term Budgetary Framework
NBP	National Bank of Pakistan
NDS	New Diesel Shed
NHA	National Highway Authority
NLC	National Logistics Cell
OEM	Original Equipment Manufacturer
OGDCL	Oil & Gas Development Company Limited
OGRA	Oil & Gas Regulatory Authority
P&L	Property and Land
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-I	Planning Commission-I

PD&R	Planning Development and Reforms
PEC	Pakistan Engineering Counsel
PFIP	Power Factor Improvement Plants
PLF	Pakistan Locomotive Factory
PO	Principal Officer
POH	Periodical Overhauling
PPRA	Public Procurement Regulatory Authority
PR	Pakistan Railways
PRA	Punjab Revenue Authority
PRACS	Pakistan Railway Advisory and Consultancy Services Limited
PRFTC	Pakistan Railways Freight Transportation Company Pvt. Limited
PSC	Pre-stressed Concrete
PSDP	Public Sector Development Programme
PSO	Pakistan State Oil
PST	Provincial Sales Tax
PWI	Permanent Way Inspector
QTA	Quetta
RAILCOP	Railway Constructions Pakistan Limited
RBC	Regional Blood Center
RCC	Reinforced Concrete Cement
RLNG	Regassified Liquefied Natural Gas
RND	Raiwind
ROH	Rohri
Rs	Rupees
RWP	Rawalpindi
SAO	Senior Accounts Officer
SDGs	Sustainable Development Goals
SDKT	Sakrand Station
SECP	Securities and Exchange Commission of Pakistan
S& C	Survey and Construction
SEPCO	Sukkur electric supply company
SNGPL	Sui Northern Gas Pipelines Limited
SOPs	Standard Operating Procedures

SqYd	Square Yard
SRO	Statutory Regulatory Order
SS	Station Superintendent
TA/DA	Travelling Allowance/ Daily Allowance
TLA	Temporary Labour Application
TMA	Tehsil Municipal Administration
ToT	Transfer of Technology
TRSH	Tharushah Station
UIC	Union of International Carriers
WAPDA	Water and Power Development Authority
WM	Works Manager

EXECUTIVE SUMMARY

The Director General Audit Railways has the mandate to conduct audit of receipts and expenditure of Pakistan Railways and its ancillary corporations. This office conducts regularity audit (financial and compliance with authorities audit) and performance audit of the departments/projects and functions of Pakistan Railways. Audit of receipts and expenditure was carried out on test check basis in accordance with international best practices adopted by the Department of the Auditor General of Pakistan. The Directorate General of Audit Railways carried out this audit by spending Rs 197.513 million with human resource comprising 139 officers and staff by utilizing 34,055 man-days. Resultantly, Compliance Audit observations having monetary value of Rs 71.16 billion have been included in this report. Moreover, it is mentioned that 23 audit paras of this report are of recurring nature. These issues had been reported in previous five years audit reports with an amount of Rs 30.34 billion.

The report has been finalized in the light of 12 DAC meetings held on 04th, 07th, 14th October, 14th November, 22nd, 23rd, 27th December 2022, 6th, 24th January and 03rd, 7th, 10th February 2023.

Scope of Audit

This office has been mandated to conduct audit of 216 formations under the control of Ministry of Railways including Pakistan Railway's PSDP Projects and its subsidiary companies. Total budget for expenditure and receipt of these formations was Rs 121.99 billion and Rs 60.09 billion respectively for the Financial Year 2021-22.

Audit coverage relating to expenditure and revenue receipts for the Audit Year 2022-23 comprises 53 formations of Pakistan Railways having total expenditure of Rs 53.219 billion and revenue receipts of Rs 21.134 billion for the Financial Year 2021-22. In terms of percentage, the audit coverage for expenditure is 43.62% of auditable expenditure and for revenue receipts are 35.17% of auditable receipts. Out of total 53 formations planned for current audit year, 28 were audited from July to December 2022.

This Audit Report also includes audit observations resulting from the audit of expenditure of Rs 0.979 billion and receipt of Rs 1.245 billion for the Financial Year 2020-21 pertaining to 03 subsidiaries of Pakistan Railways.[1] Moreover, seventeen (17) significant paras relating to three (03) specialized reports have also been included in this Audit Report.[2]

In addition to this Compliance Audit Report, Financial Attest Audit of PR, Thematic Audit of Rolling Stock Management to reduce budget deficit of Pakistan Railways and Performance Audit on Role of Railway Police in safeguarding of Pakistan Railways has also been conducted during the period from July to December 2022. The Thematic Audit Report has been incorporated in this report as a separate chapter.

Recoveries at the instance of Audit

During the current audit activity, recovery of Rs 9,888.005 million was pointed out. As a result of follow up of previous Audit Reports, Railway management recovered an amount of Rs 1,140.98 million which has been verified by Audit from January to December 2022.

Audit Methodology

The audit methodology included various steps in sequential and independent manners i.e. examination of relevant files/ documents, review of financial data, site visits and discussions with the management. Audit was planned on the basis of understanding of internal controls environment, risk assessment and understanding of accounting system of Pakistan Railways. Analytical processes were performed through different combination of audit

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[1] Financial Statements of Railways' subsidiaries FY-2021-22

[2] (i) Special Study-Contract Management over PR 2020-21
(ii) Special Study- Credit of Revenue Earnings in Railway Fund 2020-21
(iii) Performance Audit-Role of Railway Police in safeguarding of Railways 2022-23

variables and implying techniques of vouching, inspection, observation and tracing. Detailed audit of selected samples was carried out keeping in view of planned audit focus, risk and materiality factors.

Audit Impact

The Railway management deposited Rs 285.192 million on account of withholding tax with Federal Board of Revenue on Audit recommendations. Pakistan Railways Accounts Department devised a mechanism of reconciliation on account of amount collected from Railway stations and deposited by NBP with State Bank of Pakistan. Resultantly, penalty of Rs 185.88 million was imposed on NBP for the year 2021-22. Further, owing to audit qualifications and observations, the Railway management rectified the accounts by Rs 33,554.94 million and revised its financial statements.

Comments on Internal Controls

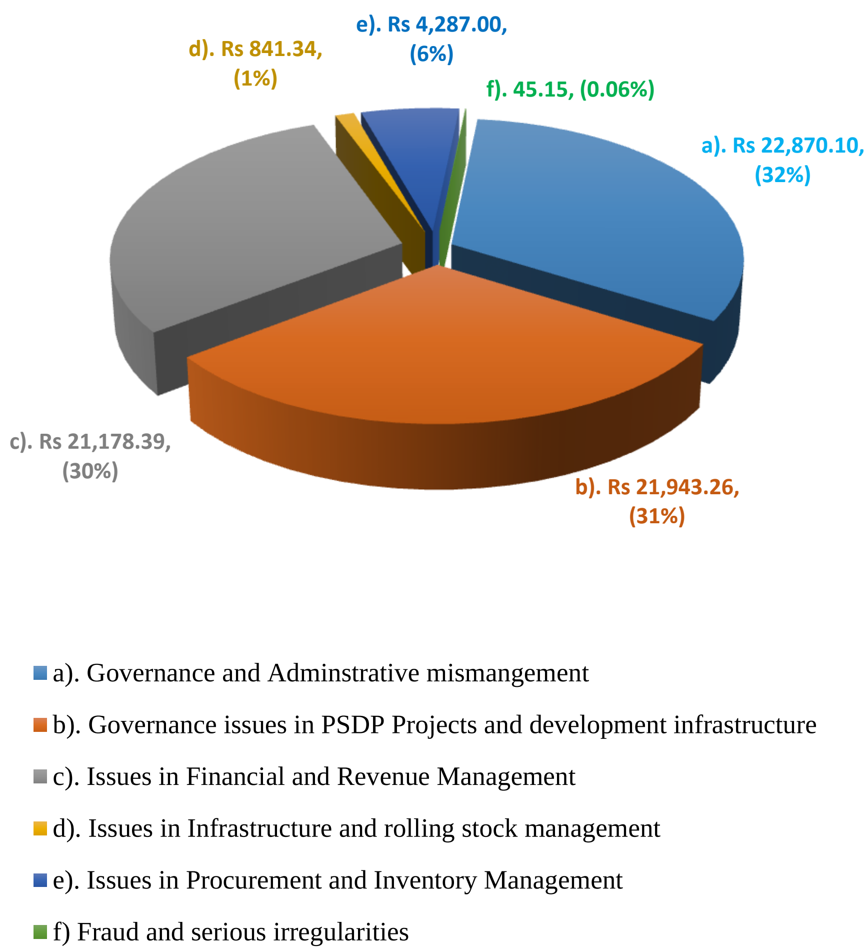
The Principal Accounting Officer is responsible for ensuring that a proper system of internal controls exists within the entity. Audit observed certain lapses in internal controls regarding security arrangements, management of assets and inventory, budgeting and receivables, and human resource. A number of observations on weak internal controls are included in this Audit Report. In order to improve the control environment, Internal Audit department needs to be strengthened through improvement of governance, risk management and controls.[3]

[3] Standards of Internal Controls

Audit findings of the compliance audit report (FY 2022-23)

Audit findings are categorized in six major areas and summarized in the pie chart. Detail of audit findings is given in classified summary of Audit Observations in Table 2.3 of chapter 2.

Breakup of Audit Paras - Audit Report 2022-23
(Rs in Million)



In addition to the evaluation of the financial statements of PR, audit also evaluated three major areas of PR i.e. governance, risk management and controls. The segregated analysis of current year's observations depicted that governance issues in administration and PSDP projects were of more serious nature than risk management and controls. This situation showed that there was a loose oversight of the senior management over the efficiency and effectiveness of operations and compliance with applicable laws and regulations. After evaluation of three critical areas, current audit report highlighted key audit findings and proposed recommendations.

The key audit findings of the report

i. Non-recording of accrued liability on account of interest and exchange risk premium on foreign loans of Rs 29.35 billion.[4]

ii. Loss on account of potential revenue due to non-completion of project within the scheduled period Rs 19.80 billion.[5]

iii. Non-adjustment of suspense balances Rs 12.64 billion.[6]

iv. Excess expenditure over and above the allocated budget Rs 11.75 billion.[7]

v. Non-recording of accrued pension liability in financial statements of Pakistan Railways amounting to Rs 8.25 billion.[8]

vi. Loss to Pakistan Railways due to non-registration of PRFTC with Punjab Revenue Authority (PRA) Rs 7.92 billion.[9]

vii. Loss due to award of contract at higher rates Rs 6.96 billion.[10]

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[4] Para 1.1.2
[5] Para 2.5.47
[6] Para 1.1.4
[7] Para 1.1.9
[8] Para 1.1.5
[9] Para 2.5.23
[10] Para 2.5.59

viii. Loss of earnings due to non-operating of track access agreements worth Rs 6.10 billion per annum.[11]

ix. Lack of fair competition and transparency in procurement Rs 5.09 billion.[12]

x. Non-recovery of bills receivable amounting to Rs 5.05 billion.[13]

xi. Loss on account of devaluation of local currency due to delay in finalization of bid Rs 2.07 billion.[14]

xii. Loss due to suspicious weighment of coal worth Rs 2.07 billion.[15]

xiii. Non-recovery of PRFTC dues from Huaneng Shandong Ruyi (HSR) – Rs 1.37 billion.[16]

xiv. Non-disposal of scrap of Rs 866.95 million.[17]

xv. Loss due to non-replacement of wrong/defective material Rs 319.24 million.[18]

xvi. Un-necessary procurement resulting in blockage of capital Rs 179.77 million.[19]

xvii. Irregular expenditure on appointment of officers and staff Rs 115.53 million.[20]

xviii. Loss due to delay in handing over the electric system of Railway colonies to DISCOs Rs 99.53 million.[21]

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[11]Para 2.5.82
[12]Para 2.6.1
[13]Para 1.1.8
[14]Para 2.5.5
[15]Para 2.5.83
[16]Para 2.5.84 & 2.5.86
[17]Para 2.5.18
[18]Para 2.5.20 & 2.6.3
[19]Para 2.5.19
[20]Para 2.5.29
[21]Para 2.5.30

xix. Loss due to installation of reclaimed transformers Rs 57.48 million.[22]

xx. Misappropriation of material Rs 45.147 million.[23]

xxi. Non-installation of dispensing meters.[24]

Recommendations

i. Financial statements be prepared keeping in view the effects of all transactions to show true and fair view of the financial position of Pakistan Railways.

ii. Projects should be executed and completed within stipulated timelines to achieve envisaged benefits.

iii. Financial management of allocated resources must be strengthened to avoid excess/savings.

iv. PRFTC should execute its business as per its mandate by extending agreements with private parties to enhance Railway revenue.

v. Public Procurement Rules be observed in letter and spirit throughout the procurement process besides improvement in contract management.

vi. Recovery policy be reinforced for speedy realization of Railways' receipts and a dedicated receivables section be established.

vii. Expedient disposal of piled up scrap be ensured.

viii. Cases of fraud, embezzlement and shortage/theft of material be investigated appropriately for fixing responsibility and taking remedial measures especially strengthening the internal controls.

ix. Effective measures be adopted to replace defective material within warranty period.

[22]Para 2.5.35
[23]Para 2.5.1
[24]Para 2.5.45

x. Unnecessary procurement must be discouraged to avoid blockage of capital.

xi. Human Resource rationalization policy be formulated and enforced to avoid financial burden on PR.

xii. Electric system of Railway colonies be handed over to DISCOs without delay to avoid loss on account of tariff.

xiii. Inquiries be processed where required and finalized at the earliest.

xiv. Dispensing meters should be installed at all HSD disbursing points.

AUDIT REPORT SNAPSHOT

Scope of Audit

Revenue Receipts: Rs 60.10 billion
Revenue Expenditure: Rs 107.71billion
Development Expenditure: Rs 14.28 billion

Total Formations: 216
Formations Planned: 53
Audit Coverage: Expenditure 43% Revenue 35%

Audit Output

Formations Audited: 31
Amount of irregularities: Rs 71.16 billion
Recoveries pointed out: Rs 9.8 billion
Recoveries Effected: Rs 1.14 billion

Audit Opinion on PR Accounts FY 2021-22

Appropriation Accounts **Qualified**
Commercial Accounts **Adverse**

Audit Impact

- Deposit of withholding tax with FBR: Rs 285.192 million
- Rectification in Accounts: Rs 33.55 billion
- Devising of mechanism of reconciliation and imposition of penalty on NBP: Rs 185 million

FINANCIAL HEALTH

RESOURCES AND SPENDING

1. Total resources of Pakistan Railways were Rs 121.75 billion including Railways earnings Rs 60.10 billion, Grant-in-Aid Rs 47.06 billion and investments by Federal Govt. Rs 14.59 billion.

2. Total Expenditure was Rs 121.99 billion which included Current/Revenue Expenditure Rs 107.71 billion and Development Expenditure Rs 14.28 billion.

FINANCIAL POSITION OF PR

DEFICIT/LOSS	GOVERNMENT SUBSIDY	CURRENT LIABILITIES	OVERDRAFT
Rs 47.49 Billion	Rs 47.06 Billion	Rs 24.50 Billion	Rs 43.16 Billion
(2021-22)	**(2021-22)**	**(2021-22)**	**(2021-22)**
Rs 47.23 Billion	Rs 47.50 Billion	Rs 19.35 Billion	Rs 39.67 Billion
(2020-21)	**(2020-21)**	**(2020-21)**	**(2020-21)**

TENDENCY OF PR EXPENDITURE

Inventory management (Suspense)	**Assets management** (Fixed Assets)	**HR Management** (Pay & Pension)	**Budgetary Controls** (Excess/Savings))
			Rev exp Rs 1.60 Billion
			PSDP Rs (0.343) Billion
Rs 9.98 Billion	Rs 186.86 Billion	Rs 71.178 Billion	
(2021-22)	**(2021-22)**	**(2021-22)**	**(2021-22)**
Rs 10.72 Billion	Rs 175.63 Billion	Rs 66.700 Billion	Rev exp Rs 0.47 Billion
			PSDP Rs (2.220) Billion
(2020-21)	**(2020-21)**	**(2020-21)**	**(2020-21)**

Source: Appropriation account of PR

The comparative financials of PR as mentioned above clearly depict that it is an expenditure oriented entity having rising trend in budget deficit. The major portion of revenue expenditure of PR pertains to Pay & Pension which has risen significantly by Rs 4.5 billion as compared to previous financial year 2020-21. The detailed analysis of PR accounts is provided in Chapter 2.

SECTORAL ANALYSIS

Economic development of a country is dependent on an efficient transport system and provision of adequate logistics; the transport infrastructure helps in increasing productivity and reduced production overheads. As compared to other modes of transport, Railway system surpasses the road transport for long haul and mass scale traffic movement both for passenger and freight. In addition, it provides comparatively safe, economical and environment friendly mode of transport.

Pakistan Railways (PR), the only railroad sector organization of the country aims to provide a competitive, safe, reliable, market oriented, efficient and environment-friendly mode of transport. PR remained the primary mode of transportation in the country till late nineteen sixties (1960s). However, as the road sector flourished and emerged as an alternative mode of day-to-day transportation, the government provided greater attention on expansion of the road network which negatively impacted Railways' share in inland traffic. A long-term mismatch between revenue earnings and operational expenses led PR towards persistent deficit.

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 financial statements of Pakistan Railways were reviewed.

i) The total track length of PR was recorded as 11,881 kilometers with 7,791 route kilometers along with 445 Railway stations whereas rolling stock consisted of 466 locomotives, 1,351 Coaching Vehicles and 14,104 Freight Wagons as on 30.06.2022. The rolling stock of PR was decreased as compared to previous year. However, PR engaged in procurement of 230 high speed passenger coaches of new design along with Transfer of Technology (ToT) and 820 freight wagons from China in 2021-22. The consignments of 46 number of passenger coaches were received up to November 2022. It has been envisaged that the procurement of coaches along with ToT will facilitate PR in indigenous manufacturing thus saving substantial foreign exchange on future import of rolling stock.

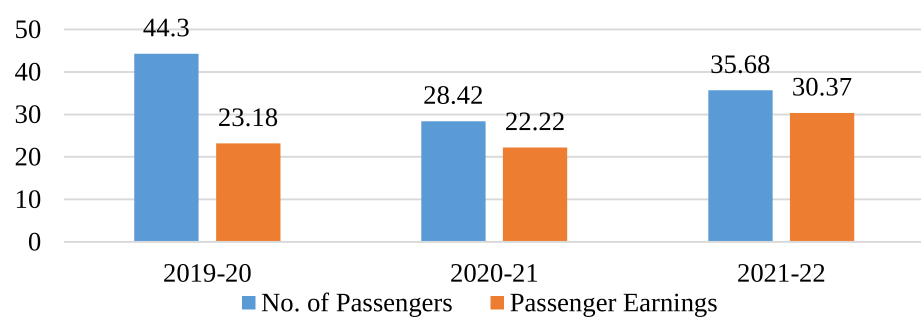
ii) The passengers carried by PR increased by 26% during 2021-22 from 28.42 million to 35.68 million as a result of increase in passenger trains from 24,360 to 31,808 i.e. 30% during the year. The increase in number of passenger trains was due to restoration of suspended train operation after the period under restrictions of COVID-19. This increase also positively impacted the revenue earnings from passenger trains; however, the increase in passenger earnings was 37% which was higher than the rate of increase in passengers. The higher rate of increase in passenger earnings was due to fare escalation during FY 2021-22.

Passenger Traffic Statistics (FY 2019-20 to 2021-22)

Year	No. of Passengers (millions)	No. of trains	Passenger Earnings (Rs in billion)
2019-20	44.3	36889	23.18
2020-21	28.42	24360	22.22
2021-22	35.68	31808	30.372

Source: Year books of PR 2019-20 to 2021-22

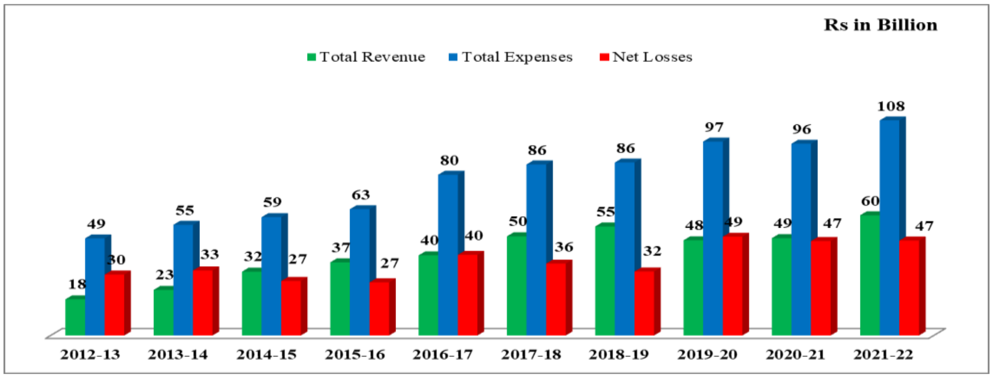
No. of Passengers (millions) **vs Passenger Earnings** (billions)



Source: Year books of PR 2019-20 to 2021-22

iii) A review of last ten years' financials of PR showed that it had sustained aggregate operational net loss of Rs 369 billion ranging between Rs 27 billion to Rs 49 billion from 2012-13 to 2021-22.

Operational losses of Pakistan Railways (2012-13 to 2021-22)



Source: Financial Statements of PR FY 2012-13 to 2021-22

The above mentioned trend of expenditure and revenue earnings of PR show that increase in expenditure was not consistent with the increase in revenue earnings due to high percentage of fixed costs specifically on Pay & Pension. Detail of current resources and expenditure as well as the overall fiscal position of Pakistan Railways for the financial year 2021-22 is depicted below:

Financial Position of Pakistan Railways (FY 2021-22)

(Rs in Billion)

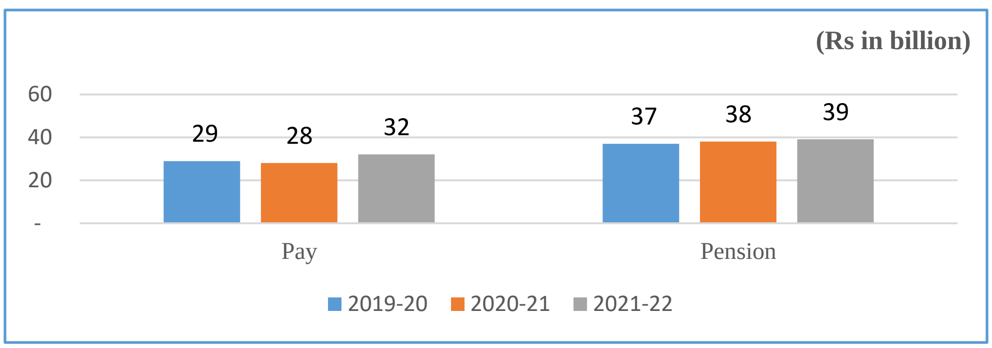
Composition of Resources				Composition of Expenditure		
Description		**Amount**	**% age**	**Description**	**Amount**	**% age**
Investment by Federal Govt.		14.59	12	Pay and Pension	71.18	59
Grant in Aid		47.06	39	Operating Expenses	27.28	22
Passenger Earnings	30.37			Grants, Subsidies and Transfers	0.09	0
Goods Earnings	22.96			Loans & Advances and Physical Assets	0.05	0
Parcel & Other Coaching Earnings	1.65			Repair & Maintenance & Improvement	8.56	7
Sundry Other Earnings	5.11			Misc. Advances and Interest Payments	0.55	0
Railways' own earnings		60.09		PSDP Expenditure	14.28	12
		121.75			**121.99**	**100**

Source: Appropriation Accounts and Financial Statements FY 2021-22

iv) As a result of persistent decline in business operations, PR has been identified by the Federal Government as a loss-making State Owned Enterprise (SOE) due to its inability to meet its expenses from its own sources. During 2021-22, PR incurred working expenditure amounting Rs 107.14 billion; on the other hand, corresponding revenue earnings were Rs 60.092 billion with deficit of Rs 47 billion. Therefore, PR is being assisted annually by the Federal Govt. in the shape of Grant-in-Aid. During 2021-22, the amount of financial assistance was Rs 47.064 billion. Moreover, State Bank of Pakistan has withdrawn overdraft facility w.e.f. 1st July, 2022 which would further increase the financial constraints of Pakistan Railways.

v) The revenue earnings of PR were not even enough to make obligatory payments to its in-service and retired employees as the cumulative expenditure on Pay & Pension was Rs 71.18 billion for the year 2021-22 which stood 66% of working expenses. An analysis of Pay & Pension depicts that expenditure on Pay and allowances was recorded as Rs 31.538 billion for the year 2021-22; it was 30% of total working expenditure and increased by 14% as compared to previous year. Similarly, expenditure on pension payment was Rs 38.812 billion for the year 2021-22 which was 36% of total working expenditure and increased by 1.4% as compared to previous financial year. The trend analysis of pay and pension expenditure is portrayed below:

Trend of Pay and Pension Expenditure (FY 2019-20 to 2021-22)



Source: Financial Statements of Pakistan Railways 2021-22

vi) Analysis of the business mix of Pakistan Railways shows that it generates its revenue through its core and non-core business operations. The core business includes train services regarding carriage of passengers, parcels and goods while non-core business includes leasing of land, renting out of vending stalls at Railway stations and manufacturing services etc. The below table shows that there was significant increase in passenger earnings during 2021-22 while marginal increase was witnessed in freight earnings and earnings from non-core business.

Revenue Earnings Core & Non-Core Business

(Rs in Billion)

	Description	2019-20	2020-21	2021-22
Core Business	Passenger	23.180	22.220	30.372
Core Business	Goods	19.210	20.580	22.958
Core Business	Parcel and others	1.310	1.500	1.651
	Sundry Earnings	3.890	4.370	5.111
	Total	**47.590**	**48.670**	**60.092**

Source: Financial Statements of PR 2019-20 to 2021-22

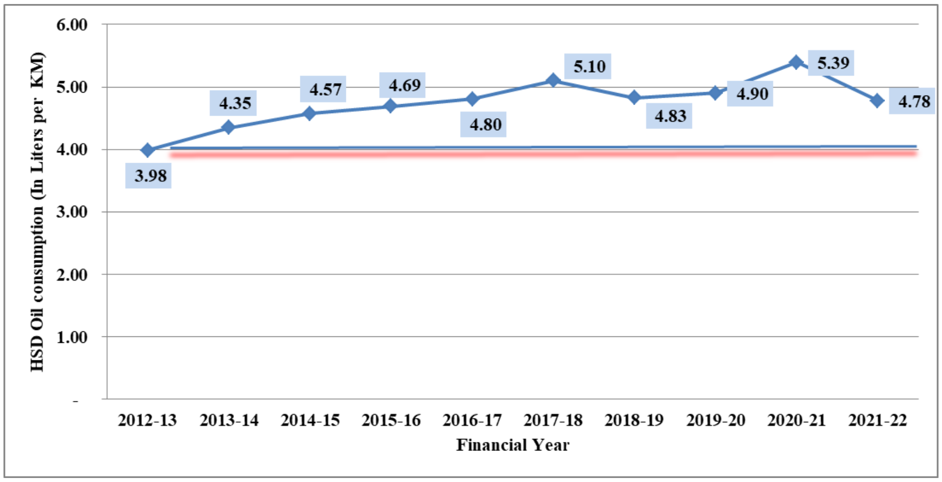
Foregoing comparison indicates that the major contributing factor in Railway revenue is passenger earnings, whereas freight earnings are placed at second. PR has to spend major portion of its resources on mobilization of passenger train services, which is not cost-effective. However, other services e.g. carriage of goods and leasing of land etc. which have significant profit margins have not been prioritized by Railway management.

vii) Historically, freight transportation had been a major source of earning for PR. Over the years, the share of freight earnings had reduced considerably. However, during 2021-22 the freight earnings of PR increased by Rs 2.38 billion and stood at Rs 22.96 billion although the number of freight trains reduced by 15%. The decrease in freight trains-run is suggestive of inadequate freight business management.

Operational Inefficiencies

viii) PR had 466 DE locomotives in its fleet as on 30.06.2022 and these locomotives used HSD oil as fuel. The consumption of HSD oil showed increasing trend during last decade despite addition of 133 new locomotives and special repair/rehabilitation of remaining 333 locos. Rehabilitation of existing and emergence of new locomotives envisaged decrease in fuel consumption which was not achieved. The increasing trend of fuel consumption is depicted below:

Annual Average HSD Oil consumption (Liters/Kilometer)



Source: Year Books of Pakistan Railways 2012-13 to 2021-22

The annual average HSD Oil consumption was 3.98 liters/km in 2012-13 which gradually increased and it reached at 4.78 liters/km in 2021-22. The above data showed that PR had been operating in inefficient mode due to old fleet of locomotives which had heavily burdened the train operations.

ix) PR has in-house manufacturing capacity for rolling stock and other allied mechanical components. However, the manufacturing cost in railway factories is much higher due to excessive labour rate and overheads which do not compete the market rates. For example in Railway Steel Shop the factory overhead rate was 1660% which was highly unacceptable.

x) PR owns approximately 168,500 acres of land spread across Pakistan. After allocation of 148,640 acres for operational purpose, there was a considerable margin to utilize the land for revenue generation. However, 10,425 acres of land was leased out till 2021 while 9,435 acre was lying idle within which 4,741 had been encroached. PR earned only Rs 1.95 billion from leasing of land during FY 2021-22. However, PR could earn substantial revenue earnings by removing encroachment and adopting effective plan of land leasing.

xi) PR compiles output analysis on the basis of certain KPIs on yearly basis. Performance analysis by outputs shows that Ministry of Railways (MoR) used eleven (11) outputs having total thirty three (33) key performance indicators (KPIs).[25] These KPIs were related to passengers, infrastructure, business development, public safety, train punctuality, rolling stock, freight business management, and governance. The status of achievement of targets against set KPIs is tabulated below:

Achievement of Targets vs KPIs (FY 2021-22)

Achievement	No. of KPIs
100 %	13
50 % and above	04
Below 50 %	04
0 % or no data provided	12
Total	**33**

Source: Ministry of Railways Key performance indicators analysis by Outputs

The achievement of targets against 48% KPIs was below 50%. Zero progress was achieved against 12 KPIs which were crucial to train operations like punctuality of trains, computerization of reservation system at stations.

[25] Key Performance Indicators Analysis by Outputs FY 2021-22-Ministry of Railways

Due to zero progress on the automation of Railway Accounts, Financial Statements were not reflecting true and fair picture of financial health of PR. Up-gradation of mainline-1 under CPEC had not achieved any significant progress which had direct relationship with better operations of PR. KPIs for the reduction of crimes has achieved no progress even in the presence of huge paraphernalia of Railway Police across all divisions. Further, the KPIs were not based on modern-day performance indicators and were exposed to bias and subjectivity. Also, there was no scientific data-collection or cross sectional methodology to assess the correlation between the KPIs and the actual output or outcome. Therefore, non-achievement of set targets over the years increased the performance risk of the organization **(Annexure-A).**

xii) The financial well-being of the Railway sector significantly depends on development of resilient infrastructures and more productive environment. During the financial year 2021-22, PR spent Rs 14.279 billion on the execution of 34 projects under Public Sector Development Program (PSDP). The component wise breakup of PSDP expenditure among Civil, Mechanical and Others is given below:

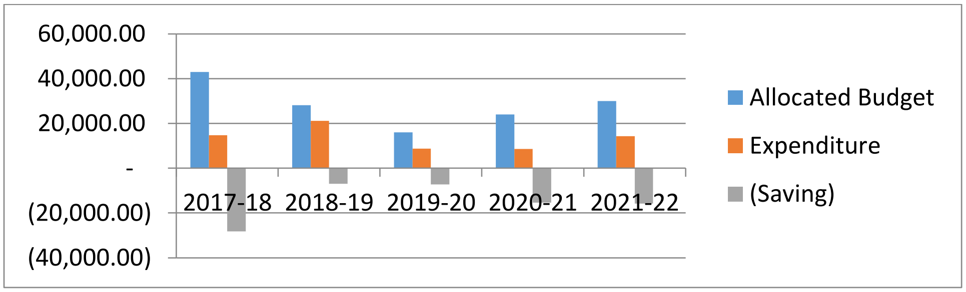
PSDP Expenditure Breakup (FY 2021-22)

Description	**Expenditure** (Rs in Billion)	**Percentage** (%)
Civil	4.549	32
Mechanical	8.904	62
Others	0.825	6
Total	**14.28**	**100**

The above mentioned breakup depicts that approximately double development funds were utilized in mechanical projects (62%) as compared to civil works (32%). However, the envisaged benefits of mechanical projects could only be achieved if civil infrastructure comprising track and allied structures successfully support them. PR had a mismatch in development portfolio of both critical areas which must be rationalized to support productive operations.

An analysis of five years development portfolio of PR revealed that it could not fully utilize the development funds allocated by the Federal Govt. PSDP underutilization during last five years ranged from 33% to 66%. The major cause of underutilized PSDP funds was incapacity of the organization in project management. The underutilization of funds is graphically presented below:

Utilization of PSDP Funds (FY 2017-18 to 2021-22)



Source: Appropriation Accounts of Pakistan Railways 2021-22

xiii) Safety and security of PR is another challenge and it is also alarming to note that during the period from January 2021 to June 2022, total 121 major accidents occurred and 261 causalities/injuries to the passengers were took place. The vulnerable train operations shook the trust of the general public with regard to safety of passengers. Moreover, loss on account of these train accidents was not given adequate disclosure in the financial statements of Pakistan Railways.

xiv) There are many positive aspects of rail transport e.g. safety and economy. However, Pakistan Railways has not been able to leverage its monopoly over transport sector due to vulnerable financial health, weak internal controls and sub-optimal utilization of its development portfolio. Therefore, road transportation is preferred by the general public due to provision of unsatisfactory train services by PR. It has been observed that Pakistan Railways has not been prioritized by the government owing to which less allocation of resources has been made under the PSDP as compared to the road sector.

xv) Government of Pakistan introduced Vision 2025 in May 2014 for development and enhancement of PR as a modernize transport and logistics sector including major up-gradation of the Railways' system. The achievement of these visionary objectives by Pakistan Railways was reliant on a practicable roadmap and strategic planning. In order to make PR self-sustained and productive organization, emergence of high-speed modern railway system is need of the hour. Therefore, Govt. of Pakistan has a new approved development scheme under CPEC worth Rs 1,119.3 billion regarding major up-gradation of existing mainline-1 (ML-1) and establishment of Dry port near Havelian. The successful completion of CPEC will eventually bring long-term prosperity in the region. However, execution of CPEC project could not commence due to one or more reasons.

xvi) Besides aforementioned facts and operational impediments, there are some chronic issues which hampered the growth of the organization over the years. These include legacy accounting & financial reporting system, non-rationalization of human resource, violation of Public Procurement Rules, contract mismanagement, extravagant utility expenses, theft of Railway material and outdated management practices/mode of business by PR's subsidiaries. Audit for the year 2022-23 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 continuous financial support from the Federal Government.

Chapter -1 Public Financial Management Issues

Financial statements of Pakistan Railways have some major issues of compliance with International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) in Commercial Accounts. The significant paras, arising from the Financial Attest of the accounts of Pakistan Railways, on the basis of which the Qualified Opinion on the Appropriation Accounts and Adverse Opinion on the Commercial Accounts of PR was issued, are included in this chapter.

1.1 Audit Paras

1.1.1 Overvaluation of Fixed Assets due to non-recording of depreciation expense, losses, thefts and accidents

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. Further, 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. Furthermore, Para 3.2.7 of Accounting Code for Self-Accounting Entities provides that Statement of Fixed Assets will provide the following details:

- Owner Division/Departments
- Assets Categories
- Cost at the beginning of reporting period (for each category)
- Additions during the reporting period (at cost)
- Disposal during the period (at cost)
- Cost at end of reporting period (for each category)

Moreover, the Para 3.2.7.2 of Accounting Code for Self-Accounting Entities states that the statement will be based on information supplied by the Division/Departments on a specified form (from their Fixed Assets Register) as set out in chapter 13 of (APPM) before the 7th of each month. The form supplied by the Division/Departments shall be signed by the Principal Accounting Officer of each concerned Division/Department. [26]

During review of the Commercial Accounts of the Pakistan Railways as on 30th June, 2022 and respective notes thereon, it was observed that all fixed assets in the balance sheet were shown at their 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, assets were being overstated. Furthermore, capital replacement /improvement was not being added to the relevant head of fixed asset which resulted in under valuation of fixed assets. 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 accounts.

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC was informed that the audit observation was correct and valid. DAC directed the PO to resolve the issue at appropriate level. Audit recommends that 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.

[26] Source: Management Report FY 2021-22/Para 2

1.1.2 Non-recording of accrued liability on account of interest and exchange risk premium on foreign loan

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. Further, Para 5.3.3.3 of Accounting Code for Self-Accounting Entities stipulates that liabilities will be recognized on cash or on a committed basis, with the commitment or expense being made against the appropriation given for that expenditure.

Contrary to the above Audit observed that closing balances of foreign loans and credits under heads of PSDP grant and Replacement/Improvement account amounting to Rs 29.35 billion did not include the amount of interest and exchange risk premium at the rate of 8% and 6% respectively accrued as on 30th June, 2022 **(Annexure-B)**. 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 principle and interest on foreign loans. Further, it was observed that during the year no payment on account of interest or exchange risk premium was made which depicts that it has been accrued but not disclosed in financial statements.[27]

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC directed the Member Finance to carry out reconciliation with Economic Affairs Division and submit a detailed report to PAO/DAC at the earliest.

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[27] Source: Management Report FY 2021-22/Para 3

Audit recommends that corrective measures be taken to carry 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 in foreign currency to present fair picture in financial statements.

1.1.3 Wrong booking of interest on Provident Fund as receivable - Rs 16.420 billion

According to 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. Moreover, 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.

During the course of audit, it was observed that an amount of Rs 16.420 billion was shown as receivable from Federal Government on account of interest charged on Provident Fund.[28] This amount was calculated on the balance held by Federal Government at the time of separation of account from Federal Government in 1971. This amount was appearing as Current Assets in the Balance Sheet of Pakistan Railways as on 30th June, 2022 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. The issue relating to accounting policy of PR was being raised from last one decade but the management could not take any measure for its resolution. Moreover, in the

[28] Source: Management Report FY 2021-22/Para 5

clearing house meeting held in December, 2017, it was decided that Rs 1.5 billion would be allocated each year under revenue grant to amortize the balance in subsequent years; however no provision of fund has been made in budget for the FY 2021-22.

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC directed that the FA&CAO/PR needed to implement the decision regarding its management through accounting treatment.

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

1.1.4 Non-adjustment of Inventory/Store Balances –Rs 12.644 billion

According to para 1601 of Pakistan Railways 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. Para 1122 further provides that the various subsidiary registers should be totaled up, and reconciled with the General Books before the closing of next month's Accounts. Further, there is no provision of suspense adjustments/ balances in Accounting Code for Self-Accounting Entities.

During audit, it was observed that three suspense accounts were being shown in balance sheet where balances under revenue grant were accumulated unnecessarily since 2010-11. The total suspense balance (Revenue) was showing an increasing trend for the last many years. In the year 2010-11 this amount was Rs 2.98 Billion, which rose to Rs 12.644 Billion (323.60%) in 2021-22.[29] The balance in workshop manufacturing suspense represents unadjusted revenue expenditure which may result in

[29] Source: Management Report FY 2021-22/Para 6

increase of working expenses, if adjusted. Similarly, an amount of Rs 385 million was also kept against suspense balances under Capital grant during the year.

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC directed that the CIA should review the entire process to identify key gaps and recommend corrective measures.

Audit recommends that the FA&CAO/PR should report the actual balances of stores in hand at the end of each financial year duly certified in line with rules 3001 and 3008 of Stores Code.

1.1.5 Non- recording of accrued Pension Liability in Financial Statements of Pakistan Railways - Rs 8.25 billion

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.

During audit of Commercial Accounts of Pakistan Railways, it was observed that an amount of Rs 8.246 Billion stood as payable/liability on account of pension, gratuity, commutation, arrears of GPF etc. However, this liability has not been accounted for in the Financial Statements of Pakistan Railways as on 30th June, 2022. This state of affair shows that liabilities were understated and the balance sheet has not been prepared fairly. Moreover, this amount should have been treated as current liability in balance Sheet as it was payable to the employees of Pakistan Railways and if this liability was recorded in the books of accounts the loss of PR would increase by that amount (**Annexure-C**).[30]

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC directed that PO should follow standard accounting practices in order to reflect true and fair financial position.

Audit recommends that the accounting policies be adopted in letter and spirit to reflect true and fair view of the financial position of Pakistan Railways.

1.1.6 Accumulation of suspense balances under utilities on account of revenue and capital/PSDP – Rs 5.916 billion

According to Para 1601 of Pakistan Railways 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. Further, section-16.4.2.1 of Accounting Policies and Procedure Manual stipulates that the suspense account should be cleared on monthly basis. There is no provision of suspense adjustments/balances in Accounting Code for Self-Accounting Entities.

During the course of audit, it was observed that advances against local purchases of Rs 1.713 billion 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 consumer. The amount paid to utility providers was much higher than recovered amount from domestic consumers. Resultantly, PR was suffering losses on account of less recovery/adjustment of advances for local

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[30] Source: Management Report FY 2021-22/Para 7

purchase and utility charges. Further, an amount of Rs 4.203 billion on account of Capital suspense was being shown understated under the head Purchases. The amount was shown under prepayments and advances which had not been adjusted over the years (**Annexure-D).**[31]

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC directed that the CIA should review the entire process to identify key gaps and recommend corrective measures within two weeks.

Audit recommends that the suspense balances be reviewed regularly as required under chapter XVO of Pakistan Railways Code for the Accounts Department 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.

1.1.7 Non adjustment of Railway Remittances/Transfer Divisional – Rs 7.558 billion

Para 1133 of Pakistan Railway Code for the Accounts Department provides that every endeavor should be made to bring to account all the transactions of a year in the accounts of the year to which they pertain, but if any transactions are advised to the Accounts Officer for adjustment after the books of the year have been finally closed, they should be reported to the Member Finance (MoR) as required under paragraph 1428.

During audit, it was observed that an amount of Rs 0.625 billion was shown under Railway remittances (Transfer Divisional) in Financial Year 2010-11. Presently, amount under this head has reached to Rs 7.558 billion as on 30th June, 2022. Hence, there was a substantial increase of Rs 6.933 billion (1109%) during last one decade. This state of affair showed that adjustments in the accounts of PR were not being made and pended due to multiple issues like late origination of Transfer Certificates by the originating units, non-

[31]Source: Management Report FY 2021-22/Para 8

acceptance by the responding units for want of verification of vouchers by the consumers, insufficiency of vouchers and inadequacy of budget under the relevant heads etc. Audit was of the view that if PR adjusted this amount in its books of accounts the amount of loss would increase to that extent.[32]

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC directed that the PO has official responsibility of maintaining the accounts as per standard accounting practices which was missing in the instant case. Efforts should be made to avoid such practice in future and a progress report on such efforts with visible improvements should be shared with Audit periodically.

Audit recommends that concrete efforts be made to adjust this amount.

1.1.8 Non-recovery of bills receivables (claims) Rs 5.054 billion

Para 316 (a) of Pakistan Railways 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. 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.

During audit, it was observed that no efforts had been made by the management to realize long outstanding receivables ranging from prior to 2005-06 to 2021-22. As per the record of aging of bill receivables (claims), an amount of Rs 1.674 billion was more than five years old and an amount of Rs 1.506 billion was more than three years old which showed their recovery doubtful.[33]

The matter was taken up with the management and also discussed in DAC meeting held on 14.11.2022. DAC directed that concrete efforts should

[32] Source: Management Report FY 2021-22/Para 9
[33] Source: Management Report FY 2021-22/Para 10

be made to minimize the receivables with the support of respective executive departments.

Audit recommends that concrete efforts be made to recover the bills receivable from government and private organization as more than half of the amount pertained to more than five years old period.

1.1.9 Excess expenditure and savings against allocated budget at accounting unit level of Pakistan Railway – Rs 11.751 Billion and Rs 5.642 billion respectively

Para 320 of Pakistan Railways 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 audit, certain instances of weak budgetary controls were observed at divisional levels under the heads Employees Related Expenses, Operating expenses and Repair and Maintenance. As per object wise classification of financial review there was excess expenditure at accounting unit levels amounting to Rs 11.751 billion and savings of Rs (5.642 Billion). This resulted in net overall excess booking of expenditure of Rs 6.109 billion at accounting unit level for the year 2021-22. This occurred due to weak budgetary controls (**Annexure-E)**.[34]

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC took serious note of such practice and directed that prompt action should be taken well in time to avoid such practices in future.

Audit recommends that the expenditure should be incurred from relevant head of account.

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[34] Source: Management Report FY 2021-22/Para 3

1.1.10 Unauthorized expenditure without budget allotment – Rs 285.980 million

Para 429 of Pakistan 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 audit of financial statements of Pakistan Railways, it was observed that an expenditure of Rs 285.980 million was incurred without budget allotment for the Financial Year 2021-22. The expenditure pertained to different heads of accounts (**Annexure-F).**[35]

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. DAC directed the FA&CAO/PR to ensure that the expenditure should be met from the given budget.

Audit recommends that the expenditure should be incurred from relevant head of account.

1.1.11 Unauthorized booking of capital expenditure to Revenue head – Rs 665.140 million

Para 1455 of Pakistan 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 payments are being made.

During audit at divisional levels, it was observed that capital expenditure of Rs 657.04 million on account of capital cost of handing over

[35]Source: Management Report FY 2021-22/Para 9

of PR colonies to WAPDA electricity distribution companies for direct billing was booked to revenue expenditure. The capital cost included installation of electricity LT/HT lines, meters and transformers etc. in PR colonies. This expenditure was of capital nature and was required to be booked to capital head, however, it was booked to revenue head A03303 (electricity). Further, capital expenditure of Rs 8.10 million relating to PSDP was misclassified/ booked to Revenue heads in violation of codal provisions. This resulted into unauthorized booking of capital expenditure to Revenue for Rs 665.140 million (**Annexure-G(i) & G(ii)).**[36]

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 14.11.2022. The DAC took serious note of such practice and directed that the respective POs should personally ensure that such practices are avoided in future.

Audit recommends that implementation of DAC directives be made in true letter and spirit**.**

[36] Source: Management Report FY 2021-22/Para 6

Chapter 2 PAKISTAN RAILWAYS

2.1 A) INTRODUCTION

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 Chairperson of the Railway Board. The affairs of Pakistan Railways are administered by the following authorities.

i. CEO/Senior General Manager

ii. GM/Manufacturing

iii. GM/Welfare and Special Initiatives

The core functions of Railway operations is administered by the Chief Executive Officer/Senior General Manager, who is assisted by three Additional General Managers in infrastructure, Mechanical and Traffic units besides the Principal Officers of respective departments. There are seven operational divisions viz Peshawar, Rawalpindi, Lahore, Multan, Sukkur, Karachi, Quetta and one Workshop 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 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 Factory 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 Education and Chief Health & Medical 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.

Pakistan Railways Advisory & Consultancy Services (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Pakistan Railway Freight Transport Company (PRFTC) are subsidiaries of PR. Each company is headed by a Managing Director.

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

PRFTC (Pakistan Railway Freight Transport Company) was established on 8th Jan, 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 & hoppers 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. Since last decade the Qualified Audit Opinion is being given on Appropriation Accounts and Qualified and Adverse audit opinion on

Commercial Accounts. The comments on Appropriation and Commercial Accounts are given hereunder:

2.1.1 Comparative analysis of Revenue Budget and Expenditure

A comparative analysis of revenue budget and revenue expenditure has been given here under:

Revenue Budget and Expenditure FY 2021-22

(Rs in million)

Items	Original Allocation	Supplementary Allocation (Surrender)	Final Allocation	Expenditure	Variation	
					Excess/ (Saving)	%
Grant No. 80 Revenue Expenditure						
Voted	99,500.00	6,114.32	105,614.32	107,272.16	**1,657.84**	1.57
Charged	500.00	-	500.00	442.89	(57.11)	(11.42)
Total	**100,000.00**	**6,114.32**	**106,114.32**	**107,715.05**	**1,600.73**	1.51

Source: Appropriation Account of PR 2021-22

The comparison between allocated budget and actual expenditure clearly showed that the actual expenditure incurred under "voted" portion of Revenue Grant was more than the final allocation and there was excess of Rs 1,657.84 million (1.57%). The expenditure incurred under "Charged" portion amounting to Rs 442.89 million and there was saving of Rs 57.11 million (11.42%); even though liability on account of interest on foreign loans was outstanding. The overall excess under both heads of Revenue Grant was 1.51%.

2.1.2 Comparative analysis of PSDP Budget and Expenditure

A comparative analysis of PSDP budget and expenditure has been given here under: -

PSDP Budget and Expenditure FY 2021-22

(Rs in millions)

Grant No.127 PSDP Grant of Pakistan Railways						
Items	**Original allocation**	**Supplementary Allocation (Surrender)**	**Final Allocation**	**Expenditure**	**Variation**	
					Excess/ (Saving)	**%**
Voted (Capital)	30,025.59	(15,403.60)	14,621.99	14,279.35	(15,746.24)	(52.44)
Charged	-	-	-	-	-	-
Total	30,025.59	(15,403.60)	14,621.99	14,279.35	(15,746.24)	(52.44)

Source: Appropriation Account of PR 2021-22

The actual expenditure of PSDP grant was less than the original allocation which resulted in saving of Rs 15,746.24 million i.e. 52.44%.

This state of affairs clearly depicts incapacity on the part of management for not incurring the expenditure according to the allocated budget.

2.1.3 Comparative analysis of Financial Statements of Pakistan Railways

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 recognizes its earning on accrual basis, and all expenses on cash basis. Resultantly, earnings of Pakistan Railways are overstated and expenditures are understated. The analysis of Financial Statements of Pakistan Railways i.e. Profit and Loss Account and Balance Sheet for the FY 2021-22 is given hereunder.

2.1.3.1 Profit & Loss Account:

Pakistan Railways suffered net loss of Rs 47,485.82 million during the FY 2021-22, it was Rs 253.69 million (0.54%) higher as compared to previous year.

Comparative Analysis of Profit and Loss Account of PR
(FY 2019-20 to 2021-22)

(Rs in million)

Particulars	2021-22	2020-21	2019-20	Variation Increase (Decrease)	%
1	2	3	4	5 (2-3)	6
Gross Earnings	60,091.72	48,648.81	47,583.69	11,442.91	23.52%
Total Working Expenses	107,136.39	95,465.23	96,964.96	11,671.16	12.23%
Operating Surplus/ Loss	(47,044.67)	(46,816.42)	(49,381.27)	(228.25)	(0.49 %)
Interest on Debt	(422.89)	(418.56)	(775.44)	(4.33)	(1.03 %)
Miscellaneous Receipts	1.73	2.86	4.30	(1.13)	(39.34%)
Net Profit / (Loss)	**(47,485.82)**	**(47,232.13)**	**(50,152.41)**	**(253.69)**	**(0.54%)**

Source: Financial Statements of Pakistan Railways FY 2021-22 (Commercial Account)

The profit & loss account indicated that:

i) Total operational working expenses amounting to Rs 107,136.39 million were much higher than the gross earnings of Rs 60,091.72 million. The difference between working expenses and gross earnings was quite high which resulted in operational loss of Rs 47,044.67 million. This indicated that Railway administration could not achieve the breakeven point even since many years.

ii) Interest on overdraft was paid by the management of Pakistan Railways Rs 422.89 million which represents an increase of Rs 4.33 million (1.03%) over the previous year.

iii) Federal Government provided Rs 47,064.32 million in the form of subsidy (Grant in Aid) to set off loss Rs 47,485.82 million.

2.1.3.2 Balance Sheet:

The Balance Sheet is a financial statement that reports an entity's assets, liabilities and equity. The financial position of Pakistan Railways for last two years depicts the increase in total assets.

Comparative Analysis of Balance Sheet of PR
(FY 2019-20 to 2021-22)

(Rs in million)

Particulars	2021-22	2020-21	2019-20	Variation	
				Increase/ (Decrease)	%
1	2	3	4	5 (2-3)	6
Capital & Net Worth	247,333.94	237,916.56	230,110.48	9,417.38	3.96 %
Revenue Reserves	57,988.55	58,410.06	59,100.42	(421.51)	(0.72 %)
Long Term Liabilities	79,673.37	75,804.81	75,792.35	3,868.56	5.10 %
Current Liabilities	24,497.01	19,349.69	20,301.24	5,147.32	26.60%
Total Liabilities & Capital	**409,492.87**	**391,481.12**	**385,304.49**	**18,011.75**	**4.60** %
Fixed Assets	186,858.84	175,630.74	171,391.45	11,228.10	6.39 %
Deferred Assets	142,056.51	142,056.51	138,654.65	-	-
Current Assets	80,577.52	73,793.87	75,258.39	6,783.65	9.19%
Total Assets	**409,492.87**	**391,481.12**	**385,304.49**	**18,011.75**	**4.60%**

Source: Financial Statements of Pakistan Railways FY 2021-22 (Commercial Accounts)

The Balance Sheet reflected the following areas of concern:

i) The overdraft facility of PR was converted by SBP into long term debt of Rs 43,157.38 million including suspended mark up of Rs 4,563.30 million.

ii) Increase in Capital & Net Worth by Rs 9,417.38 million (3.96%) was due to wrong booking of investment by the Federal Government for development programs which was actually required to be booked as liability.

iii) The increase in current liabilities (26.60%) was more than the increase in current assets (9.19%). The Current ratio of PR is 1:3. This depicts that PR is unable to meet its obligations when fall due.

iv) Accounts receivables under current assets were increased by Rs 1,469 million which adversely impacted the liquidity of PR.

2.1.4 COMMENTS ON THE FINANCIAL STATEMENTS OF SUBSIDIARIES OF PAKISTAN RAILWAYS

There are three subsidiaries of Pakistan Railways, each headed by a Chief Executive Officer. These companies are registered under the company's Ordinance 1984 repealed by Company's Act 2017 and their financial audit is conducted by Chartered Accountants.

a) Pakistan Railways Advisory & Consultancy Services (PRACS)

b) Pakistan Railway Freight Transport Company (PRFTC)

c) Railway Constructions Pakistan Limited (RAILCOP)

a) PAKISTAN RAILWAYS ADVISORY & CONSULTANCY SERVICES (PRACS)

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

(i) Comparative Analysis of Profit & Loss Account of PRACS:

PRACS earned net profit of Rs 12.801 million after tax during the FY 2021-22, last year the company earned profit of Rs 32.208 million after tax. This state of affair shows that the net profit of the company after tax had decreased by Rs 19.406 million (60.25%) as compared to previous year.

Profit and Loss Account of PRACS (FY 2020-21 and 2021-22)

(Rs in million)

Particulars	2022	2021	Variation	%
Revenue	258.20	163.64	94.55	57.78%
Cost of revenue	(192.60)	(127.00)	(65.60)	(51.65%)
GROSS PROFIT	65.60	36.64	28.95	**79.02%**
Administrative and general expenses	(57.80)	(55.02)	(2.79)	(5.06%)
Other income	15.12	23.80	(8.68)	(36.46%)
	(42.68)	(31.21)	(11.46)	(36.73%)
PROFIT BEFORE TAXATION	22.92	5.43	17.49	**322.14%**
Taxation	(10.12)	26.78	(36.90)	(137.79%)
PROFIT AFTER TAXATION	**12.80**	**32.21**	**(19.41)**	**(60.25%)**

Source: Audited Financial Statements of PRACS

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

i) The major increase in the revenue is due to earning from Project of commercial trains of PR.

ii) The increase of 79.02% in gross profit is due to non-booking of expenditure pertaining to Project of Commercial Trains.

iii) Comparison of receipts from three operating activities revealed that PRACS sustained loss on account of sale of tickets by Rs 30.09 million, Consultancy Services by Rs 20.45 million & Heritage Cell by Rs 14.25 million.

iv) An abnormal transaction related to "re-measurement of defined benefit obligation" has been charged as expense to Profit and loss account.

v) Net profit has decreased by Rs 19.41 million as compared to previous year due to non-execution of any new project which shows that the earning to expenditure was low.

(ii) Comparative analysis of Balance sheet of PRACS

(FY 2020-21 and 2021-22)

(Rs in million)

Equity and Liabilities	2022	2021	Variation	Percentage
Share Capital and Reserves authorized Share Capital 100,000,000 (2021: 100,000,000) Ordinary shares of Rs.1/- each	100,000,000	100,000,000	-	-
Share Capital				
Issued, subscribed and paid up capital 72,000,000 (2021: 72,000,000) Ordinary shares of Rs.1/- each fully paid	72,000,000	72,000,000	-	-
Revenue Reserve				
Un-appropriated profit	700.14	680.76	19.37	2.85%
	772.14	752.76	19.37	2.57%
Non-Current Liabilities			-	
Deferred liabilities	141.59	131.35	10.24	7.80%
Deferred taxation	-	-		
	141.59	131.35	10.24	7.80%
Current Liabilities			-	
Creditors, accrued and other liabilities	39.01	38.80	0.21	0.54%
Provision for taxation	10.12	1.45	8.67	596.91%
	49.13	40.25	8.87	22.05%
Contingencies and Commitments	-	-		
Total Equity and Liabilities	**962.85**	**924.36**	**38.49**	**4.16%**

ASSETS			-	
Non-Current Assets			-	
Property and equipment	18.82	19.89	(1.07)	(5.36%)
Deferred taxation	-	-		
	18.82	19.89	(1.07)	(5.36%)
Current Assets			-	
Trade and other receivables	303.01	191.74	111.27	58.03%
Advances, deposits and prepayments	410.81	405.84	4.97	1.23%
Short term Investments	-	200.00		0.00%
Cash and bank balances	230.21	106.89	123.31	115.36%
	944.03	904.47	39.56	4.37%
Total Liabilities	**962.85**	**924.36**	**38.49**	**4.16%**

Source: Audited Financial Statements of PRACS

Following results have been inferred from analysis of financial statements:

i) The decline in current ratio from 22:1 to 19:1 as compared to previous year is due to utilization of Rs 200.00 million from short term investment for payment of salaries to employees of the organization which shows that the company is not in a position to pay salaries to its employees.

ii) The amount invested for the payment of CP Fund and gratuity of the employees has been withdrawn from bank, it shows adverse effect on going concern of the organization.

iii) The outstanding receivables since many years of Rs 191.73 million has not been received so far.

iv) According to AGP letter No. 388/43-R&SD/SOP/2007/Pt dated 17.10.2022 the appointment of chartered accountant in Public Sector companies required concurrence of AGP but Fazal Mahmood & Co was working as chartered accountant of the PRACS without concurrence.

B) PAKISTAN RAILWAY FREIGHT TRANSPORT COMPANY (PRFTC)

PRFTC was established on 8th January, 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 & hoppers wagons) or to bring in any other private investment in Railway system as and when required.

(i) Comparative analysis of Profit & Loss Account of PRFTC:

PRFTC earned net profit of Rs 53.423 million after tax during the FY 2021-22, Last year the company earned net profit of Rs 80.979 million after tax. This state of affair shows that the net profit of the company after tax had decreased by Rs 27.556 million (34.03%) as compared to previous year.

Profit and Loss Account of PRFTC (FY 2020-21 and 2021-22)

(Rs in millions)

Particulars	2021-22	2020-21	Variation	% age
Revenue	120.00	124.00	4.00	(3.23%)
Cost of revenue	(55.933)	(46.027)	(9.906)	21.52%
Gross profit	**64.067**	**77.973**	(13.906)	(17.83%)
Administrative and general expenses	(20.312)	(8.119)	12.193	150.18%
Other income	31.532	28.961	2.571	8.88%
Financial charges	(0.050)	(0.046)	0.004	8.01%
Profit before taxation	**75.237**	98.769	(23.532)	(23.83%)
Taxation	(21.814)	(17.790)	4.024	22.62%
Profit after taxation	**53.423**	**80.979**	**(27.556)**	**(34.03%)**

Source: Financial Statements of PRFTC

The figures appearing in the Profit & Loss Account of PRFTC indicated the following facts:-

i) Net profit of the company has drastically decreased by Rs 27.55 million (34%) as compared to preceding year. This was due to major increase in cost of revenue and increase in administrative and general expenses which shows that company is not managing its operations efficiently and resources of the company are being miss-utilized.

ii) The cost of revenue of the company has increased by 10 million (21.52%) as compare to the previous year, on the other hand, the revenue of the company has also declined by 4 million (3.23%)

iii) The gross profit of the company has decreased by 13.91 million (17.83%) as compare to the preceding year which is alarming situation for the company.

iv) Administrative and general expenses of the company have increased by Rs 12.19 million (150%) as compared to previous year despite of the fact that average no of employees in the company have reduced by 91 Nos (56%). This indicates that the company remained unable to control the expenditure in spite of laying off employees.

(ii) Balance Sheet of PRFTC (FY 2020-21 and 2021-22)

(Rs in millions)

Particulars	**2021-22**	**2020-21**	**Variation**	**% age**
Fixed assets	35.225	17.239	17.986	104.33%
Long term loans	3.042	2.147	0.896	41.72%
CURRENT ASSETS				
Trade and other receivables	650.968	530.968	120.00	22.60%
Loans and advances	56.701	32.329	24.372	75.39%
Cash and bank balances	321.893	411.540	(89.648)	(21.78%)
Total	**1,067.83**	**994.22**	73.61	7.40%
Issued, subscribed and paid-up share capital	0.0001	0.0001	-	-
Share deposit money	9.999	9.999	-	-
Un-appropriated profit	490.617	437.193	53.423	12.22%
Financial liabilities	-	506.972	(506.972)	(100%)
Deferred taxation	0.207	0.234	(0.027)	-
Trade and other payables	5.038	3.507	1.531	43.66%
Financial liabilities	503.809	-	503.809	
Provision for taxation	58.157	36.316	21.841	60.14%
Total	**1,067.83**	**994.22**	**73.61**	**7.40%**

The figures appearing in the Balance Sheet of PRFTC indicated the following facts:

i. The Trade/Account receivable of the company has drastically increased by 120 million (22.60%). This shows that the receivables are not being timely liquidated. Out of total receivables of Rs 650.968 million an amount of Rs 410.97 million overdue by more than one year.

ii. Non-current liabilities of the company Rs506.97 million were converted into current liabilities. This amount shows balance payable on the account of Yousafwala project which was already completed.

iii. According to AGP letter No. 388/43-R&SD/SOP/2007/Pt dated 17.10.2022 the appointment of chartered accountant in Public Sector companies required concurrence of AGP but Fazal Mahmood & Co was working as chartered accountant of the PRFTC without concurrence.

C) COMMENTS ON THE FINANCIAL STATEMENTS OF RAILCOP

The financial statements of Railcop have not been approved and provided to Audit till finalization of this report. Therefore, comments on the accounts of RAILCOP have not been offered.

2.2 AUDIT PROFILE OF PAKISTAN RAILWAYS

(Rs in million)

Sr. #	Description	Total Nos.	Audited	Expenditure audited FY 2021-22	Revenue/ Receipts audited FY 2021-22
1	Formations	28	28	46,990.36	5,957.88
2	Assignment Accounts SDAs Etc. (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

2.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 71.16 billion were raised in this report during the current audit of Pakistan Railways and its subsidiary companies. This amount also includes recoveries of Rs 9.888 billion pointed out during 2021-22. Summary of the audit observations classified by nature is as under:

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(Rs in million)

Sr. No.	Classification	Amount
1.	Fraud / Misappropriation of Government money	45.147
2.	Management of Civil Works	200.04
3.	Procurement Management Issues	3,169.81
4.	Inventory and Store Management	1,117.18
5.	Governance and Administrative Management	22,670.06
6.	Management of Account in commercial banks	851.80
7.	Governance issues in PSDP and Development of Infrastructure	21,943.26
8.	Railway Track and rolling stock	841.34
9.	Financial mismanagement issues	10,498.40
10.	Revenue Management	9,828.19
Total		**71,165.23**

2.4 Brief Comments on the Status of Compliance with PAC directives as on 31.12.2022

Audit Year	Total Paras	Total No. of Actionable Points	Compliance received	Compliance not received	Percentage of compliance
1985-86	34	34	23	11	68%
1986-87	29	29	25	04	86%
1987-88	31	31	19	12	61%
1988-89	19	19	10	09	53%
1989-90	41	41	28	13	68%
1990-91	42	42	38	04	90%
1991-92	36	36	24	12	70%
1992-93	99	13	04	09	31%
1993-94	67	67	49	18	73%
1994-95	123	123	79	44	64%
1995-96	153	21	13	08	62%
1996-97	65	05	0	0	0%
1997-98	56	07	07	0	100%
1998-99	50	28	03	25	11%
1999-00	58	56	34	22	61%
2000-01	48	48	28	20	58%
2001-02	28	28	11	17	39%
2003-04	24	11	03	08	27%
2004-05	22	22	17	05	77%
2005-06(A)	46	46	32	14	70%
2006-07	34	34	16	18	47%
2007-08	68	29	07	22	24%
2008-09	101	101	45	56	44%
2009-10	151	08	01	07	12%
2010-11	88	14	01	13	07%
2011-12	97	07	0	07	0%
2012-13	73	04	0	04	0%
2013-14	59	57	0	57	0%
2014-15	85	20	0	20	0%
2015-16	84	39	0	39	0%
2016-17	49	05	0	05	0%
2017-18	70	16	0	16	0%
2018-19	79	07	0	07	0%
2019-20	114	12	0	12	0%
2020-21	23	0	0	0	0%

The above data depicts that compliance of PAC directives remained in the range 11% to 100% during the period of 1985-2000 except for the 1996-97. However, after the year 2000 with few exceptions, there has been a continuous downward trend of compliance of PAC directives till 2021. Non-compliance of PAC directives is challenging the course corrective measures on the part of PR resulting in recurrence of irregularities of similar nature.

2.5 Audit Paras

As a result of Compliance Audit, 87 Audit Paras worth Rs 71.16 billion have been developed and segregated into following ten categories.

Fraud and Serious Irregularities

This category deals with issues regarding fraud and serious irregularities involving one (01) audit para worth Rs 45.147 million.

2.5.1 Loss due to theft/misappropriation of material– Rs 45.147 million

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

During audit of 13 different formations, it was observed that various types of material was misappropriated/stolen due to non-booking, non-acknowledgement from the recipient and physically found short in stores. This occurred due to negligence and poor inventory management. This resulted in loss of Rs 45.147 million to Pakistan Railways (**Annexure-H).**

The matter was taken up with the management in August and September 2022 and also discussed in DAC meetings except Sr. No. 10. DAC has directed PR management to submit comprehensive reply. (Detail directives **Annexure-H**).

This issue had already been highlighted in previous Audit Reports through 09 Audit Paras having cumulative financial impact of Rs 6,045.20 million. (AP No.2.4.2, 2.4.3& 2.4.9/2017-18, 2.4.6/2018-19, 2.5.3 &2.5.7/2019-20, 2.5.14/2020-21 and 2.5.37& 2.5.55/2021-22).

Audit recommends that matter be probed to fix responsibility for misappropriation/theft of material. Action be taken against those held responsible besides recovery of the amount involved under intimation to

Audit. The amount of loss should be booked in Financial Statements of Pakistan Railways.

Management of Civil Works

This category deals with issues in civil works involving three (03) audit paras worth Rs 200.04 million.

2.5.2 Less recovery of charges on account of construction and NOC of level crossing – Rs 132.037 million

According to clause IX of Railway Policy dated 23.02.2019 regarding construction of new level crossings on the railway network or conversion of an existing un-manned level crossing or its shifting from one place to other place into manned level crossing, in case the sponsoring agency is Non-Government (like Housing Society, Oil Depot and Manufacturing units etc.) the request of such sponsoring agency will be examined by the divisional committee. The committee will submit the recommendations along with charges to be fixed, keeping in view the market value of land and the financial benefits expected to be gained by the sponsor agency.

During audit of Civil Engineering Department, Headquarters Office, Lahore in August 2022, it was observed that Railway management accepted share of Rs 30.213 million only on the request of a private sponsor i.e. M/s MAZ Developers in September 2021 for giving passage (right of way) to its housing society. It was in complete disregard to the share assessed by Divisional Assessment Committee which was Rs 160.250 million. Furthermore, an amount of Rs 2.00 million was less recovered on account of one time No Objection Certificate fee in terms of decision taken in 10th meeting of Senior Management Committee dated 22.04.2021, wherein, it was decided to recover an amount of Rs 4.00 million from the sponsor as the Sialkot city falls under the major cities as per NHA list of major & minor cities. Thus, PR suffered loss of Rs 132.037 million (Rs 160.250 million – Rs 30.213 million = Rs 130.037 + 2.00 million=Rs 132.037) due to irregular and irrational fixation of construction, lease rental charges of level crossing No. 23-A for a housing society and NOC fee.

The matter was taken up with the formation in August 2022 and also discussed in DAC meeting held on 27.12.2022. DAC directed that the PO (CEN/OL) should submit comprehensive response along-with documentary evidence to Audit within one week. Compliance of DAC directives was awaited.

Audit recommends that matter of irrational fixation of construction and lease rental charges of level crossing against the policy may be referred to an investigating agency and fix responsibility against the persons held responsible. Internal controls be strengthened to avoid lapses of such type in future.

DP#11880

2.5.3 Loss due to non-completion of projects in stipulated period of time – Rs 58.298 million

Para 1.1 of guidelines for project management by Planning Commission Govt. of Pakistan states that the project management should ensure that the project is implemented with due diligence to achieve planned objectives within approved cost and time frame.

During audit of Railway Constructions Pakistan Limited (RAILCOP), it was observed that management of Railcop undertook different projects which could not be completed within stipulated time. Thus, Railcop suffered a loss Rs 58.298 million.

(Rs in million)

Sr. #	DP#	Name of Work	Start date	Completion date as per agreement	Actual completion date	Delay (in months)	Amount of loss
1	11744	Construction of Admin Block-1 Air University Multan Campus	03.07.2018	03.01.2020	30.07.2021	18	41.461
2	11741	Construction of Regional Blood Centre, Islamabad,	15.05.2019	12.02.20200	31.05.2021	15	8.083
		Government Degree College for Women Rawalpindi	04.05.2019	03.02.2020	03.03.2022	24	6.996
		Dry port Azzakhel, Nowshera	14.03.2019	13.03.2020	15.06.2021	15	1.758
Total							**58.298**

The issue was taken up with the management in March 2022 and discussed in DAC meeting on 04.10.2022. DAC directed that Audit Committee of Railcop should review the entire project management process and practices in Railcop. The committee should identify key gaps, propose corrective measures and fix responsibility, where required. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for delay in completion of projects. Amount of loss be recovered from those held responsible and internal controls be strengthened to avoid recurrence.

2.5.4 Execution of substandard work - Rs 9.707 million

Para 4 of Pakistan Railways Headquarters office Lahore letter No.56-W/564(DUP)RWP(W.IV) dated 02-02-2009 states that the earth work for embankment must be done in specified layers and mechanically compacted as per specifications and tender conditions. The compaction tests be carried out for each layer at regular intervals as specified and test reports must be available at site.

During audit of the Civil Engineering Department, Peshawar in August 2022, it was observed that earthwork along with allied works for embankment of track on Nowshera – Dargai section was carried out at a cost of Rs 9,706,862 by M/s AQ Builders PVT (Ltd) Mardan. The earth work was neither mechanically compacted nor got tested up to 95% modified AASHTO for each layer in violation of the rule ibid. Audit further observed that as per measurement book, shrinkage charges @ 10% were deducted for earth work which showed that the work was not mechanically compacted in clear violation of aforementioned directives and was done by manual labour. This depicted that undue favour was granted to the contractor by executing the substandard work.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 07.02.2023. DAC directed that the PO (CEN/OL) should submit comprehensive reply alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that matter be investigated to fix responsibility for execution of substandard earth work without mechanical compaction and desired test. Desired tests be carried out and faults be removed under intimation to Audit.

DP#11981

Procurement Management Issues

This category deals with issues in procurement involving thirteen (13) audit paras worth Rs 3,169.81 million.

2.5.5 Loss on account of devaluation of local currency due to delay in finalization of bid – Rs 2,065.478 million

PC-I for procurement/manufacture of 820 High-Capacity bogie wagons and 230 passenger carriages was approved by ECNEC on 24.11.2017 at a cost of Rs 9,481.716 million including FEC of Rs 6,258.640 million and Rs 21,712.284 million including FEC Rs 15,881.188 million respectively. The FEC amount of the PC-I was worked out @ Rs 104 per US$. The target date for completion of the project was 48 months.

During audit of the Project of Procurement/manufacture of 820 High-Capacity Bogie Wagons and 230 passenger carriages Mughalpura, Lahore and Carriage Factory Islamabad in September 2022, it was observed that Pakistan Railways suffered a loss of Rs 2,065.478 million on account of devaluation of Pak Rupee. The PC-I of the project was approved on 24.11.2017. However, international tendering process took more than three and half years to mature and was finalized in 2021. Therefore, PR had to pay extra amount on account of devaluation of Pakistani Rupee. This caused loss to PR.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 27.12.2022. The DAC directed that the PO should come-up with a comprehensive response having full justification of the delays along-with documentary evidence within 15-days. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for delayed finalization of bidding process. Internal controls be strengthened to avoid recurrence.

DP#11916

2.5.6 Irregular award of contracts and short recovery of security deposit – Rs 721.925 million

Para 3 of PPRA's letter dated 26.08.2022 clarifies that imposing the prerequisite of enlistment/registration of the bidder to participate in procurement process is not permissible under procurement regulatory framework. Since such practices defeat the spirit of principles of procurement i.e. fair and transparent procurement. In addition, enlistment polarize the market, prevent new entrants, discourage competition and encourage cartelization and collusive practices. The National Accountability Bureau (NAB) after consultation with Public Procurement Regulatory Authority (PPRA) issued instructions vide letter No.5-2(75) Pre/A&P/NABHQ/2013 dated 08.01.2014 that registration or enlistment of contractors by a procuring agency is not needed under PPRA Rules 2004 nor any charging of fee on this account is admissible and this practice should be stopped forthwith as it supports corrupt practices.

During audit of Carriage Factory Islamabad (CFI) in October 2022, it was observed that procurement contracts worth Rs 721,925,222 were irregularly awarded to the firms registered with Pakistan Railways in violation of instructions ibid. Audit further observed that these firms were got enlisted/registered after deposit of certain amount of standing security with Pakistan Railways and were given exemption from depositing bid security as well as performance security amounting to Rs 29,525,555. This showed that undue favor was extended to the firms registered with PR which not only caused mis-procurement but also resulted into short recovery on account of bid security and performance security.

This mater was taken up with the management in October 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC took serious view of such practices and directed that an inquiry headed by Member Finance and AGM/Traffic should be conducted within one week. The inquiry committee should review the entire procurement process and recommend course corrective measures in line with the PPRA Rules. The report should be submitted to Audit latest by 13th February, 2023. Compliance of DAC directives was awaited.

Audit recommends that PPRA Rules and guidelines be followed in letter and spirit. Amount involved be recovered and responsibility be fixed for mis-procurement.

DP#12046

2.5.7 Mis-procurement due to non-inclusion of members from Planning Commission and Finance Division – Rs 207.97 million

Para 4-A of S.R.O 827(I)/2001 dated 3rd December, 2001 issued by the Ministry of Commerce provides that in case of international tender (if floated), public sector enterprises and corporate entities will ask for prices for proper comparisons with locally manufactured products. In case of those international tenders where price is quoted on FOB basis the landed cost factor would be determined by a committee with members from Planning Commission (Financial Analyst), Finance Division & Nominee from Procuring agency buying the goods. Para 5 of the above said order further states that public sector agencies shall comply with all directives of the Chief Executive of the Islamic Republic of Pakistan, decisions of the ECC of the Cabinet and government policy on promotion of indigenization and import substitution.

During audit of the Chief Controller of Purchases, Pakistan Railways, Lahore in October 2022, while examination of tenders floated on FOB basis, it was observed that no committee was constituted with members from Planning Commission, Finance Division & Nominee from PR in violation of above directives. This resulted in irregular procurement of Rs 207.97 million due to non-compliance of the directives of Ministry of Commerce and clear negation of the public policy for promotion of indigenization and import substitution.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed that the PO (CCP) should submit comprehensive response covering at least applicability of the concerned SRO on Railways in terms of its legal status, and specific points raised by the audit alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for non-compliance of directives of the Ministry of Commerce. Action be taken against those held responsible besides strengthening internal controls to avoid recurrence.

DP#11971

2.5.8 Procurement of Stone Ballast without tendering – Rs 62.059 million

Rule 12 (2) of PPRA Rules-2004 provides that all procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or in at least one English and Urdu newspapers having wide circulation.

During the audit of Railcop in February 2022, it was observed that Railcop purchased stone ballast for various projects on the basis of three quotation method. The procurement should have been made through open competitive bidding as the amount involved in below mentioned procurement cases was more than three (03) million rupees. This resulted in irregular procurement of ballast and reflected weak internal controls.

Sr. #	Project	Supplier	Quantity (cft)	Amount (Rs)
1	Ballast Supply at Lodhran	Zulfiqar Ali Stone Supplier	834,000	29,238,512
2	Ballast Supply at Mirpur Mathelo	Zulfiqar Ali Stone Supplier	503,500	18,856,718
3	Ballast supply at Samma Satta	Zulfiqar Ali Stone Supplier	250,000	9,551,084
4	Ballast supply at Peerak	MashaAllah Crush Plant	180000	4,412,898
	Total			**62,059,212**

The matter was taken up with the management in March 2022 and discussed in DAC meeting on 04.10.2022. The DAC directed that the procurement committee of Railcop should review the entire project management process and practices in Railcop. The committee should identify key gaps, propose corrective measures and fix responsibility, where required. Compliance of DAC directives was awaited.

Audit recommends that DAC directives be complied with and matter be probed to fix responsibility for irregular procurement of Stone Ballast.

DP # 11743

2.5.9 Procurement of substandard material/equipment – Rs 29.80 million

Clause TP-2.1, specification and technical provisions regarding quality of stone ballast of contract agreement dated 07.10.2021 between Pakistan Railways and M/s Ch: Muhammad Sharif Contractor provides that the quality of the rock and crushing process shall be such as to obtain polyhydric shape with similar dimensions in all directions to avoid elongated/flaky ballast. Further, Clause TP-3 provides that the elongation index of stone ballast should be less than 20%. Furthermore, 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.

During audit of different formations of Pakistan Railways, in August and September 2022, it was observed that Railway management procured different kinds of material having wrong specification as detected after conducting requisite test as well as intimated by inspecting team/ consumers. This resulted in loss of Rs 29.80 million due to procurement of defective/ substandard material/equipment.

(Rs in million)

Sr. #	DP#	Formation	Description	Amount
1	11837	Civil Engineering Department, Pakistan Railways, Lahore	Procurement of substandard crushed stone ballast having higher ratio of elongation index test	19.95
2	12053	Project of “Procurement of 75 DE Locomotives	Defective/ sub-standard R.O plants	9.851
Total				**29.801**

The matter was taken up with the management in August and September 2022. Matter at Sr. No. 1 was discussed in DAC meeting held on

27.12.2022. The PO endorsed the audit observation. DAC directed the PO (CME/Loco) to conduct a fact finding inquiry within two weeks in order to initiate a disciplinary action against the responsible. The inquiry report should be submitted latest by 10.01.2023. Matter at Sr. No. 2 was also discussed in DAC meeting held on 24.01.2023. DAC directed that the PO should submit comprehensive reply duly certified alongwith documentary evidence within one week to Audit for examination. Compliance of DAC directives was awaited.

Audit recommends that matter be probed for procurement of substandard material/items besides fixing responsibility on the person(s) found at fault.

2.5.10 Unjustified payment of profit margin to Railcop – Rs 15.441 million

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

During audit of Civil Engineering Department, Headquarters Office, Lahore in August 2022, it was observed that Pakistan Railways suffered loss on procurement of spare parts for Ballast cleaning machine. The procurement was made by M/s Railcop on behalf of Pakistan Railways with an amount of Rs 102.945 million for which contract was awarded to M/s Waris International in March 2021 being representative of the Original Equipment Manufacturer (OEM) with free of charge fitting. However, an amount of Rs 15.441 million was paid to M/s Railcop on account of 15% profit margin in addition to the original purchase price. Audit is of the view that profit margin paid to M/s Railcop was unjustified as Railcop did not make any value addition and fitting of the parts was free by the OEM. This caused loss to PR.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 06.01.2023. DAC directed the PO to submit a comprehensive reply duly supported with documentary evidence and endorsed by the PO within one week. Compliance of DAC directives was awaited.

Audit recommends that matter be inquired for unjustified payment of profit to Railcop and responsibility be fixed. Amount involved be recovered besides strengthening internal controls.

DP#11879

2.5.11 Irregular procurement of material from un-registered suppliers and non-deduction of sales tax – Rs 13.250 million

Para (i) of Ministry of Railways letter No.FD/DDF/Sales Tax / 2013 dated 05.08.2013 provides that purchase of taxable goods may only be made from sales tax registered persons. Further, Rule (3) of SRO 603 (I) / 2009 dated 25th June, 2009 stipulates that “a withholding agent, including a person registered in a Large Taxpayers Unit and a recipient of advertisement services, who purchases goods and services from unregistered person, shall deduct sales tax at the applicable rate of the value of taxable supplies made to him from the payment due to the supplier”.

During the audit of Railcop in March 2022, while reviewing the local purchases/vouchers of RBC project Faisalabad, it was observed that procurement valuing Rs 11.325 million was made through various local purchase cases from suppliers/firms who were not registered with Sales Tax Department. The procurements were required to be made from sellers/firms registered with Sales Tax Department and GST @ 17% valuing Rs 1.925 million should have been deducted whereas Project management did not follow the above quoted rules. This indicated failure of internal financial controls and negligence of management which resulted in incurrence of irregular expenditure of Rs 11.325 million and loss to Government exchequer amounting to Rs 1.925 million.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting on 04.10.2022. DAC directed that the PO should submit a comprehensive reply along with documentary evidence within one week. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 04 Audit Paras having cumulative financial impact worth Rs 451.83 million. (AP No. 2.4.49/2017-18, 2.4.57/2018-19, 2.5.70/2019-20 and 2.5.34/2021-22).

Audit recommends that DAC recommendations be complied with, matter be probed to fix responsibility for procurement of material from unregistered firms and non-deduction of sales tax.

DP # 11748

2.5.12 Procurement of non-proprietary products directly from National Development Complex (NDC) – Rs 11.250 million

Rule 42 of PPRA Rules 2004 provides that procuring agency shall only engage in direct contracting if the following conditions exist, namely (i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier: Provided that the same are not available from alternative sources (ii) only one manufacturer or supplier exists for the required procurement. Moreover, the procuring agencies shall specify the appropriate forum, which may authorize procurement of proprietary object after due diligence.

During audit of Chief Controller of Purchases, Pakistan Railways, Lahore in October 2022, it was observed that direct contracting was made with M/s National Development Complex, Islamabad for supply, installation, testing and commissioning of 05 No. of Train Approaching Warning System.

Two firms namely M/s Metal Paint Products (Pvt) Ltd (MPPL) and M/s National Development Complex (NDC) furnished Proprietary Certificate. This indicated that Train Approaching Warning System was not a proprietary product. However, contract valuing Rs 11.250 million was awarded to NDC on the directions of Secretary/Chairman, Ministry of Railways without tender/fair competition. Furthermore, neither performance guarantee of Rs 1,125,000 was obtained from M/s NDC nor material was inspected by the competent forum i.e. District Controller of Purchase (Inspection) (DCP/I). The receipt and issuance of said items were also not available in Material Accounting System (MAS). This resulted in irregular award of contract for non-proprietary products by extending undue favor to NDC.

The matter was taken up with the management in October 2022 but no reply was received. This para could not be discussed in DAC meeting despite repeated requests.

Audit recommends that matter be enquired at an appropriate level to fix responsibility for irregular award of contract on direct contracting basis for an item that was not a propriety item.

DP#12044

2.5.13 Procurement of wood of incorrect specification – Rs 10.489 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 Chief Controller of Purchases, Headquarters Office, Lahore in October 2022, it was observed that CCP office placed two Purchase orders valuing Rs 7,032,825 and Rs 3,456,450 upon M/s Wood Link, Lahore and M/s Dastgir Traders Lahore respectively for procurement of soft deodar wood. The wood was required for repair of German coaches under the project of Special Repair of 600 Coaches and 1200 Wagons. Both the suppliers tendered the supply of wood and the same was inspected by District Controller of Purchase/Inspection Mughalpura. The wood was rejected on the basis of incorrect specifications. The CME/C&W also highlighted that earlier wood was also procured on same specification. This resulted in procurement of wood of incorrect specification valuing Rs 10,489,275 (7,032,825 + 3,456,450) due to severe negligence of Railways management as they had given incorrect specification in tenders and purchase orders.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed that the PO (CCP) should submit comprehensive reply alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

This issue had already been highlighted through Audit Para No. 2.4.50/2018-19 worth Rs 26.52 million.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for procurement of wood of incorrect specifications.

DP#11980

2.5.14 Loss due to inordinate delay in procurement of Hydraulic Oil – Rs 10.338 million

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

During audit of the Chief Controller of Purchases, Pakistan Railways, Lahore in October 2022, it was observed that Chief Mechanical Engineer /Loco Pakistan Railways Lahore requested the CCP office Lahore vide letter dated 07.09.2021 to place order to M/s PSO Karachi at the earliest for supply of Hydraulic Lubricating Oil Shell Tellus 33 under the Rate Running Contract (RRC) with PSO. Only 61,320 liters Hydraulic Lubricating Oil Shell Tellus 33 was available over the Railway system on 13-07-2021 against minimum stock level of 66,666 Liters. CCP office delayed the case for want of purchase requisition from CCS office which was received on 03-12-2021 and supply order for 100,000 Liters oil was issued by CCP office on 15-12-2021 which was negligence on the part of both the offices. Meanwhile, M/s PSO increased the price of oil from 159.31/liter to Rs 262.69/liter under Rate Running Contract (RRC) w.e.f. January 2022. Audit was of the view that had the both offices acted vigilantly and placed the purchase requisition without any delay i.e. just after receipt of letter from CME/Loco office, Pakistan Railways could have saved of Rs 10,338,000 (262.69-159.31 x100,000) on account of enhanced rate. This resulted in loss to Pakistan Railways due to inordinate delay in placing of purchase order upon CCP office and delay in procurement of Hydraulic Lubricating Oil.

The matter was taken up with management in October 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed that the PO (CCP) should submit comprehensive reply alongwith documentary evidence covering at least the demand, consumption patterns, actual requirements and reform plan recently introduced in the entire procurement regime within one week. Compliance of DAC directives was awaited.

Audit recommends that matter be inquired to fix responsibility for negligence. Action be taken against those held responsible under intimation to Audit. Internal controls be strengthened to avoid such recurrence.

DP# 11979

2.5.15 Procurement of diesel generator set from 3rd lowest bidder – Rs 9.729 million

Rules 40 (1) of PPRA Rules-2004 stipulates that without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder (with a view to streamline the work or task execution, at the time of contract finalization) on methodology, work plan, staffing and special conditions of the contract.

During audit of Project Director, Railcop Multan in February 2022, it was observed that Railcop agreed to procure a Diesel Generator set of 400kva for Air University Multan Campus. The PD Railcop invited tenders for the DG set for which lowest bidder quoted the price of Rs 7.740 million. However, Railcop neither accepted the lowest offer of Rs 7.740 million nor the second lowest offer of Rs 9.735 million. The offer of a third firm named as S.M Jaffar & Co was accepted who originally offered price of Rs 12.085 million. However, on the basis of negotiations the contract was finalized at Rs 9.729 million. This was irregular as the procurement was made from 3rd lowest bidder. This occurred due to weak internal controls.

The matter was pointed out to the formation in March 2022 and discussed in DAC meeting on 04.10.2022. DAC directed that the procurement committee of Railcop should review the entire project management process and practices in Railcop. The committee should identify key gaps, propose corrective measures and fix responsibility, where required. Compliance of DAC directives was awaited.

This issue had already been highlighted through Audit Para No.2.5.18/2019-20 worth Rs 555.96 million.

Audit recommends that DAC recommendations be complied with, matter be probed to fix responsibility for irregular procurement. Internal controls be strengthened to avoid recurrence.

DP # 11746

2.5.16 Defective evaluation of bidders – Rs 7.895 million

According to clause 13 of Evaluation Criteria the bidder shall attach warranty certificate in original from manufacturer with technical proposal. Moreover, clause14 provides that the bidder shall provide authority letter in original in favor of the principal from manufacturer with technical proposal. Clause 15 further provides that the bidder shall provide warranty certificate in original in terms of performance warranty indicated in specifications from manufacturer with technical proposal.

During audit of the Chief Controller of Purchases Pakistan Railways Lahore in October 2022, it was observed that a tender was floated on 05.01.2022 for procurement of 4000 Liters Traction Motor Gear Case Oil for GEU-20 Locomotives, GE Specification D50E8C-CITGO Jet Petroleum. Four bidders were irregularly technically qualified as none of them had submitted warranty certificate and authority letter from OEM in violation of the clause ibid. This reflected that none of them was the authorized representative of Original Equipment Manufacturer (OEM), CITGO Petroleum USA. The contract was awarded to the lowest bidder, M/s Albario, Lahore the local agent of M/s Webtec Transportation Systems USA on 26.05.2022 despite the fact that M/s Abario, Lahore declined to provide the manufacturer warranty certificate and Mil Test Certificate at the time of delivery of material. Purchase Order No. 10/0002/01-0/1-2019 dated 10.06.2022 valuing Rs 7.895 million was issued in favor of M/s Albario, Lahore the local agent of M/s Webtec Transportation Systems USA by misstating the fact that the said firm was the manufacturer of the material. This resulted in irregular procurement of material.

The matter was taken up with the management in October 2022. It was replied that M/s Webtec was the manufacturer of the locomotives for which the Traction Motor Gear Case Oil was purchased. Therefore, M/s Webtec was the OEM in this case. The reply was not acceptable as M/s Webtec was the manufacturer of locomotives and not of Traction Motor Gear

Case Oil i.e. D50E8C-CITGO Jet Petroleum. The OEM in this case was M/s CITGO Petroleum USA instead of M/s Webtec. This para could not be discussed in DAC meeting despite repeated requests.

Audit recommends that matter be enquired to fix responsibility for irregular procurement from other than OEM. Action be taken against those held responsible under intimation to Audit. Internal controls be strengthened to avoid recurrence.

DP#12045

2.5.17 Loss on account of procurement of material at higher rate – Rs 4.184 million

Rule 4 of PPRA Rules 2004 provides 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 of money to the agency and the procurement process is efficient and economical.

During audit of Carriage Factory, Islamabad (CFI) in October 2022, it was observed that tenders for procurement of molded Foam (06 items) opened on 04.06.2020 was filed due to higher rates. However, the material was purchased vide purchase order dated 11.02.2021 at rates which were higher than the rates of previously filed tender dated 04.06.2020 causing loss of Rs 1,800,600. Similarly tenders for procurement of M.S. Channel opened on 26.08.2021 was also filed due to higher rates but the same was purchased vide purchase order dated 06.04.2022 at rates which were higher than the previously filed tenders. This resulted in loss of Rs 1,954,194. Audit further observed that material was also procured through different purchase orders at rates which were even higher than the local market rates which resulted into loss of Rs 429,696. Thus, PR sustained loss of Rs 4,184,490 (1,800,600 + 1,954,194 + Rs 429,696) due to injudicious decision of management by procuring the material at higher rates.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC directed that the PO (MD/CFI) should submit a comprehensive response with regard to specific audit observation. In addition, the procurement patterns of respective contractors should also be provided. All relevant documentary evidence duly endorsed by the PO should be submitted to Audit within one week. Compliance of DAC directives was awaited

This issue had already been highlighted in previous Audit Reports through 03 Audit Paras having cumulative financial impact of Rs 629.18 million. (AP No. 2.4.48/2017-18, 2.4.59/2018-19 and 2.5.87/2019-20).

Audit recommends that responsibility for loss be fixed. Action be taken against those held responsible besides recovery of loss involved. Internal controls be strengthened to avoid recurrence.

DP#11968

Inventory and Store Management

This category deals with issues in inventory and store management involving five (05) audit paras worth Rs 1,117.186 million.

2.5.18 Non-disposal of scrap – Rs 866.955 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 ten (10) different formations of Pakistan Railways from August to November 2022, cases of accumulation of scrap were observed due to non-disposal of scrap which resulted in blockage of capital amounting to Rs 866.955 million (**Annexure-I)**.

The matter was taken up with the management from August to November 2022 and also discussed in DAC meetings. DAC has directed PR management to submit comprehensive reply. (Detail directives **Annexure-I**).

This issue had already been highlighted in previous Audit Reports through 05 Audit Paras having cumulative financial impact of Rs 2,842.26 million. (AP No. 2.4.36/2017-18, 2.4.39/2018-19, 2.5.57/2019-20, 2.5.8/2020-21 and 2.5.29/2021-22).

Audit recommends that expedient action for proper disposal of scrap be taken. Responsibility for unnecessary retention of scarp be fixed. Remedial measures be adopted to avoid recurrence.

2.5.19 Unnecessary procurement resulting in blockage of capital – Rs 179.773 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 six (6) different formations of Pakistan Railways from August to October 2022, unnecessary procurement and non-utilization of material was observed. The material was neither utilized by the consumers nor was any efforts made to dispose-off the same. This resulted in blockage of capital of Rs 179.773 million due to unnecessary procurement, non-utilization and non-disposal of material (**Annexure-J)**. This showed poor inventory management by Pakistan Railways.

The matter was taken up with the management from August to October 2022 and also discussed in DAC meetings. DAC has directed PR management to submit comprehensive reply and in few cases constituted inquiry committees (Detail directives **Annexure-J**).

This issue had already been highlighted in previous Audit Reports through 04 Audit Paras having cumulative financial impact of Rs 7,552.74 million. (AP No. 2.4.34/2017-18, 2.4.43/2018-19, 2.5.22/2019-20 and 2.5.28/2021-22).

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

2.5.20 Loss due to non-replacement of wrong/defective material – Rs 51.484 million

Para 761 of Pakistan Railways Code for the Stores Department stipulates that store 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 material supplied was either defective or of wrong specifications. Railways management made payment for defective material valuing Rs 51.484 million as detailed below. Moreover, the wrong/defective material was not replaced due to negligence of PR management.

(Rs in million)

Sr. #	DP. #	Formation	Audit Period	Description	Amount
1	11765	Central Diesel Locomotive Workshops, Rawalpindi	August, 2022	Warranty claims of defective locomotives parts	46.90
2	11970	Pakistan Railways, Carriage Factory, Islamabad	August, 2022	Rejected material	1.896
3	12036	Mechanical Department Pakistan Railways Karachi	August, 2022	Warranty claims of defective locomotives parts	1.459
4	12037	Mechanical Department Pakistan Railways Karachi	August, 2022	Warranty claims of defective locomotives parts	1.229
Total					**51.484**

The matter was taken up with the management in August, 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed that the PO should submit comprehensive reply alongwith documentary evidence duly certified by the PO within one week to Audit for examination. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 05 Audit Paras having cumulative financial impact of Rs 2,930.85 million. (AP No. 2.4.13/2017-18, 2.4.20/2018-19, 2.5.16/2019-20, 2.5.7/2020-21 and 2.5.30/2021-22).

Audit recommends that the material may be got replaced immediately and responsibility be fixed for not getting the material replaced.

2.5.21 Loss due to non-installation of Electric Arc furnace – Rs 13.618 million

According to M/s Shaanxi Chengda Industry Furnace Make Co. Ltd letter dated 10.02.2022, the supply of Arc Furnace along-with refractory material was made in October 2018 but refractory construction of electric furnace was not carried out. The shelf life of refractory material was 6 to 18 months and the same was not useable due to expiry of more than 40 months.

During audit of Steel Shop MGPR Lahore in October 2022, it was observed that the Electric Arc Furnace was purchased vide purchase order dated 07.03.2018 including refractory material of Rs 172.563 million (1539782.40x112.07). The supply of furnace along-with allied material was received in steel shop in November 2019. The work for construction of foundation for installation of furnace was awarded in January 2022 after lapse of about 40 months. The firm M/s Shaanxi Chengda Industry Furnace Make Co. Ltd vide letter dated 22.03.2022 refused to provide masonry construction services for the available batch of refractory material being outlived its prescribed shelf life and advised for procurement/replacement of refractory material. Therefore, Railway management had to procure these items from local market. This resulted in loss of Rs 13.618 million due to the negligence of Railway management.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 06.01.2023. The DAC showed its displeasure on late commissioning of Electric Arc Furnace and non-utilization of refractory material. DAC directed the PO to submit a comprehensive reply duly supported with documentary evidence and endorsed by the PO to Audit within three weeks. Compliance of DAC directives was awaited.

Audit recommends to probe the matter and fix responsibility for delay in execution of work for construction of foundation and installation of furnace. Arrangements may also be made for resolving the issue with supplier regarding refractory material.

DP#11915

2.5.22 Loss due to expiry of material – Rs 5.356 million

According to purchase order No. 11/0005/01-0/1-2017 dated 02.05.2018 the shelf life of paint was 18 months. Further, para 1801 of Pakistan Railway General code states that every public officer should exercise the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. Means should be devised to ensure that every railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

During audit of Workshops Division MGPR in February 2022, it was observed that Railway management procured 113,050 Kgs Red Oxide Paste valuing Rs 8.140 million from M/s Royal Paint Industries, Lahore vide purchase order dated 02.05.2018. The material received in General Stores MGPR in September 2018. The management failed to utilize the available quantity of 74,395 Kgs paint and warranty period of paint expired on 30.06.2020. Later on, in July 2020, 19950 Kgs read oxide paste issued to the

AEN Bridges Rawalpindi for painting of Bridge # 82. However, the material already expired in June 2020 could not be applied on the valuable steel structure. Furthermore, remaining quantity of expired material of 46100 Kgs was issued to DSKP/C&W Shops, MGPR in November 2020 without any demand. This resulted in financial loss of Rs 5.356 million (74395 x Rs 72) due to expiry of paint and poor inventory management.

The matter was taken up with the management in February 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC took serious view for non-response on the part of PO concerned and directed that comprehensive reply alongwith documentary evidence should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends that matter be probed at an appropriate level for fixing responsibility. Amount of loss be recovered besides taking action against responsible(s). Internal controls be strengthened to avoid recurrence.

DP#11755

Governance and Administrative Management

This category deals with issues in governance and administrative management involving twenty-three (23) audit paras worth Rs 22,670.06 million.

2.5.23 Loss to PR due to non-registration of PRFTC with Punjab Revenue Authority (PRA) – Rs 7,918.024 million

Section 6.7 of the agreement between Pakistan Railways Freight Transportation Company (PRFTC) and Huaneng Shandong Ruyi (HSR) dated 07.07.2015 provides that the HSR shall pay or procure the payment all taxes relating to the coal being delivered by the transporter under this agreement and transporter shall pay or procure to pay the payment all taxes arising in respect of the transportation services. Section 3 (1) of the Punjab Sales Tax on Services Act 2012 provides that taxable service is a service listed in Second Schedule, which is provided by a person from his office or place of business in the Punjab in the course of an economic activity, including the commencement or termination of the activity. Further item # 47 of Second Schedule of the Punjab Sales Tax on Services Act 2012 provides that services in relation to transport of goods shall be chargeable to Provisional Sales Tax @ 16%.

During audit of PRFTC in March 2022, it was observed that PRFTC failed to get registered with Punjab Revenue Authority (PRA) for providing taxable services under item # 47 of Second Schedule of the Punjab Sales Tax on Services Act 2012. Therefore, PRFTC was unable to issue sales tax invoice to HSR (a Chinese firm). HSR was making payment after deducting 16 % Provincial Sales Tax at the time of payment of freight to PR. This resulted in loss of Rs 7,918.024 million to PR on account of no payment of PST @ 16% on each invoice. This occurred due to weak internal controls.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting on 07.10.2022. The DAC directed that PRFTC should submit a comprehensive response within two weeks' time. Compliance of DAC directives was awaited.

Audit recommends that DAC directives be complied with in true letter and spirit. Matter be probed whether HSR has deposited the tax deducted from freight payment to PRA or not. Responsibility be fixed for non-registration of PRFTC with PRA. PRFTC be got registered with PRA under intimation to Audit and sales tax invoices be issued to HSR.

DP # 11716

2.5.24 Expenditure without sanction from competent authority – Rs 6,147.124 million

According to Rule 13 of System of Financial Control and Budgeting–2006, the powers to sanction expenditure within the budget grants have been delegated to the administrative Ministries/Divisions. Further as per Sr. No. 9 of annexure-I of said system regarding financial powers delegated to ministries/divisions and the head of the departments, expenditure against provisions in the budget shall be sanctioned and head of departments has the full power to sanction expenditure on procurement of store and stocks, subject to observance of prescribed ceilings where applicable.

During audit of Chief Controller of Purchases Lahore in October 2022, it was observed that CCP office incurred an expenditure of Rs 6,147.124 million on account of purchases of various materials without sanction of competent authority during 2021-22. This resulted in unsanctioned/irregular expenditure of Rs 6,147.124 million as the same was incurred without sanction of competent authority.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed that the PO (CCP) should submit comprehensive reply alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for payment against various materials without getting them sanctioned from competent authority and action be taken against those held responsible. Amount involved be got regularized from competent authority under intimation to Audit. Internal controls be strengthened to avoid such recurrence.

DP#11978

2.5.25 Loss due to non-achievement of targets – Rs 1,570.805 million

According to Production Engineer Mechanical/Workshop's letter dated 19.11.2021, annual targets of production of steel shop were fixed as 16,008 M. Tons.

During audit of Steel Shop, MGPR Lahore in October 2022, it was observed that the targets of steel shop production were not achieved. There was huge gap between targets and achievements as only 17.23% targets for the year 2021-22 were achieved. This resulted into loss of potential earnings of Rs 1,570.805 million due to shortfall in achieving of annual targets. The main reason for shortfall of targets was non-installation of electric Arc furnace which was procured in 2019 but despite lapse of more than 03 years the furnace has not yet been installed.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC took serious view for non-response on the part of PO concerned and directed that comprehensive reply alongwith documentary evidence should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends to probe into the matter for fixing responsibility for non-achieving the outturn targets. Efforts be made to improve the infrastructure and efficiency to meet with the targets. Internal controls be strengthened to avoid recurrence.

DP#12043

2.5.26 Non-deduction of tax from contractors – Rs 783.949 million

In terms of Federal Board of Revenue (FBR) letter No l(42)/STM/2009/99638 dt24/7/2013 purchase of Taxable goods may only be made from sales Tax Registered (STR) persons against sales tax invoices and payment be made through Banking Channels. Moreover, Section 236-A of income tax ordinance 2001 states that any person making sale by public auction / tender of any property or goods shall collect tax including award of any lease to any person @ 10% and 15% from the filers and non-filers, respectively, for further remittance to Income Tax authorities on the day the tax is deducted.

During audit of ten (10) different formations of Pakistan Railways in September 2022, it was observed that an amount of Rs 783.949 million on account of sales tax and advance income tax was not deducted from unregistered suppliers/contractors of outsourced trains in complete disregard to above instructions (**Annexure-K)**. Audit also observed the cases of procurement from unregistered suppliers and making payment without obtaining sales tax invoices. This resulted in loss to public exchequer due to weak internal controls.

The matter was taken up with the management from February to September 2022 and also discussed in DAC meetings. DAC has directed PR management to submit comprehensive reply. (Detail directives **Annexure-K**).

Audit recommends that matter be probed to fix responsibility for procurement of items from unregistered suppliers and making payment without obtaining GST invoices as well as non-deduction of taxes. Action be taken against those held responsible besides recovery of amount from the employee concerned.

2.5.27 Irregular payment on account of overtime/ piece work profit – Rs 251.261 million

According to para 807 of Pakistan Railways General Code 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 different formations of Pakistan Railways in 2022, it was observed that overtime and Piece Work Profit was paid to the staff of Loco shop, C&W shop, Steel shop and Signal shop without any justification and performing extra work despite the fact that targets were not achieved by the staff posted in these shops. Owing to low performance, payment of overtime and piecework allowance was unjustified. This resulted in irregular payment of overtime and piecework to the employees amounting to Rs 251.261 million.

(Rs in million)

Sr.#	DP#	Formation	Description	Amount
1	11911	Mechanical Department, Pakistan Railways, Workshops Mughalpura	Overtime and Piece Work Profit was paid to the staff of Loco and C&W shops without any justification and without any	224.538

			extra work done	
2	11881	Steel Shop, Pakistan Railways, Mughalpura	Payment of overtime to workers without extra work and with achievement of 26.02% target only.	17.824
3	11752	Works Manager, Signal Shops, Pakistan Railways, Lahore	Payment of overtime to workers without extra work and with achievement of 26% target only.	8.899
Total				**251.261**

The matter was taken up with the management in November, 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed that the POs should submit comprehensive replies alongwith documentary evidence within one week to Audit for examination. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 02 Audit Paras having cumulative financial impact of Rs 251 million.

(AP No. 2.5.9/2019-20 and 2.5.38/2021-22).

Audit recommends that responsibility for payment of overtime allowance without justification be fixed. Action be taken against those held responsible. Amount involved be recovered from the quarters concerned. Financial management controls be strengthened to avoid recurrence.

2.5.28 Loss on account of damages to welding machine in an accident– Rs 167.551 million

Para 372 of Pakistan Railways Code for the Accounts Department provides that the defalcation or loss should be reported to the Accounts Office and Statutory Audit and should be investigated by the Executive in association with Accounts representative with a view to fix responsibility. Further, para 1801 of Pakistan Railway General Code states that every public officer should exercise the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. Means should be devised to ensure that every railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

During audit of Civil Engineering Department, Headquarters Office, Lahore in August 2022, it was noticed that Pakistan Railways suffered a loss of Rs 167.551 million on account of damages to Flash Butt Welding Machine No. 6729 due to an accident. The accident took place due to collision of Flash Butt Welding Machine with Material Lorry No. ML-935 on 12.10.2019 in Multan Division. The Material Lorry while running for site stopped automatically on the track due to over speeding by the operator. Meanwhile, the operator of Welding train who was also over speeding just behind the material lorry failed to stop the machine in time and collided with the material lorry. An inquiry report dated 23.12.2020 conducted by General Manger / Manufacturing & Services concluded that the incident took place due to gross negligence of staff, appointment of the inexperienced staff and lacking expertise of the PD/Track Machines office which maintained these machines. This resulted in loss of Rs 167.551 million to PR due to negligence of management.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 07.02.2023. DAC directed that the PO (CEN/OL) should submit comprehensive reply alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that amount of loss may be recovered from the Railcop or persons held responsible. Internal controls be strengthened to avoid recurrence in future.

DP#11991

2.5.29 Irregular appointment of staff - Rs 115.53 million

According to policy for engagement of employees against TLA in Pakistan Railways circulated by the Chief Personnel Officer dated 15.07.2014, TLA employees should be engaged strictly in accordance with the eligibility criteria for direct recruitment i.e. qualification/age etc. Further, as per Finance Division (Regulation Wing) letter No. F.4(9)R-3/2008-499 dated 12.08.2008, the staff for development projects funded from PSDP was required to be recruited from open market on contract basis.

During audit of six (06) different formations of Pakistan Railways from February to September 2022, it was observed that employees were engaged on TLA basis without adopting proper procedure i.e. advertisement in the newspapers/website, age and qualification as required for direct recruitment. This was avoided just to appoint the ineligible persons on favoritism. This resulted in irregular expenditure of Rs 115.53 million on pay and allowances of these employees **(Annexure-L).**

The matter was taken up with the management from February to September 2022 and also discussed in DAC meetings. DAC directed PR management to inquire the matters through committees (Detail directives **Annexure-L**).

This issue had already been highlighted in previous Audit Reports through 02 Audit Paras having cumulative financial impact of Rs 117.15 million. (AP No. 2.4.25/2018-19 and 2.5.40/2021-22).

Audit recommends that responsibility for making irregular appointments of staff may be fixed and disciplinary action be taken against the person(s) held responsible. Staff appointed irregularly may immediately be discontinued. Further recruitment may be done through open advertisement only.

2.5.30 Loss due to non- handing over of Railway colonies to DISCOs – Rs 99.533 million

According to Deputy Chief Electrical Engineer/Incharge letter No. Elect/1121/SH/Pt-VI dated 16.06.2022, the Federal Minister for Railways showed his concern regarding slow progress of handing over Railway colonies to DISCOs and directed the Railway management that remaining work of installing domestic meters, their energization and handing over to respective DISCOs should be completed in next three months i.e. by 30th September 2022."

During Audit of following formations of Pakistan Railways in September 2022, it was observed that electricity was purchased from different distribution companies and bulk supply tariff was charged by the DISCOs. However, electricity was being sold to the residential and private consumers at the rate of domestic tariff. The bulk supply rates were much higher than the domestic rates. It was further noticed that the process of handing over of residential colonies to DISCOs was started in June 2019 whereas more than two years have been lapsed but the process had not yet been completed. Thus, Pakistan Railways suffered loss every year due to delay in the process of handing over the system to DISCOs. This resulted in loss of Rs 99.533 million to PR.

(Rs in million)

Sr. #	DP#	Formation	Period of Audit	Location	Amount
1	11833	Electrical Department, Pakistan Railways, Lahore	September, 2022	Railway Colonies at Lahore Division	81.990
2	11854	Electrical Department, Pakistan Railways, Workshop Division, MGPR	September, 2022	Five Railway Colonies at Workshops Division	17.543
Total					**99.533**

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 23.12.2022. DAC constituted an inquiry committee headed by CME/Loco, CMM and FA&CAO/PR to review the progress on the meterization, reasons for delays, efforts to avoid such delays, fix responsibility for such delays and recommend course corrective measures for early transfer of the residential colonies to respective DISCOs. The inquiry should be completed within two weeks and submit report to udit and management for approval. Compliance of DAC directives was awaited.

Audit recommends that matter be inquired as directed by the DAC and action be taken against the responsible besides recovery of the amount of financial loss. Internal controls be strengthened to avoid recurrence.

2.5.31 Irregular payment of pay and allowances to employees for absent period – Rs 89.33 million

According to clause 3 of Removal from Service (Special Powers) Ordinance, 2000 and Ancillary Instructions Ordinance No. XVII, wherein the opinion of the competent authority, a person in Government or corporation service, is inefficient, or has ceased to be efficient for any reason; or is guilty of being habitually absent from duty without prior approval of leave. The competent authority, after inquiry by the Inquiry Officer or the Inquiry Committee appointed under section 5, may, not with-standing anything contained in any law or the terms and conditions of service of such person, by order in writing dismiss or remove such person from service, compulsorily retire from service or reduce him to lower post or pay scale, or impose one or more minor penalties as prescribed in the Government Servants (Efficiency & Discipline) Rules, 1973.

During audit of Lahore Division in August 2022, it was observed that Railway management incurred an expenditure of Rs 5.07 million in January 2022 on procurement of 135 Nos. android mobiles in connection with Field Staff Monitoring System (FSMS) for real time attendance of gangmen along with track location. The pilot project of FSMS was implemented in the sections of Assistant Executive Engineer/Raiwind, AEN/Faisalabad and AEN/Wazirabad to monitor the availability of field staff round the clock through bounce call management. During scrutiny of real time attendance record of 1556 Nos. of field staff for the period from April to June 2022, it was noticed that 51% of total staff was reported as absent during these four months. This alarming situation was a serious matter of concern for safe train operations. The Railway management had not taken any suitable action against the absentees and an amount of Rs 89.33 million was paid on account of pay and allowances without deciding the absent period. This resulted in irregular payment of pay and allowances to employees for absent period.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 23.12.2022. The DAC directed that an inquiry may be conducted by a committee CME/Loco (Head), FA&CAO/PR and CEN/Open Line to review the entire issue in terms of irregular payment of pay and allowances as reported by Audit and fate of the pilot project i.e. Filed Staff Monitoring System (FSMS) in terms of its sustainability, amendment in the relevant rules etc. The report should be submitted in three weeks' time to the approving authority and audit. Compliance of DAC directives was awaited.

Audit recommends that matter be taken up at an appropriate level to fix responsibility. The absent period of field staff be decided as per rules and the expenditure on pay and allowances be regularized accordingly.

DP#11794

2.5.32 Infructuous expenditure on restoration of closed Railway section – Rs 87.638 million

Para 704 of Pakistan Railway General code provides that no proposal should ordinarily be considered as having been financially justified unless it can be shown that the earnings, or the savings in working expenses, expected to be realized as a result of the proposed outlay are such that after meeting the average annual cost of service of the asset provided, they leave a fair margin of profit.

During audit of Civil Engineering Department, Peshawar in August 2022, it was observed that Nowshera - Dargai section was closed on 03.02.2000 due to its financial viability and non-capability of track to run the train beyond maximum speed limit of 30 Km/h. However, on 29.10.2021 Minister for Railways directed Railways management to restore the train operations on said section before 31.03.2022. In order to restore the train operations Railway management incurred an amount of Rs 87.638 million which was gone wasted as train operations could not be restored.

The matter was taken up with management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed that an inquiry through a committee headed by AGM/Mechanical with FA&CAO/Revenue and COPS may be conducted within two weeks. Detailed report should be submitted to the competent authority and audit latest by 10.02.2023. The audit will examine and report in the next meeting of DAC. Compliance of DAC directives was awaited.

Audit recommends that matter be investigated at higher level to fix responsibility for infructuous expenditure. Amount of loss be recovered from those held responsible.

DP # 12061

2.5.33 Wasteful establishment charges of closed Railway sections – Rs 83.39 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. Para-1801 further 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 negligence on his part.

During audit of Civil Engineering Department, Sukkur in August 2022, it was observed that Tharushah-Sakrand-Daulatpur safan, and Larkana-Shahdadkot-Jacobabad sections of Sukkur Division were closed since 1991 and 2009 respectively. Since their closure, not a single train (passenger/goods) was operated in these sections. Audit also observed that train operations were also suspended on Jacobabad- Kashmor Colony section since last three years but staff of civil engineering department was un-necessarily posted in these sections. Thus, PR suffered loss of Rs 83.39 million during the year 2021-22 due to unjustified incurrence of expenditure on pay & allowances of staff of closed sections.

The matter was taken up with the management in August 2020 and also discussed in DAC meeting held on 06.01.2023. DAC directed the PO to submit a comprehensive reply duly supported with documentary evidence and endorsed by the PO within one week. Compliance of DAC directives was awaited.

Audit recommends that matter be investigated for unjustified posting of staff at closed sections. Responsibility be fixed for non-rationalization of staff. Efforts be made to transfer/rationalize the staff as per work load. Remedial measures be adopted to avoid recurrence.

DP#11888

2.5.34 Loss due to self-decantation of coal wagons – Rs 62.148 million

Section 4.9 of the agreement between Pakistan Railways Freight Transportation Company (PRFTC) and Huanang Shandong Ruyi (HSR) dated 7th July 2015 provides that the coal shall be measured at the weighing station at the loading point and at the weighing station at the unloading point. In the event the short delivered coal quantity for any shipment is more than one percent of the received coal quantity for such shipment, the transporter

(PRFTC) shall pay liquidated damages to the company calculated according to schedule 3 which shall be calculated as the product of the landed coal price at the unloading point and short delivered coal quantity. Further, the manager operations/PRFTC vide letter dated 04.02.2022 apprised the IG/PRP that self decanting of wagons in Karachi Division is increasing day by day due to unscrupulous elements and requested to take necessary steps to ensure halting such activities.

During audit of Pakistan Railway Freight Transportation Company in March 2022, it was observed that 29 coal wagons were self-decanted during the period from 2017 to 2022 due to one or other reasons as per Manager Operations/PRFTC letters dated 04.02.2022 and 15.03.2022. The coal quantity i.e. 1591.037 M. tons valuing Rs 62,147,878 was either not found or was found scattered at different places on Railways track. This resulted in loss as PRFTC had to pay the same amount to HSR under the agreement. This caused loss to the company as proper controls were not applied on coal trains enroute.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting on 07.10.2022. DAC directed that the Audit committee of PRFTC should review the FDA management in terms of provision of the relevant agreements and come up with a report having clear recommendations within four weeks' time. Further, based on the recommendations of the committee, the PRFTC management and PRFTC Board need to resolves the issue in a timely manner. A detailed report to this effect should be submitted to Audit by 30.11.2022. Compliance of DAC directives was awaited.

Audit recommends that matter be probed to fix responsibility for self-decantation of coal wagons besides compliance of DAC directives. Internal control be strengthened to avoid such recurrence.

DP # 11720

2.5.35 Loss due to installation of reclaimed transformers – Rs 57.476 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 following two formations in September, 2022, it was observed that LESCO installed reconditioned/re-claimed transformers at different colonies whereas the payment was made for new transformers. Complaints from different corners were received regarding burning, leaking and short circuit due to installation of re-claimed transformer which could cause a huge loss to the residents. However, neither the reclaimed transformers were replaced nor concrete efforts were made in this regard. This resulted into loss of Rs 57.476 million due to installation of reclaimed transformers in lieu of cost of new transformers.

(Rs in million)

Sr. #	DP#	Formation	Period of Audit	Location	Amount
1	11836	Electrical Department, Lahore Division.	September 2022	Different colonies in Lahore Division	39.90
2	11853	Electrical Department, Workshops Division, MGPR	September 2022	PNG Colony, Post Office Colony, Nursery Colony and MET Dars Colony, Mughalpura	17.576
TOTAL					**57.476**

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 22.12.2022. The DAC took serious view of such practices where reclaimed transformers were allowed against provision of new transformers. Inquiry committee headed by CME/Loco, CMM and FA&CAO/PR should review the entire process, identify gaps, fix responsibilities and recommend course corrective measures for early replacement of all the transformers. The inquiry should be completed within two weeks and submit report to Audit and management for approval. Compliance of DAC directives was awaited.

Audit recommends that matter be probed and responsibility be fixed for installation of reclaimed transformer. Transformers be replaced immediately with new ones under intimation to Audit. Amount be recovered from those held responsible for the loss and internal controls be strengthened to avoid recurrence.

2.5.36 Irregular appointment of staff without approved sanctioned strength and categories – Rs 54.412 million

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

During audit of different formations of Pakistan Railways from February to August 2022, it was observed that large number of class-iv & Project Pay Scale-I employees i.e. Naib Qasids, Chowkidar, Sweepers, Patrollers and Mali were appointed in excess than the sanctioned strength and against the unapproved categories. This resulted in irregular payment of Rs 54.412 million to these employees on account of pay and allowances.

(Rs in million)

Sr. #	DP#	Formation	Description	Amount
1	11883	Engineering Department, Pakistan Railways, Sukkur Division	Patrollers were hired on temporary basis excess over sanctioned strength.	25.456
2	11719	Pakistan Railway Freight Transport Company (PRFTC)	Appointment of 15 employees of project pay scale-1 was made in excess over sanctioned strength	14.038
3	11726	Pakistan Railway Freight Transport Company (PRFTC)	Appointment of 31 to 46 employees of class-IV in different months was made in excess over sanctioned strength	8.880
4	11845	Mechanical Department,	Appointments were made	6.038

		Pakistan Railways, Rawalpindi Division	against the categories which were removed by the competent authority	
Total				**54.412**

The matter was taken up with the management from February to August 2022. Matter at Sr. No. 1 was discussed in DAC meeting held on 27.12.2022. DAC directed that the PO(CEN/OL) should submit comprehensive response along-with documentary evidence duly endorsed by the PO to Audit within one week. Matter at Sr No. 2 was discussed in DAC meeting on 07.10.2022. DAC directed that HR Committee of PRFTC should review the entire recruitment process and come up with a report having clear recommendations within four weeks' time. Matter at Sr. No. 3 discussed in DAC meeting on 07.10.2022. DAC directed that the HR Committee of PRFTC should review the entire recruitment process and come up with a report having clear recommendations within four weeks' time. Matter at Sr. No. 4 was discussed in DAC meeting held on 24.01.2023. The DAC directed that the PO (CME/C&W) should submit comprehensive response alongwith documentary evidence duly endorsed by the PO to Audit within one week. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 03 Audit Paras having cumulative financial impact of Rs 147.87 million. (AP No. 2.4.20/2017-18, 2.4.32/2018-19 and 2.5.65/2021-22).

Audit recommends that responsibility be fixed besides taking suitable action against the person(s) at fault and all employees should be appointed as per approved sanctioned strength. Internal Controls be strengthening to avoid recurrence.

2.5.37 Loss on account of damages due to capsizing of kirow crane – Rs 20.00 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. Further, para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 the Civil Engineering Department Headquarter, Lahore in August 2022, it was noticed that Kirow Crane No.5580 was deputed for unloading of rail panels at Kalanchwala Station in Multan division on 17.07.2020. The counter weight pin of the crane suddenly broke and the crane tilted towards up loop line & capsized. The inquiry conducted by Chief Mechanical Engineer/Loco and Managing Director/Stations concluded that the incident took place due to negligent working of operator of the crane and responsibility of all this rested with M/s RAILCOP who failed to engage qualified, trained and experienced operators. The committee also recommended that cost of damages be assessed from OEM and be debited to M/s RAILCOP. Neither the cost of damages was got assessed from OEM nor the value of damages assessed by PR was debited to M/s RAILCOP which resulted into loss of Rs 20.00 million to PR.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 06.01.2023. DAC directed the CEN/OL to submit a comprehensive reply duly supported with documentary evidence and endorsed by the PO within one week. The Audit will examine and report in the next meeting of DAC. Compliance of DAC directives was awaited.

Audit recommends that amount of loss may be got assessed from the OEM and recovered from M/s RAILCOP. Internal controls regarding engagement of qualified, trained and experienced operators of track machines and cranes be strengthened to avoid lapses in future.

DP#11878

2.5.38 Non-obtaining of performance security and non-forfeiture of earnest money - Rs 15.996 million

According to clause 39 of PPRA Rules 2004, the procuring agency shall require the successful bidder to furnish a performance security which shall not exceed 10% of the contract amount. Performance security may be obtained from the successful bidder in the shape of pay order, demand draft from a schedule Bank to secure the Government in case of default by the contracting firm. Further, para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part.

During audit of different formations of Pakistan Railways in August-September 2022, it was observed that various procurement and civil works were awarded to different contractors with the direction to start the work within 14 days of signing the agreement but the performance security @ 10% and 5% was not obtained from the contractors. Furthermore, some contractors failed to start the civil works within given time but Railway management neither forfeited their earnest money nor took strict action against them. This resulted into loss of Rs 15.996 million to PR.

(Rs in million)

Sr. #	DP #	Formation	Amount
1	11886	Civil Engineering Department, Pakistan Railway, Sukkur	15.160
2	11832	Electrical Department Pakistan Railways, Lahore	0.836
Total			**15.996**

The matter was taken up with the management in August and September 2022. The matter at Sr. No. 1 was discussed in DAC meeting on

06.01.2023. DAC directed the PO (CEN/OL) to submit a comprehensive reply duly supported with documentary evidence and endorsed by the PO within one week. Against Sr. No. 2, DAC in its meeting held on 24.01.2023 directed that the PO (CEE) should submit a comprehensive reply duly supported with documentary evidence and endorsed by the PO within one week. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 04 Audit Paras having cumulative financial impact of Rs 201.81 million. (AP No. 2.4.72/2018-19, 2.5.30/2019-20, 2.5.55/2020-21 and 2.5.36/2021-22).

Audit recommends that matter may be investigated to fix responsibility for not obtaining performance security and earnest money of contractors who failed to start the work may be forfeited. Internal Controls regarding Contract Management be strengthened to avoid recurrence.

2.5.39 Wasteful expenditure on fabrication & erection of steel ground oil storage tank - Rs 8.519 million

According to Divisional Mechanical Engineer, Kundian letter No. 85/FA/08/HSD-Oil/Tank/RS/KDA dated 28.01.2022 the new HSD storage tank was unfit due to poor condition and its non-completion. Further, para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part.

During audit of Mechanical Department Peshawar in August 2022, while reviewing the record of DME/Kundian, it was observed that PR management executed an agreement on 14.04.2017 with M/s Pakistan Industrial Aid valuing Rs 8.519 million for fabrication and erection of 750,000 litres steel ground oil storage tank at Kundian Shed. The contractor left the work incomplete and DME/Kundian pointed out certain deficiencies regarding drainage system, lightening rod, filtration of HSD oil, level gauge float etc. The storage tank was made functional despite lapse of more than five years due to which oil tank wagons were detained in the Shed. Thus, expenditure of Rs 8.519 million was wasted due to non-operation of storage tank.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed that an inquiry through a committee headed by DG/Fuel, Deputy COPS/Power and Deputy/FA should be conducted within two weeks. The inquiry committee should complete the inquiry purely on professional grounds, identify gaps, fix responsibilities and suggest course corrective measures to avoid such practices in future. The report should be submitted latest by 25.02.2023. Compliance of DAC directives was awaited.

Audit recommends that matter be probed to fix responsibility for defective work and non-operation of tank despite lapse of more than five years. Strenuous efforts need to be made to make the oil tank operational without delay to avoid further loss due to detention of tank wagons. Internal controls be strengthened to avoid recurrence.

DP#11973

2.5.40 Loss due to untraceable condemned tank wagons – Rs 5.775 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 the Mechanical Department Pakistan Railways Karachi in August 2022, while reviewing record of the DME/Freight at Marshalling Yard Pipri, Karachi, it was observed that 542 Nos condemned Tank Wagons were sold to M/s Nawaz Khan & Co, Lahore through sale orders No. 196-S/54/TS/SCRAP/2017-18(Pt-I& Pt-II) dated 15.02.2018. In

October 2020, CCS Office Lahore intimated DME/Freight that 21 Wagons were untraceable against the above Sale Orders and requested to trace out the same with location. Despite lapse of two years, 21 condemned Tank wagons were not traced out and in June 2022, their cost was refunded to the contractor. Resultantly, PR sustained loss of Rs 5,775,000 due to refund of cost of 21untraceable sold wagons.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 03.02.2023. DAC directed the CCS to submit comprehensive reply alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that matter may be inquired to fix responsibility for not tracing 21 sold condemned tank wagons in time due to which their cost was refunded to the contractor. These wagons may be traced out without further delay and put for auction. Internal Controls regarding inventory and contract management be strengthened to avoid recurrence.

DP#11990

2.5.41 Irregular appointment of Chief Executive Officer–Rs 4.770 million

Rule 5(b) of Public Sector Companies Corporate Governance Rules 2013 provides that the principle of objectivity, integrity and honesty requires the directors and executives of a Public Sector Company do not allow a conflict of interest to undermine their objectivity in any of their activities, both professional and private and that they do not use their position in the Public Sector Company to further their private gains in a social or business relationship outside the Public Sector Company.

During audit of the Pakistan Railways Freight Transportation Company (Pvt) limited (PRFTC) in February 2022, it was noticed that Mr. Jawaid Ahmad Siddiqui was appointed as CEO/PRFTC in August 2021. The officer remained CEO in Marine Group of Companies including Pakistan

Intermodel Limited, Marine Logistics and Pakistan International Container Terminal (PICT). These companies had participated in the process of outsourcing of freight wagons of Pakistan Railways as clients. It was a clear case of conflict of interest. Once this issue was pointed out during the audit, the officer resigned from the post during the proceedings of Audit. Further, he was given an enhanced salary package of Rs 794,870 per month, although he did not perform any extra duty in comparison with his predecessors. Thus, an expenditure of Rs 4.770 million was incurred on irregular appointment of CEO PRFTC during August 2021 to February 2022.

The matter was taken up with the management in March 2022 and discussed in DAC meeting on 14.10.2022. DAC directed that the Audit Committee of PRFTC should review the points raised by the Audit regarding conflict of interest within 4-weeks. Compliance of DAC directives was awaited.

Audit recommends that matter may be inquired to fix responsibility for irregular appointment of CEO PRFTC and internal controls be strengthened to avoid recurrence in future.

DP # 11763

2.5.42 Infructuous expenditure on repair of machinery– Rs 3.89 million

Rule 4 of PPRA Rules 2004 provides 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 of money to the agency and the procurement process is efficient and economical.

During audit of Carriage Factory Islamabad in October 2022, it was observed that certain mechanical and electrical repair works along with replacement of mainline gear box, mainline wheels, trolley unit fitting, mainline motors etc. for crane No.928, 929, 930 & 931 were awarded to M/s

M. Anees & Co vide Purchase Order No.1CF/4P/0489/2021 dated 02.08.2021 at cost of Rs 1,840,000. Audit observed that substandard work was carried out by the contractor as number of defects had developed in gear box, motors, wheels etc. after repair work. Subsequently, the defects were rectified by staff of concerned shops. Further, the work of main line wheels included in the purchase order was not carried out by the contractor. Similarly, the repair work of Robot Welding Machine was awarded to contractor M/S Kirana Traders at a cost of Rs 2,046,000 vide purchase order No.3CF/4P/0646-I/20 dated 20.9.2021 but the machine was not in working order. This resulted in infructuous expenditure of Rs 3.89 million (Rs1,840,000 + Rs2,046,000) on substandard repair of cranes and welding machine.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 03.02.2023. DAC directed that MD/CFI should submit comprehensive response with regard to specific audit observation. In addition the procurement patterns of respective contractors should also be provided. All relevant documentary evidence duly endorsed by the PO should be submitted to Audit within one week. Compliance of DAC directives was awaited.

Audit recommends that responsibility may be fixed for infructuous expenditure on substandard repair of cranes and welding machine and action be taken against those held responsible besides recovery of amount involved.

DP#11967

2.5.43 Wasteful expenditure due to non-closing of Rawalpindi Branch Office – Rs 2.465 million

According to decision taken in Board of Directors meeting dated 5th April 2018, the PRFTC head office was shifted from Rawalpindi to Lahore and further from Lahore to Karachi.

During audit of Pakistan Railway Freight Transportation Company (PRFTC) Private Limited in February 2022, it was observed that despite shifting of PRFTC head office from Rawalpindi to Lahore in April 2018 and further from Lahore to Karachi in 2021, the Rawalpindi Branch Office was not closed just to extend favour to certain local employees. This was caused due to negligence of the management and caused loss to the company as no business was being run at Rawalpindi. Thus, wasteful expenditure of Rs 2.465 million was incurred due to unjustified retention of office at Rawalpindi.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting on 07.10.2022. The DAC directed that the HR Committee of PRFTC should review the entire recruitment process and come up with a report having clear recommendations within four weeks' time. Compliance of DAC directives was awaited.

Audit recommends that DAC directives be complied with in true letter and spirit. Responsibility be fixed for incurrence of wasteful expenditure and this branch may be closed at the earliest to avoid further loss. Internal controls be strengthened to avoid recurrence.

DP # 11728

2.5.44 Non finalization of disciplinary proceedings resulting into financial loss – Rs 1.208 million

According to Establishment Division O.M. No.12/2/88-R.3 dated 03.10.1988, the disposal of disciplinary proceedings assumes vital importance especially in cases against government servants who are about to attain the age of superannuation. The disciplinary proceedings against government servants nearing the age of superannuation in future should be disposed of before they superannuate.

During audit of Electrical Department, Workshops Division, Moghalpura in September 2022, it was observed that Mr. Zahoor Ahmad working as Mistry Winder, Moghalpura absconded from duty without any intimation w.e.f. 22.08.2019. The DEE/W instead of taking any action against him issued Notice # 816-EP/1(E-IV) dated 05.07.2020 for his retirement w.e.f. 23.08.2020. Later on, the Service Book of employee alongwith other relevant record was submitted to APO/W for verification of entries with following certificates:

(i) Occupying Railway Quarter.

(ii) Disciplinary and enquiry case is pending against him.

(iii) Nothing is outstanding against him.

The above position clearly showed severe negligence on the part of Railway management as the official was retired from service with full monetary benefit without deciding his absence period and non-finalization of disciplinary proceeding against him. This resulted into financial loss of Rs 1.208 million due to non-deciding the absent period and non-finalization of enquiry case before the age of superannuation.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC took serious view for non-response on the part of PO concerned and directed that comprehensive reply alongwith documentary evidence should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends that matter be investigated at an appropriate level for fixing responsibility. Action be taken against the responsible(s). Amount of loss on account of Commutation/Monthly pension be worked out and recovered from the person found at fault under intimation to Audit.

DP#12040

2.5.45 Non-installation of dispensing meters

According to para 10 of instructions circulated vide Chief Operating Superintendent letter No. Dy.COPS/MISC-7 dated 27.01.2011, dispensing meters were required to be installed at all sheds at fueling points.

Audit of following formations of Pakistan Railways revealed that dispensing meters in Loco Sheds were not installed despite lapse of more than ten years. This resulted in irregular issuance of HSD oil valuing Rs 5,119.27 million by subordinate offices without installation of dispensing meters in violation of the instructions ibid. In absence of dispensing meters, the probability of misappropriation and theft of oil could not be ruled out.

(Rs in million)

Sr. No.	DP No.	Formations	HSD oil issued (liters)	Amount
1	11914	Mechanical Engineering Department, Rawalpindi	11,316,400	2,766.181
2	12047	Mechanical Engineering Department, Peshawar	10,079,213	1108.713
3	11907	Mechanical Engineering Department, Multan	4,534,983	789.722
4	11910	Mechanical Engineering Department, Sukkur	30,31,030	454.654
Total				**5,119.27**

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC directed that the PO should submit comprehensive reply alongwith documentary evidence within one week to Audit for examination. Compliance of DAC directives was awaited. Compliance of DAC directives was awaited.

This issue had already been highlighted through Audit Para No. 2.5.9/2020-21 worth Rs 532.10 million.

Audit recommends that reasons for non-installation of dispensing meters be explained. Matter be probed for inordinate delay in installation of fuel dispensing meters. Efforts be made for early installation of meters.

Management of Accounts in Commercial Banks

This category deals with issues in management of accounts in commercial banks involving one (01) audit paras worth Rs 851.801 million.

2.5.46 Non-replenishment of Freight Deposit Account – Rs 851.801 million

According to section 6.5 of Inland Coal Transport Agreement dated 7th July, 2015 executed between PRFTC and HSR a Freight Deposit Account (FDA) of Rs 1 billion would be maintained against advance invoices raised by the PRFTC for the following month. The FDA shall be maintained throughout the term in case of any draw down in a particular month it will be replenished by the 3rd day of every following month.

During audit of PRFTC in February 2022, scrutiny of record of Freight Deposit Account revealed that the said account was not being maintained properly as required under the above agreement. It was observed that the FDA was not replenished properly and balance of FDA remained less than Rs 1.00 billion except four months. The closing balance at the end of FY 2020-21 was only Rs 148.199 million against the required balance of Rs 1.00 billion. This resulted in non-replenishment of FDA by Rs 851.801 million against the provision of above agreement.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting on 07.10.2022.The DAC directed that the Audit Committee of PRFTC should review the FDA management in terms of provisions of the relevant agreements and come up with a report having clear recommendations within four weeks' time. Compliance of DAC directives was awaited.

Audit recommends that responsibility may be fixed for non-maintenance of FDA as per provisions of the Inland Coal Transport Agreement and deficient amount of FDA be recouped under intimation to

Audit. In future, timely replenishment of FDA, as per provisions of the agreement, should be ensured.

DP # 11717

Governance Issues in PSDP and Development of Infrastructure

This category deals with issues in governance in PSDP and development of infrastructure involving five (05) audit paras worth Rs 21,943.256 million.

2.5.47 Loss of potential revenue due to non-completion of project within the scheduled period – Rs 19,796.856 million

The Executive Committee of the National Economic Council in its meeting held on 24.11.2017 approved the Project “Procurement/manufacture of 820 High Capacity Bogie Wagons and 230 Passenger Carriages” with completion period of 48 months. The management started the work on 03.01.2018, therefore as per completion period provided in the PC-I (48 months) its completion date was 02.01.2022.

During audit of the Project Procurement/manufacture of 820 High Capacity Bogie Wagons and 230 passenger carriages conducted in September 2022, it was noticed that the project had envisioned the procurement/ manufacture of 820 high capacity bogie wagons (200 Nos. CBU & 620 Nos.CKD) and 230 passenger carriages (46 Nos.CBU & 184 CKD) during the period of 48 months. Neither the 200 & 46 complete built wagons & carriages nor material for 620 & 184 complete knock down wagons & carriages were received in Pakistan up to the date of this audit inspection i.e. September 2022. Financial and physical progress of the project was 16.59% and 12% respectively on 30.06.2022. Due to non-completion of Project activities in time following benefits, as envisioned in the PC-I, were not achieved:

(Rs in million)

Sr. No.	Year (Period)	Revenue Loss of 820 high capacity wagons	Revenue Loss of 230 passenger carriages
1	First Year: (03.01.2018 to 02.01.2019)	-	-
2	2nd Year: (03.01.2019 to 02.01.2020)	237.264	1,446.500
3	3rd Year: (03.01.2020 to 02.01.2021)	704.417	4,339.500
4	4th Year: (03.01.2021 to 02.01.2022)	1,682.100	5,786.000
5	5th Year: (03.01.2022 to 30.09.2022) approx 9 month i.e. 75% of year revenue (9/12*100)	1,261.575	4,339.500
Sub-Total		**3,885.356**	**15,911.500**
Grand Total		**19,796.856**	

Thus, Pakistan Railways sustained loss of potential revenue amounting to Rs 19,796.856 million due to non-completion of project in time.

The matter was taken up with the formation in September 2022 and also discussed in DAC meeting held on 23.12.2022. The DAC was of the view that project management practices needed to be improved in order to avoid time and cost overruns of projects as it not only adversely impacted project financials but also delayed service delivery aspect of Railway operations. The PO should come-up with a comprehensive response having full justification of the delays in the process alongwith documentary evidence within 15-days. Compliance of DAC directives was awaited.

Audit recommends that the matter for non-completion of project activities in time may be inquired and responsibility be fixed against the persons held responsible. Internal controls be strengthened to avoid lapses of such type in future.

DP#11870

2.5.48 Loss due to change in scope of work – Rs 1,694.94 million

The clause 4.3.2 (S#4) of PC-II of the Preliminary Design/Drawings for the Up-gradation/Rehabilitation of Mainline (ML-1) and Establishment of Dry Port near Havelian under the CPEC & Hiring of Design/Drawings vetting consultant indicates that the scope of design of consultant in respect of Kiamari-Hyderabad (182 KMs) Section had been provided with “over hauling of existing double track”.

During audit of the Project regarding Preliminary Design of Upgrading Pakistan Railways Existing Mainline (ML-1) and Establishment of a Dry Port near Havelian in September 2022, it was observed that in PC-II of the aforesaid project the scope of work of Kiamari-Hyderabad section was “over hauling of existing double track.” The scope of work of respective section was irregularly changed to “up-gradation of existing double track” through an Addendum Slip dated 17th May, 2021. This resulted in loss of Rs 1,694.94 million due to irregular change of scope of design without provision in PC-II.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 07.02.2023. DAC directed the CEN/OL to submit comprehensive reply covering all aspects of CPEC framework, bilateral cooperation framework agreements, PC-I approval by the ECNEC etc. alongwith documentary evidence within two weeks. Compliance of DAC directives was awaited.

Audit recommends that the matter be probed at an appropriate level. Responsibility be fixed for irregular change in the scope of design consultant and expenditure involved be got regularized through revision in PC-II from ECNEC.

DP#12041

2.5.49 Irregular revision of PC-I of Triple Helix Model – Rs 425.00 million

Para 2.8 of Manual For Development Projects stipulates that “the Departmental Development Working Party (DDWP) at federal level is headed by the Secretary/PAO and among its members Chief of concerned technical section M/o PD&R and JS (development), Finance Division are to personally attend while other members include the concerned CF&AO and the representative of the appraisal wing of Ministry of Planning, Development and Reform".

During audit of the Project titled Triple Helix Model Social Sectors (THM), Ministry of Railways, Islamabad for the FY 2021-22, it was observed that the PC-I had been revised with the approval of Secretary/ Chairman Railways in violation of the rule ibid. Audit therefore was of the view that revision of the PC-I only by the Secretary/Chairman Railways without involvement of other members was irregular. This resulted in irregular revision of PC-I amounting to Rs 425.00 million.

The matter was taken up with the management in April 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC took serious view for non-response on the part of PO concerned and directed that comprehensive reply alongwith documentary evidence should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends to inquire the matter at an appropriate level to fix responsibility for irregular revision of PC-I. The revised PC-I may be got approved from the CDWP under intimation to Audit. Action be taken against those held responsible and internal controls regarding project management be strengthened to avoid such recurrence.

DP#11762

2.5.50 Irregular payment on account of training fee – Rs 18.540 million

Para 807 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.

During audit of the Project titled Triple Helix Model Social Sectors (THM), Ministry of Railways Islamabad for the FY 2021-22, it was observed that an amount of Rs 18,540,000 was paid to Pak-Austria Fachhochschule

Institute of Applied Science & Technology, (PAF-IAS) Haripur for MS degree program of 27 officers of Pakistan Railways without any formal agreement between the Pakistan Railways and the institute. Audit was of the view that payment without any MOU/ agreement against an unverified invoice stood irregular.

The matter was taken up with the management in April 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC took serious view for non-response on the part of PO concerned and directed that comprehensive reply alongwith documentary evidence should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends that matter be enquired to fix the responsibility for irregular payment without any MOU/agreement. Action be taken against those held responsible. Internal controls be strengthened to avoid recurrence.

DP#11761

2.5.51 Unauthorized expenditure on establishment charges – Rs 7.92 million

The Chief Project & Planning Officer, Pakistan Railways, Headquarters Office, Lahore letter No.Prog/82/MOM/2021-22 dated 29.07.2021 provides that competent authority had extended completion period of "Project procurement of 75 D.E. locomotives" up to 30.06.2022 with the directive that no establishment cost to be incurred during financial year 2021-22.

During audit of the project titled Procurement of 75 DE Locomotives in September 2022, it was observed that an expenditure of Rs 7.92 million was incurred under the head establishment charges without approval of the Principal Accounting Officer (PAO). The Project Director requested the Director General/ Planning, Ministry of Railways Islamabad on 05.08.2021 to convey the approval of competent authority to allow the establishment charges for operating the project but no response was received. This resulted in incurrence of un-authorized expenditure of Rs 7.92 million (7.619+0.143+0.158) on establishment charges.

The issue was taken up with the management in September2022and also discussed in DAC meeting held on 10.02.2023. DAC directed the CME/Loco to submit comprehensive response alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for incurrence of expenditure under the head establishment charges without approval of the PAO. The expenditure be got regularized from the competent authority under intimation to Audit and internal control regarding project management be improved to avoid recurrence.

DP#12042

Issues in Railway Track and Rolling Stock

This category deals with issues in Railway track and rolling stock involving seven (07) audit paras worth Rs 841.336 million.

2.5.52 Loss due to less charging of cost of sleepers – Rs 413.100 million

Para 1027 of Pakistan Railways Code for the Stores Department provides that provisional debit price for sleepers and control charges fixed by the group committee and the commencement of the financial year may be altered by them during the year, in order to adjust progressively any fluctuations in the cost of control. The sleeper control officer should make final adjustment of such charges at the close of the year.

During audit of Concrete Sleeper Factories in October 2022, it was observed that cost of concrete sleepers was being calculated on the basis of estimated rates of previous year. However, the same were required to be calculated on the basis of actual expenditure of relevant financial year. Thus, calculation of cost of sleepers on estimated basis caused less charging of cost of sleepers to the different formations of PR due to which suspense balance of CSF was increased to Rs 2,157.543 million. Resultantly, PR sustained a loss of Rs 413.10 million due to wrong calculation and less charging the cost of sleepers.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 27.12.2022. DAC directed that the issue was primarily related to FA&CAO/M&S therefore, the PO should submit a comprehensive response with regard to existing practices of book keeping to Audit within two weeks and efforts be made to improve it. Compliance of DAC directives was awaited.

Audit recommends that process of calculation and charging of cost of concrete sleepers may be streamlined keeping in view the relevant rules. The cost of sleepers less charged to different revenue and PSDP formations may be got adjusted under intimation to Audit and internal controls be strengthened to avoid recurrence.

DP#11849

2.5.53 Loss on account of damages to Diesel Electric Locomotives – Rs 235.586 million

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

During audit of following formations of Pakistan Railways in August 2022, it was observed that different DE Locomotives were damaged due to derailment, collision with road vehicles and collision with other locomotives etc. which caused loss of Rs 235.586 million to PR.

(Rs in million)

Sr#	DP #	Formation	Description	Amount
1	12055	Mechanical Department, Pakistan Railways, Sukkur	Accidents/ derailments of Locos	183.497
2	11984	Mechanical Department, Pakistan Railways, Karachi	-do-	48.224
3	11805	Mechanical Department,	Loco accident with	2.233

		Pakistan Railways, Rawalpindi	truck	
4	11972	Mechanical Department, Pakistan Railways, Lahore	Loco accident	1.632
Total				**235.586**

The matter was taken up with management in August 2022. The matters at Sr. No. 1, 2 & 4 were discussed in DAC meeting held on 24.01.2023 and Sr. No.3 was discussed in DAC meeting held on 27.12.2022. DAC directed the POs to submit comprehensive replies duly supported by documentary evidence and endorsed by the PO concerned within one week to Audit.

Audit recommends that responsibility may be fixed and action be taken against the person(s) held at fault under E&D Rules and precautionary measures may be taken to avoid recurrence.

2.5.54 Loss due to deficiencies in Rolling Stock – Rs 81.29 million

The Revised Standard Operating Procedure (SOPs) circulated vide Chief Mechanical Engineer's letter No. 264-W/0/21/12/2014-15 dated 20.11.2019 lays down detailed internal controls to be put in place to stop theft/pilferage of material from Railway coaches and wagons. Furthermore, Para 284 of Office Manual of Workshop Accounts provides that charges incurred in making good deficiencies found in Rolling Stock at the time of its receipt into shops for repairs are chargeable to divisions on the basis of the monthly vehicle mileage of the division communicated by the Statistical Office. Charges in the first instance are collected understanding work orders. Cost of deficiencies in train lighting equipment for the entire stock and the charges relating to a month are transferred to various divisions according to their vehicle mileage, as stated above through local transfer certificates in the following month's accounts.

During audit of Mechanical Departments of Sukkur and Workshops Moghalpura in August and October 2022, it was observed that internal controls to prevent theft as suggested in the above mentioned Modified

Standard Operating Procedure were not put in operation due to which deficiencies of fittings in rolling stock valuing Rs 81.29 million were observed as tabulated below. This resulted in loss to PR due to management's slackness.

(Rs in million)

Sr. #	DP#	Formation	Amount
1	11842	Mechanical Department, Workshop Division, Mughalpura	71.786
2	11909	Mechanical Department, Sukkur Division	9.505
Total			**81.29**

The matter was taken up with the management in November 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC directed the PO to submit comprehensive reply alongwith documentary evidence within one week to Audit for examination. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 03 Audit Paras having cumulative financial impact of Rs 101.21 million. (AP No. 2.4.4/2017-18, 2.5.6/2019-20 and 2.5.66/2021-22)

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 SOPs besides recovering the amount from them.

2.5.55 Loss on account of substandard repair of Diesel Electric Locos – Rs 40.74 million

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

During audit of following formations in August 2022, it was observed that an expenditure of Rs 40.74 million was incurred on repair of different locomotives. These locomotives frequently failed and returned back in locomotive workshops for repair. This depicted that locomotives were not being repaired as per prescribed standards which resulted in failure of locomotives. This resulted in loss of Rs 40.74 million to PR due to substandard repair of locomotives. This reflects negligence on the part of management.

(Rs in million)

Sr. #	DP#	Formation	Amount
1	11974	Mechanical Department, Pakistan Railways, Peshawar	15.412
2	11768	Central Diesel Locomotive Workshops, Rawalpindi	13.002
3	11804	Mechanical Department Pakistan Railway Rawalpindi	12.327
Total			**40.74**

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed the POs to submit comprehensive reply duly certified alongwith documentary evidence within one week to Audit for examination. Compliance of DAC directives was awaited.

This issue had already been highlighted through Audit Para No. 2.5.64/2021-22 worth Rs 31.69 million.

Audit recommends that matter be probed to fix responsibility for defective repair of locomotives. Amount of extra expenditure be recovered from responsible(s) under intimation to Audit. Repair & maintenance standards be improved. Internal controls be strengthened to avoid such recurrence.

2.5.56 Defective repair of Traction Motors – Rs 29.123 million

According to Dy. Chief Mechanical Engineer/TM letter No.494-W/448-A/Rch: P-II/TM (M.8.) dated 03.06.2021, standard service life of traction motor after POH was two years.

During audit of following formations it was observed that an expenditure of Rs 29.123 million was incurred on Periodic Overhauling (POH) of 77 Traction Motors during the year May 2020 to July 22. These traction motors could not complete their expected performance period of 2 years and failed within 01 to 589 days. This resulted in wasteful expenditure of Rs 29.123 million on defective POH of traction motors due to poor workmanship of Workshops' labour and supervisory staff.

(Rs in million)

Sr. #	DP#	Formation	Period of Audit	Amount
1	11850	Mechanical Department, Workshops Pakistan Railways, Mughalpura	October, 2022	20.964
2	11959	Mechanical Department, Pakistan Railways, Karachi	August,2022	8.159
Total				**29.123**

The matter was taken up with the management in August 2022 and November 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed that the CME/Loco to provide a comprehensive reply covering at least the return time, kilometers earned etc. for each class of locomotives where these traction motors were used, within one week. Documentary evidence, supporting the reply duly endorsed by the PO should also be submitted alongwith the reply. The Audit will examine and report in the next meeting of DAC. Compliance of DAC directives was awaited.

Audit recommends that matter be probed and responsibility be fixed for premature failure of traction motors. Action be taken against the responsible(s). Internal controls be strengthened to avoid recurrence.

2.5.57 Loss due to out of order overhead crane - Rs 22.846 million

According to Purchase Order No.15/0002/00-0/1-2016 dated 04.01.2018 regarding procurement of Electric Overhead Crane (Capacity 30/5 ton), warranty period for parts and working of the cranes was 36 months after successful commissioning at Diesel Locomotive Workshop, Karachi Cantt.

During audit of the Mechanical Department, Karachi in August 2022, it was observed that Crane No. No.1035 (30/5 Ton) was purchased vide Purchase Order No.15/0002/00-0/1-2016 dated 04.01.2018. The said crane was installed in Diesel Locomotive Workshop, Karachi Cantt on 29.04.2020. The bus bar of the overhead crane got damaged and movement of the crane had stopped after a heavy spark at current collectors, which paused workshop activities on 19.04.2022. The supplier i.e. Karachi Shipyard & Engineering Works (KS&EW) Ltd was approached for correction of fault as the crane was under warranty. During investigation on 21.04.2022, M/s KS&EW pointed out that complete burning of current collector trolley and Bus bar portion was due to malfunctioning of 400/A breaker installed by Railways. Furthermore, after eruption of fire, extinguishment was not done immediately which could minimize the damage. Hence, M/s KS&EW declared the above damages "not covered under warranty claim". The crane was out of order till finalization of Audit Report. This resulted in loss to PR Rs 22.85 million due to negligence of Railway management.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed the CME/Loco to submit comprehensive reply within two weeks. Compliance of DAC directives was awaited.

Audit recommends that matter be enquired to fix responsibility for installation of faulty breaker, non-extinguishing the fire immediately. Early action be taken to make the crane serviceable. Remedial measures be taken to avoid recurrence.

DP#11987

2.5.58 Loss of high speed diesel oil due to detention of trains – Rs 18.650 million

The Chief Operating Superintendent (COPS) letter dated 28.03.2022 provides that fuel amounting to Rs 3,167 per minute is consumed in case of one minute stoppage out of scheduled running. Moreover, COPS letter No.39

FA/0/2 dated 06.06.2022 provides that HSD fuel is very important component in train operation which consumes major portion of the annual budget of departments. The success of Railway operation is solely dependent upon lesser consumption with maximum train operation. Further, according to para 1801 of Pakistan Railway General Code every public officer should exercise the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money.

During audit of Mechanical Department, Rawalpindi Division in August 2022, it was observed that different trains were detained for 5,889 minutes during the period from July 2021 to June 2022 on account of failure of locomotives, loco faults, refueling and carriage & wagon faults. This resulted in loss of Rs 18.650 million (5,889 minutes x Rs 3,167 per minute cost of HSD) on account of consumption of HSD oil as management was not vigilant for timely removal of defects. This occurred due to mis-management and weak internal controls.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed the CME/Loco and CME/C&W to give a comprehensive response within one week time. Compliance of DAC directives was awaited.

This issue had already been highlighted through Audit Para No. 2.4.38/2017-18 worth Rs 1,266.25 million.

Audit recommends that matter be probed to fix responsibility and action be taken against those held responsible under intimation to Audit. Internal controls be strengthened to avoid such recurrence in future.

DP#11887

Financial Management Issues

This category deals with issues of financial management involving twenty-three (23) audit paras worth Rs 10,498.40 million.

2.5.59 Loss due to award of contract at higher rates – Rs 6,960.355 million

Rule4 of PPRA Rules-2004 provides that the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of the PSDP Project Procurement/manufacture 820 High Capacity Bogie Wagons and 230 passenger carriages Mughalpura Lahore in September 2022, it was observed that contract of 230 carriages was awarded at higher rates as compared to contract of 820 HCW. The contract for procurement/manufacture of 230 carriages was awarded to M/s CRRC Tangshan Co., Ltd. China on single bid basis at 97.50% of the approved PC-1 cost. However, contract for procurement of 820 HCW was finalized at 69.20% of approved cost of PC-1. This showed that the former contract was finalized 28.30% higher than the cost of later contract. Thus, contract was awarded at higher rates as both the contracts were approved under the same terms and conditions with exorbitant cost estimates in the approved PC-I dated 24.11.2017. This resulted in loss of Rs 6,960.355 million to Pakistan Railways.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC directed that Director/Procurement in consultation with CME/C&W should submit comprehensive reply alongwith documentary evidence within three days. Compliance of DAC directives was awaited.

Audit recommends to inquire the matter for award of contract at higher rates and exorbitant cost estimation in the PC-I and fix responsibility against the persons held responsible. Internal controls be strengthened to avoid lapses of such type in future.

DP#11917

2.5.60 Loss due to non-recovery of Railway dues from Government Departments/ Private Parties – Rs 1,934.07 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 six (06) different formations of Pakistan Railways, it was observed that an amount of Rs 1,970.483million was recoverable from various Government Departments and Private Parties such as NHA, TMA, WAPDA, Defense, Lahore Development Authority, etc. (**Annexure-M)**. Railways management failed to realize the same resultantly facing acute shortage of cash flow in managing financial transactions.

The matter was taken up with the management from August 2022 to September 2022 and also discussed in DAC meetings. DAC directed PR management to submit comprehensive reply and in few cases constituted inquiry committees. (Detail directives **Annexure-M**).

This issue had already been highlighted in previous Audit Reports through 03 Audit Paras having cumulative financial impact of Rs 3,646.87 million. (AP No. 2.4.46/2017-18, 2.5.67/2019-20 and 2.5.68/2021-22).

Audit recommends that action may be taken against those held responsible besides ensuring recovery of the amount involved under intimation to Audit. Internal Controls regarding Accounts Receivable Management be strengthened to ensure recovery of Railway dues in time.

2.5.61 Non-recovery of dues from lessees – Rs 936.17 million

Para 316 (a) of Pakistan Railways Code for the Accounts Department stipulates that “the amounts due to the railway for services rendered, supplies made or any other reasons are correctly and promptly assessed and recovered as soon as they fall due.” Para 1801 of Pakistan Railway General Code states that every public officer should exercise the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. Means should be devised to ensure that every railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence."

During audit of following formations of Pakistan Railways in August to October 2022, it was observed that an amount of Rs 936.17 million was recoverable from various private parties on account of rental charges, penalty, late payment charges etc. against the different leases of agricultural land, plots, shops, khokha shops, petrol pumps, parking stands, buildings, commercial quarters etc. Railways management failed to realize the following amounts and resultantly faced acute shortage of cash flow in managing financial transactions:

(Rs in million)

Sr. #	DP. #	Formation	Description	Amount
1	11895	Senior Accounts Officer /Revenue Pakistan Railway, Lahore	Non realization of rental charges	934.164
2	11960	Civil Engineering Department, Pakistan Railways, Peshawar	Non recovery of rental charges of Railway quarters rented out to the outsiders	1.240
3	11964	Managing Director Pakistan Railways, Carriage Factory Islamabad	Non realization of rental charges	0.765
Total				**936.17**

The matters were taken up the management in September 2022 and October 2022. Against serial No. 2 no reply was received. Matter at Sr. No. 1 was discussed in DAC meeting held on 24.01.2023. DAC directed that the PO should submit a comprehensive report relating to contested amount of Rs 505.00 million, recovery of Rs 211.00 million and balance amount of

Rs 218.00 million alongwith documentary evidence duly endorsed by PO within one week to Audit. The Audit will verify the recovered amount within two weeks through respective DAOs. The PO should expedite recovery of the balance amount and a report to this effect be submitted to Audit within one month. Compliance of DAC directives was awaited. Against serial No. 3, it was replied that rental charges up to June 2022 had been recovered and notices had been issued to recover balance amounts. The reply was not acceptable because monthly rental charges were not recovered in advance in violation of agreement(s). The paras at Sr. No. 2 and 3could not be discussed in DAC meeting despite repeated requests.

Audit recommends that action may be taken against those held responsible besides ensuring recovery of outstanding amount under intimation to Audit. Internal Controls regarding Accounts Receivable Management be strengthened to ensure recovery of Railway dues in time.

2.5.62 Unauthentic expenditure not reflected in Audited Accounts – Rs 216.279 million

Para 1803 of Pakistan Railways Code for the Engineering Department provides that Project Director should ensure that all charges and credits relating to the project work have been booked in the accounts of the project and Completion Report of the project has been prepared.

During audit of Pakistan Railway Freight Transportation Company (PRFTC) in March 2022, while reviewing annual accounts of the company, it was observed that an amount of Rs 4,441,820,827 was booked as expenditure against the Yousafwala Railway Station project and allied works upto 30.06.2021. However, as per summary of expenditures provided to Audit, Rs 4,658,100,109 was shown as expenditure on the project. There was a difference of Rs 216,279,282 between both the figures to which no detail was provided. This resulted in unauthentic expenditure of Rs 216.279 million and prima facia the bogus expenditure as the same was not reflected in the audited accounts of company.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting on 14.10.2022. PRFTC management informed that a detailed reply was submitted to Audit. DAC directed the PO that project should be closed financially and completion report be drawn within 04 weeks' time. The practice of non-closure of projects should be avoided in future. Audit examined the reply and found that management reply did not address the audit observation.

Audit recommends that DAC directives be complied with in true letter and spirit. Responsibility be fixed against the persons at fault and internal controls be strengthened to avoid recurrence.

DP # 11725

2.5.63 Unauthorized utilization of employee funds for meeting business expenses - Rs 101.00 million

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

During audit of Pakistan Railway Advisory and Consultancy Services (PRACS) in February 2022, it was observed that funds amounting to Rs 101.00 million were transferred from Employees Gratuity Fund Account to business bank accounts through nine (9) transactions. Thus, employees' fund was utilized un-authorizedly for meeting business expenses. The practice of utilization of employees' funds indicated poor financial management which would also result in severe financial crises at the time of payment of the Gratuity Fund liabilities. This resulted in unauthorized utilization of employees' funds Rs 101.00 million for meeting business expenses.

The matter was taken up with the management in February 2022 and also discussed in DAC meeting held on 14.10.2022. DAC was informed that PRACS had a separate bank account of Gratuity Fund in Allied Bank Rawalpindi and no transaction for business purpose was made from that account. DAC directed to provide the complete documentary evidence within two weeks. Compliance of DAC directives was awaited.

Audit recommends that matter be enquired to fix responsibility for un-authorized utilization of employee's funds for meeting business expenses. Moreover, steps be taken for ensuring effective fund management in order to avoid complications at a belated stage.

DP # 11759

2.5.64 Non-deposit/transfer of Sundry/other earnings in Railway Revenue Account-III –Rs 86.83 million

Para 1402 of Pakistan Railways General Code provides that all transactions to which Pakistan Railways servant in his official capacity is a party, must without any reservation, be brought to account, and all moneys received should he paid in full, without undue delay, into the treasury or the bank, or in the case of Pakistan Railways servants employed on open lines, into the Pakistan Railways Cash Office or to the nearest Pakistan Railways station, to be credited to the appropriate head of account.

During audit of following formations of Civil Engineering Department of Pakistan Railways in August 2022, it was observed that the cost of deposit works in connection with up-gradation of level crossings and Kachhi Canal Project on Kashmore-Kot Addu section was received from sponsoring agencies and deposited in Deposit Misc account. The charges amounting to Rs 86.829 million being Sundry Earnings of Pakistan Railways were required to be transferred to Pakistan Railways Revenue Account-III as tabulated below.

(Rs in million)

Sr. #	DP#	Formation	Description	Amount
1	11793	Civil Engineering Department, Lahore	Departmental charges, land lease charges, train detention charges and cost of one time NOC were deposited in Deposit Misc. account instead of Revenue Account	50.94
2	11867	Civil Engineering Department, Rawalpindi	P. way portion, cost of fencing, road coupling, gate leaf and signaling portion were not deposited to Account – III.	28.306
3	11772	Civil Engineering Department, Multan	Departmental charges, contingent charges, train detention charges and land lease charges were not transferred to Revenue Account	26.439
4	11792	Civil Engineering Department, Lahore	Cost of store material relating to deposit works was not deposited in Revenue Account	9.45
Total				**86.83**

The matter was taken up with the management in August 2022. The matters at Sr. No. 1 & 4 were discussed in DAC meeting held on 22.12.2022, Sr. No. 2 on 23.12.2022 and Sr. No. 3 on 24.01.2023. DAC directed that the paras related to FA&CAO/PR who should provide a comprehensive response to the audit observation within two weeks. Compliance of DAC directives was awaited.

Audit recommends that matter be taken up at an appropriate level for deposit of Sundry/other Earnings in Revenue account before execution of deposit works, deposit of Sundry/other Earnings in Revenue Account be ensured in future to overcome the burden of overdraft and interest thereon.

2.5.65 Non-recovery of Receivables – Rs 48.87 million

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

During the audit of RAILCOP Office Sukkur in February 2022, it was observed that an amount of Rs 48.87 million was outstanding against Pakistan Railways and other private organizations since long. Non-recovery of outstanding amount resulted in blockage of capital of the company. No efforts were made by management to recover these long outstanding receivables. This occurred due to slackness of the management and weak internal controls.

The matter was taken up with the management on 28.03.2022 and also discussed in DAC meeting held on 04.10.2022. DAC directed that Railcop should provide details of amount recovered, along with documentary evidence to Audit within one week time. The balance amount of Rs 42.057 million should also be recovered by Railcop management by 5th November, 2022 and detail of such recoveries should be submitted to Audit latest by 10th November, 2022 along with requisite documents. Compliance of DAC directives was awaited.

Audit recommends that recovery particulars of the amount already recovered be furnished to Audit. Strenuous efforts be made to recover the entire amount under intimation to Audit.

DP # 11742

2.5.66 Loss due to imposition of penalty by M/S NLC on account of late payment – Rs 42.24 million

According to para5.1.5 of the operating lease agreement between Pakistan Railways and National Logistics Cell, signed on 14.11.2014, regarding lease of 10 overhauled GMU-30 (3000HP) Locomotives, the monthly rental of NLC will be deposited on monthly basis within 10 days after the end of preceding month. Para 5.1.6 further provides that in case of delay in payment of lease rentals, Pakistan Railways shall pay profit to NLC calculated at 6 month KIBOR plus 100 bps for the number of days beyond 30 days.

During audit of Mechanical Department, Pakistan Railways, Karachi in August 2022, it was observed that Pakistan Railways suffered loss on account of Serviceability Factor Payment which was a penalty imposed by M/s NLC due to late payment of their bills/ claims. As per record, bills of the NLC were being processed after lapse of two to three months from the date of issuance. While exercising the agreed terms of agreement, M/s NLC had imposed and claimed serviceability factor payment of Rs 42,238,625/- due to late payment for the period from July to September 2021. The practice of late clearance of NLC bills was still intact.

The matter was taken up with the management in August 2022. Management replied that para pertained to COPS Office. No reply was received till finalization of this report. This para could not be discussed in DAC meeting despite repeated requests.

Audit recommends that responsibility for late processing/ clearance of the NLC bills be fixed. Amount be recovered from those held responsible. Internal controls be strengthened to avoid recurrence.

DP#11989

2.5.67 Loss due to non-imposition of late payment surcharge on outstanding bills receivable – Rs 37.39 million

According to Ministry of Railways letter No.W-II/2013-LA/Policy dated 26.11.2019, late payment surcharge @ 10% annually was required to be recovered on operational & maintenance charges of level crossings and sidings owned or sponsored by Federal Government / Provisional Government / Military Authorities / Semi Government / Private Organizations as well as on land lease and rental charges calculated on monthly basis w.e.f. 01.07.2019.

Audit of following formations of Pakistan Railways revealed that bills receivables were calculated and accounted for without imposition of late payment surcharge on the amount outstanding on account of operational &

maintenance charges of level crossings as on 30.06.2022. An amount of Rs 267.82 million was outstanding against nine level crossings but compounded late payment surcharge of Rs 37.39 million was not imposed. This had resulted into loss of Rs 37.39 million due to non-imposition and recovery of late payment surcharge.

(Rs in million)

Sr. #	DP#	Formation	Period of audit	Amount outstanding as on 30.06.2022	10% compounded surcharge on bills Receivable
1	11892	Civil Engineering Department Multan	August, 2022	195.291	19.529
2	11885	Civil Engineering Department, Sukkur	August, 2022	72.528	17.856
Total				**267.819**	**37.39**

The matter was taken up with the management in August 2022 and also discussed in DAC meetings held on 27.12.2022 and 06.01.2023. DAC directed that an inquiry may be conducted through a committee headed by the Member Finance, CCM and DG/P&L to review the entire spectrum of bills receivable with reference to Generally Accepted Accounting Principles (GAAP), IFRS and come up with course corrective measures to improve the internal budgetary controls, have more clarity and management of the receivables and to avoid such practices in future. The report should also cover specific recommendations for early recovery of bills receivables and late payment surcharges. The report should be finalized within three weeks and submitted to approving authority and Audit. Compliance of DAC directives was awaited.

Audit recommends that matter be probed to fix responsibility for non-imposition of late payment surcharge on outstanding operational & maintenance charges of level crossing. Amount involved be recovered under intimation to Audit.

2.5.68 Non-recovery of liquidated damages charges – Rs 31.54 million

According to clause 13 of contract agreements executed by Pakistan Railways with M/s GE/USA for procurement of 55 (4000 HP) and 20 (2000 HP) Locomotives, in the event of seller's failure to ship the Locomotives and parts in accordance with the delivery schedule, the purchaser may collect from the seller, as liquated damages, the sum of one half of 1% (1/2%) of the FOB price of the Locomotive and parts so delayed for each and every week on part thereof of such delay except for the first month. Liquidated Damages shall not exceed 5% of the FOB price of the Locomotives and parts so delayed.

During audit of following formations in August and September 2022, cases of non-recovery of liquidated damages charges were observed. The contractors failed to complete supplies and works within given time and they were given extensions in time with or without LD charges but LD charges were not recovered. This resulted in loss to PR due to non-imposition of LD charges of Rs 31.54 million due to slackness of the management.

(Rs in million)

Sr.#	DP. #	Formation	Work	Description	Amount
1	11882	PD, Procurement of 75 DE Locomotive	Procurement of 75 DE Locomotives	Delivery period was extended with LD charges but still outstanding	24.125
2	11884	Civil Engineering Department, Pakistan Railway, Sukkur	Supply/stacking and loading of mechanically crushed stone ballast into Railway wagons	Two contractors failed to complete work within stipulated time. One contractor was paid full amount and a nominal amount of LD was deducted from the other contractor.	4.723
3	12039	Civil Engineering Department, Pakistan Railways, Karachi	Different civil works and supply of ballast contracts	Contractors failed to complete the works within stipulated time. The management didn't impose LD charges.	2.687
Total					**31.54**

The matter was taken up with the management in August and September 2022 and also discussed in DAC meeting on 07.02.2023. Agaisnt Sr. No. 1 the DAC directed the Dir/Proc. to submit comprehensive reply alongwith documentary evidence within three days. The recovery of the liquidated damages should be ensured latest by 31st March, 2023 and report the recovery figures to Audit. Against Sr. No. 2 the DAC directed that the CEN/OL should have implemented the contract in terms of its provisions. Immediate action should be taken for recovery of LDs/Penalty within two weeks. Compliance report should be submitted to Audit alongwith documentary evidence for verification latest by 10th March, 2023. Against Sr. No. 3 the DAC directed that the PO (CEN/OL) should ensure that LDs/Penalties, where applicable, are recovered from respective contractors in terms of the provision of contracts. A comprehensive reply alongwith documentary evidence, should be submitted within one week. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 03 Audit Paras having cumulative financial impact of Rs 297.95 million. (AP No. 2.4.75/2018-19, 2.5.23/2019-20 and 2.5.71/2021-22).

Audit recommends that responsibility for unjustified grant of extension and non-imposition/recovery of LD charges be fixed besides recovering the loss from the contractors or persons at fault. Internal Controls regarding contract management be strengthened to avoid recurrence.

2.5.69 Loss due to levy of default surcharge by FBR – Rs 27.00 million

According to Section 236A of Income Tax Ordinance 2001, any person making sale by public auction or auction by tender of any property or goods shall collect advance tax at the rate specified in Division III of Part IV of the First Schedule of the said ordinance. Moreover, Section 161 of Income Tax Ordinance 2001 provides that if a person fails to deduct tax from a payment the person shall be personally liable to pay the amount of tax to the

Commissioner who may pass an order to that effect and proceed to recover the same. Furthermore, as per section 205 of the ordinance a person who fails to pay any tax or penalty on or before the due date for payment shall be liable for default surcharge on the tax, penalty or other amount unpaid.

During audit of the accounts of Senior Accounts Officer/Revenue for the year 2021-22, it was noticed that Pakistan Railways outsourced Fareed Express, Hazara Express and Shalimar Express to M/s Syed Jamil & Company. Federal Board of Revenue (FBR) vide its two orders dated 13.03.2022 imposed default surcharge of Rs 32.270 million and Rs 31.087 million for the tax year 2019 and 2020 respectively due to non-deposit of withheld tax amounting to Rs 97.96 million and Rs 148.439 million respectively from M/s Syed Jamil & Company. Railway management failed to deposit requisite tax amounts in time therefore, FBR unilaterally recovered an amount of Rs 27.00 million from main collection account of PR with NBP. Thus, PR suffered loss of Rs 27.00 million due to poor tax management.

The issue was pointed out to the formation in June 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed the PO to submit comprehensive reply alongwith documentary evidence within one week to Audit for examination. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Report through 02 Audit Paras having cumulative financial impact of Rs 1,419.41 million. (AP No. 2.5.38 and 2.5.75/2019-20).

Audit recommends that matter be probed to fix responsibility under intimation to Audit and efforts be made for recovery or adjustment of amount from FBR. Tax management should be improved in PR to avoid penalties.

DP # 12071

2.5.70 Loss on account of late payment surcharge on utility bills – Rs 21.17 million

According to clause (ii) & (iv) of agreement signed between PR and WAPDA/SNGPL, advance payment on account of electricity bills/RLNG bills would be made therefore, late payment surcharge were not due to be paid.

During audit of following three formations it was observed that an amount of Rs 21.17 million was paid to DISCOs and SNGPL on account of late payment surcharge on electricity and sui gas bills in violation of the agreements and due to slackness on the part of PR management as tabulated below.

(Rs in million)

Sr. #	DP#	Formation	Audit Period	Amount	Nature
1	11913	Electrical Department, Lahore Division	September 2022	12.341	Electricity
2	11852	Electrical Department, Workshops Division, Mughalpura	September 2022	6.400	Electricity
3	11912	Mechanical Department, Workshops Mughalpura	October- 2022	2.428	Sui Gas
TOTAL				**21.169**	

The matter was taken up with the management in September and October 2022. Matter at Sr. No. 1 and Sr. No.2 were discussed in DAC meetings held on 24.01.2023 and 27.12.2022 respectively. The DAC directed the PO to renegotiate the agreements with all DISCOs/K-Electric by removing the advanced payment provisions and recovery of Rs6.4 million as late payment surcharge from LESCO or any other DISCO/K.E within two months. The PO should ensure all payments are made within due time without allowing any possibility for levy of late payment surcharge in future. A detailed report should be submitted to Audit latest by 25th February, 2023 alongwith documentary evidence duly endorsed by the PO. Matter at Sr. No.3 was also discussed in DAC meeting held on 06.01.2023. The DAC directed the PO to ensure that all payments are made within due time without allowing any possibility for levy of late payment surcharge in future. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 03 Audit Paras having cumulative financial impact of Rs 30.87 million. (AP No.2.4.65/2018-19, 2.5.11/2020-21 and 2.5.53/2021-22).

Audit recommends that payment of utilities bills be ensured within due dates besides revision of agreements with DISCOs and Sui Gas companies in compliance of DAC directives under intimation to Audit.

2.5.71 Irregular issuance of cheques in the name of employees – Rs 14.67 million

Para 807 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.

During audit of RAILCOP Multan office in January2022, it was observed that cheques were issued in the name of different employees, mainly the Project Director (Mr. Reehan Ghazi). All labour expenses accrued were paid by the company through the personal accounts of employees. Scrutiny on test check revealed that during their contractual period, an amount of Rs 14.67 million was irregularly handed over to them without any financial security. Audit had pointed out many cases in the past where employees of RAILCOP left the company and outstanding amount against them could not be recovered and ultimately written off but no internal controls could be developed to safeguard the public money. This practice was more prone to intentional misappropriation due to weak internal controls.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting held on 04.10.2022. DAC directed that the Audit Committee of Railcop should review the entire project management process and practices in Railcop. The committee should identify key gaps, propose corrective measures and fix responsibility, where required. Compliance of DAC directives was awaited.

Audit recommends that reason for issuing cheques in the name of company employees and payment from personal account may be explained. Action be taken against those held responsible. Internal controls be strengthened to avoid recurrence.

DP # 11747

2.5.72 Unauthorized local purchases from Deposit Works– Rs 9.87 million

According to 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 audit of Civil Engineering Department, Rawalpindi in August 2022, it was observed that a huge number of local purchase cases of different items like fuel charges, repair of vehicles, purchase of stationery, hardware and IT equipment etc. valuing Rs 9.87 million were processed by the executive engineers against deposit works. These cases were processed for payment without mentioning the detail of estimate and knowing the balance available under the relevant head of deposit works. Further, it was observed that funds were also allocated under the revenue grant for meeting such expenditure. Thus, unauthorized expenditure of Rs 9.87 million was incurred from funds of deposit works due to non-observance of rules.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 23.12.2022. DAC directed the CEN/OL to provide a comprehensive response including provisions of all items, as reported by audit with total expenditure of Rs9.87 million in the relevant deposit work agreements, estimates and any other related item within one week to Audit. Compliance of DAC directives was awaited.

Audit recommends that matter be enquired to fix responsibility for irregular local purchases from funds of deposit works. Amount involved be adjusted by transferring the funds from Revenue account to Deposit Misc. account under intimation to Audit and internal controls regarding management of deposit works be strengthened to avoid recurrence.

DP#11869

2.5.73 Irregular payments made to suppliers through cash instead of cheques – Rs 6.71 million

In terms of Federal Board of Revenue (FBR) letter No l(42)/STM/2009/99638 dated 24.07.2013 purchase of Taxable goods may only be made from Sales Tax Registered (STR) persons against sales tax invoices and payment be made through Banking Channels.

During audit of Civil Engineering Department, Karachi in August 2022, it was observed that local purchases of different kind valuing Rs 6,705,127 were made during the year 2021-22 and payments to the suppliers were made in cash instead of banking channels. Thus, irregular payments of Rs 6.71 million were made to the suppliers in cash, in violation of instructions of FBR, due to non-observance of rules by the PR management.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 06.01.2023. DAC directed the CEN/OL to submit a comprehensive reply duly supported with documentary evidence and endorsed by the PO within one week. The Audit will examine and report in the next meeting of DAC. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 02 Audit Paras having cumulative financial impact of Rs 15.39 million. (AP No. 2.4.35/2018-19 and 2.5.77/2019-20).

Audit recommends that matter be probed to fix responsibility for making payment in cash instead of banking channels. Action be taken against those held responsible under intimation to Audit and internal controls be strengthened to avoid recurrence.

DP#11824

2.5.74 Loss due to payment on account of Low Power Factor Penalty - Rs 5.142 million

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

During audit of Electrical Department, Workshops Division, Mughalpura in September 2022, it was noticed that certain Power Factor Improvement Plants (PFIPs) were defective and management failed to arrange their repair and maintenance. LESCO imposed Low Power Factor Penalty (LPFP) of Rs 5.142 million on PR during 2021-22. This indicated that fewer funds were not spent on repair of PFIPs but huge amount of LPFP was paid due to massive mismanagement trend of which is tabulated below:

(Rs in million)

S.#	Year	Amount (Rs)
1	2015-16	9,395,342
2.	2016-17	7,383,074
3.	2017-18	6,996,862
4.	2018-19	4,222,075
5.	2019-20	6,452,096
6.	2020-21	7,250,037
7.	2021-22	5,142,167

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 23.12.2022. DAC directed the PO to submit a comprehensive response covering all aspects of existing maintenance practices, efforts made to eliminate such losses and strategy to ensure sustainability of intervention made so far duly supported with requisite data and documentary evidence within one week. Compliance of DAC directives was awaited.

This issue had already been highlighted in previous Audit Reports through 05 Audit Paras having cumulative financial impact of Rs 1,202.21 million. (AP No. 2.4.2 & 2.4.3/2017-18, 2.4.6/2018-19, 2.5.7/2019-20 and 2.5.37/2021-22).

Audit recommends that Railway management ensure timely repair and upgradation of PFIPs to avoid payment of low power factor penalty.

DP#11800

2.5.75 Non-recovery of security deposit from SNGPL – Rs 4.916 million

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

During audit of the Carriage Factory Islamabad in October 2022, it was observed that Sui Gas supply meter No. 86290330009 was disconnected by SNGPL in April 2022.The system of bulk supply of Sui Gas from SNGPL to Railway and its further distribution to residence of employees was discontinued and separate Sui gas meters were installed by Sui gas authorities at the residences of employees. Audit observed that security deposit of disconnected Sui Gas meter amounting to Rs 4,916,797 was not recovered from SNGPL authorities till date of audit.

The matter was taken up with the management in October 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC directed the PO to ensure early recovery of security deposit and submit a compliance report to Audit within one month. The Audit will verify the recovery so made through AO/Carriage Factory within two weeks after submission of complete documents by the PO. Compliance of DAC directives was awaited.

Audit recommends that security deposit may be recovered at the earliest under intimation to Audit. Action be taken against those held responsible and Internal Controls may also be strengthened to avoid recurrence.

DP#11966

2.5.76 Non recovery of outstanding advances from contractor – Rs 4.92 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 the audit of Railcop Lahore Office in March 2022, while reviewing the accounts of “Construction of Narowal Station Project” it was observed that Railcop management awarded the electric works of the project to M/S Exceleron and granted advance amounting to Rs 24.64 million. The advances of Rs 19.72 million were adjusted against the bills of the works done by contractor. All the works had been completed but balance amount of Rs 4.92 million was still adjustable/recoverable. This resulted in non-recovery of balance amount of advance amounting to Rs 4.92 million from the contractor due to negligence of management of Railcop.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting held on 04.10.2022. The PO informed that for recovery of the balance amount Railcop had already filed a recovery suit in Civil Court Lahore. The next date of hearing was 18.10.2022. The DAC directed the PO that the balance amount should be recovered on priority and a detailed response giving updated status of the recovery should be submitted to Audit within one week. The outcome of the court hearing on 18th October, 2022 should also be reported to Audit. Compliance of DAC directives was awaited.

Audit recommends that matter be probed to fix responsibility for granting excess advances to the contractor and outstanding amount of Rs 4.916 million be recovered immediately from the contractor under intimation to Audit. Internal financial controls be strengthened to avoid recurrence.

DP # 11739

2.5.77 Loss due to excess consumption of lube oil – Rs 3.66 million

According to CME/Loco letter No. 373/3-XXXV(M-4) dated 10.02.2020, it is advised to ensure minimum utilization of lube oil versus fuel oil consumption ratio within 0.00% to 01.00 % for performance of locomotives.

During audit of Mechanical Department Peshawar Division in August 2022, while reviewing the record of DME Kundian, it was observed that Kundian based locomotives consumed lube oil ranging from 1.05 % to 10.80 % of HSD oil for the period from June, 2021 to June, 2022. This percentage was on a higher side as compared to prescribed standard/ tolerable limit of 1% which depicted poor maintenance of locomotives on the part of management. Thus, PR suffered loss of Rs 3.66 million due to consumption of excess lube oil.

The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 10.02.2023. DAC directed that the PO (CME/Loco) should provide a comprehensive response covering at least the benchmarks, consumption patterns, Kilometer earned, idle running, age of locomotives etc. for each class of locomotive, alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that matter be probed to fix responsibility for loss due to excess consumption of lube oil. Repair and maintenance standards be improved and internal controls be strengthened to avoid recurrence.

DP#11976

2.5.78 Loss due to imprudent & inefficient investment process - Rs 1.977 million

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

During audit of Pakistan Railway Advisory and Consultancy Services (PRACS) in February 2022, it was observed that an amount of Rs 150.00 million was invested with Zarai Tarqiati Bank Ltd (ZTBL) on 09.05.2019 with maturity date of six months i.e. 08.11.2019. Audit observed that the process of re-investment was sluggish as the funds were re-invested on 16.12.2019 with delay of 37 days. This resulted in loss of profit amounting to Rs 1.97 million. The above state of affairs indicated inefficiency on the part of management. Audit was of the view that undue favor was extended to the bank by keeping the funds with the bank beyond the maturity of the term deposit.

The matter was taken up with the management in February 2022 and also discussed in DAC meeting held on 14.10.2022. The DAC was informed that interest payment for complete period had been received by PRACS and no loss occurred to public exchequer. DAC directed to provide complete documentary evidence of receipt of principal amount plus interest along with bank statement for verification of Audit. Compliance of DAC directives was awaited.

Audit recommends that DAC recommendations may be complied with in true letter and spirit.

DP # 11735

2.5.79 Loss due to non-recovery of cost of Permanent Way material from sponsoring agency - Rs 1.339 million

Para 2027 of Pakistan Railways Code for Engineering Department stipulates that the term “deposit work” is applied to the work of construction and repair, the cost of which is met, not out of Railway fund but out of funds from non-Railway source. It is further provided vide Para 2030 that in cases where an excess is anticipated, the Railway administration will be responsible for obtaining the additional allotment in proper time from department concerned.

During audit of Civil Engineering Department Multan Division in September 2022, it was observed that Railway management executed deposit work regarding up-gradation of class-III (un-manned) level crossing No. 170 and 172/LON-KWL section during the year 2021-22. The unserviceable (US) rails valuing Rs 1,339,974 were provided by Pakistan Railways for rail fencing, RCC drain cover and gate post. However, their cost was not included in the estimate of deposit work in order to reduce the total cost of work which was not justified. Pakistan Railways needed to demand additional funds well in time from the sponsoring agency to complete the deposit work. Non-recovery of the cost of US Rails caused loss to Pakistan Railways.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 07.02.2023. DAC directed that the PO (CEN/OL) should submit comprehensive reply alongwith documentary evidence within one week. Compliance of DAC directives was awaited.

This issue had already been highlighted through Audit Para No. 2.5.16/2020-21 worth Rs 41.68 million.

Audit recommends that cost of material provided by Pakistan Railways for deposit work be recovered from the sponsoring agency. Internal controls be strengthened to avoid recurrence.

DP#11769

2.5.80 Irregular expenditure on account of additional pay to Railway employees – Rs 1.175 million

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

During audit of Pakistan Railways Freight Transportation Company (Pvt.) limited in February 2022, it was observed that Board of Directors in its meeting dated 22.09.2021 approved additional pay to the regular employees of Pakistan Railways of BPS-17 to BPS-20 during their posting in PRFTC. This caused extra expenditure of Rs 1.175 million on account of additional pay for the period from September 2021 to January 2022. This was against above instructions which occurred due to weak internal controls.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting on 07.10.2022. The DAC directed that the HR Committee of PRFTC should review both the perspectives in terms of relevant rules regarding deputation and corporate governance rules relating to BoD powers for providing additional benefits within two weeks' time. Compliance of DAC directives was awaited.

Audit recommends that justification for unauthorized grant of additional pay/allowance be explained. Responsibility be fixed and recovery be effected from the employees concerned.

DP # 11715

2.5.81 Unjustified/ bogus reimbursement of medical claims – Rs 1.110 million

Para 5.2.3 of Medical Attendance Rules of PRFTC states that in case a particular facility is not available in Government hospitals, or it is considered that better post-operative care is warranted in an alternate private hospital/clinic, prior permission of Management Director/CEO shall be obtained on the recommendations of the Medical Superintendent of the Government hospital concerned.

During audit of the Pakistan Railways Freight Transportation Company (Pvt) limited in February 2022, it was observed that medical claims valuing Rs 1.110 million during the financial year 2020-21 were reimbursed to different officers/officials without any scrutiny. The requirements like prior permission of CEO for treatment from private hospital on the recommendations of Medical superintendent of hospital concerned and countersignature of medical bills from authorized medical attendant as required under the rules were missing. Further scrutiny of record revealed that reimbursement on account of disallowed items like woven bags, hand sanitizers, Joshanda, calcium supplements, sunny-plast, coca-cola and cotton rolls was made and bills were not got countersigned from the authorized medical attendant. Moreover, advances for medical treatments were also being paid to employees which was unjustified. This showed that proper attention was not given while utilizing public money. This reflected weak internal controls.

The matter was taken up with the management in March 2022 and discussed in DAC meeting on 07.10.2022. The DAC directed that PRFTC management should ensure compliance of relevant rules for reimbursement of medical bills. The paid amount should be verified from Medical Department of Pakistan Railways latest by 31.10.2022. All unverified amounts should be recovered from respective employees by 10th November 2022. A detailed and comprehensive report to this effect should be submitted to Audit by 15.11.2022. Compliance of DAC directives was awaited.

Audit recommends that detailed scrutiny of medical claims be made from authorized medical attendant and amount of unjustified reimbursements be recovered from concerned officials/officers under intimation to Audit. Internal controls be strengthened to avoid recurrence.

DP # 11714

Issues in Revenue Management

This category deals with issues in revenue management involving six (06) audit paras worth Rs 9,828.191 million.

2.5.82 Loss due to non-implementation of track access agreements – Rs 6.100 billion per annum

PRFTC’s letter No. PRFTC/PMO-TAC/2019 dated 29.11.2019 states that the Ministry of Railways vide letter dated 26.11.2019 entrusted the charge of Head of Project Management Office to the CEO/PRFTC for managing affairs of Track Access Agreements. Furthermore, PRFTC letter dated 08.12.2020 stipulates that PR would realize an average of Rs 6.100 billion annually through implementation of track access agreements.

During audit of Pakistan Railways Freight Transportation Company in February 2022, it was observed that Pakistan Railways obtained approval for operating track access agreements from Federal Cabinet and Railway Board in 2010 and 2011 respectively. Resultantly, agreements on this account were executed with Pakistan Intermodal Limited (PIL) and Fast Track Silver Link (Pvt) Limited in 2013. The purpose of these agreements was induction of private parties' investment and expertise in terms of bringing their own rolling stock and run freight trains by paying Track Access Charges to PR. The Project Management Office (PMO) was established in 2019 with a delay of six (06) years from the date of agreements. The Ministry of Railways vide above referred letter entrusted CEO/PRFTC the charge of the head of Project Management Office to achieve the above objectives but no progress was achieved by the management of PRFTC. Resultantly, private parties i.e. Pakistan Intermodal Limited (PIL) and Fast Track Silver Link (pvt) Limited filed case in the court of law for non-operating of agreements. This not only deprived PR from potential earnings of Rs 6.100 billion per annum as mentioned in above referred letter but was also forced to face court cases. This caused loss to PRFTC and PR as well.

The matter was taken up with the management in March 2022 and also discussed in DAC meeting on 14.10.2022. DAC directed that PRFTC should give a detailed comprehensive response based on ground realities since implementation of the track access policy along with documentary evidences within two weeks. Compliance of DAC directives was awaited.

Audit recommends that reasons for not-implementation of track access agreements be explained. Matter be probed and responsibility be fixed against the persons at fault. Action be taken for its early implementation.

DP # 11758

2.5.83 Loss due to suspicious weighing of coal in the absence of tests – Rs 2,070.672 million

Section 4.8 of agreement between HSR (Chinese company) and PRFTC dated 7th July 2015 states that the Chinese company shall test the weighing stations for accuracy in accordance with Schedule 5 at intervals of not greater than 365 days. In addition, the company will also conduct a test, at any time within ten days after request by the Transporter (PRFTC) if the Transporter believes that the weighing station is inaccurate by more than one-half percent, after giving the company not less than 48 hours' notice. The Parties may have a representative present during all testing, as well as during any inspection of the weighing station or adjustment thereof.

During audit of Pakistan Railways Freight Transportation Company (Pvt) limited (PRFTC) in February 2022, it was observed that weighment of coal was found defective due to incorrect calibration of weighbridge. An inquiry dated 03.09.2020 was conducted which concluded that PR had suffered huge loss due to under weighment. As the weighment process at loading stations was being operated by the representatives of HSR at their own end therefore, weighment cannot be treated as authentic in the absence of frequent tests of weighbridge. The HSR Company was paying freight @ 60 metric tonnes weight per wagon irrespective of the actual weight loaded in each wagon against the maximum carrying capacity of 72 metric tonnes by each wagon. Therefore, due to non-conducting of tests of weighbridges, results were not reliable and loading of 70 metric tonnes coal in each wagon cannot be overlooked. During the period from January to December 2021, 47,926 coal wagons were loaded from Karachi to Yousafwala Railway station. Therefore, an amount of Rs 2,070,671,586 (47926x10xRs 4320.56) was recovered less from the HSR company on this account which resulted in loss to PR. This occurred due to weak internal controls.

The matter was taken up with the management in March 2022 and discussed in DAC meeting on 14.10.2022. DAC directed that Audit committee of PRFTC should review the issue based on the agreements between PRFTC and PR, PRFTC & HSR and any other relevant documents. Clear recommendations to this effect should be submitted to Audit within 4-weeks. Compliance of DAC directives was awaited.

Audit recommends that reasons be explained for non-conducting of frequent tests of weighbridges. Agreement be revised with the HSR for payment of freight @ 70 tonnes load in respect of each wagon. Internal controls be strengthened to avoid such recurrence in future.

DP # 11731

2.5.84 Non-recovery of PRFTC dues from Huaneng Shandong Ruyi (HSR) – Rs 1,196.285 million

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

During audit of Pakistan Railway Freight Transportation Company in February 2022, it was observed that an amount of Rs 1,196,285,403 was recoverable from HSR as depicted in annual audited accounts of HSR for the year 2020-21. However, this amount was neither recognized by the PRFTC in its accounts nor strenuous efforts were made to recover the same in contravention of above quoted codal provision. This resulted in loss to the company which occurred due to weak internal controls.

The matter was taken up with the management in March 2022 and discussed in DAC meeting on 14.10.2022. The DAC showed displeasure to the PRFTC management for not proactively engaging with HSR regarding recovery of amount. DAC directed that PRFTC should immediately engage with HSR for early recovery of the outstanding amount. A detailed report to this effect should be submitted to Audit within one month. Compliance of DAC directives was awaited.

Audit recommends that reasons be explained for non-recovery of such a heavy amount and amount in question be recovered under intimation to Audit. Internal controls be strengthened to avoid such recurrence.

DP # 11721

2.5.85 Loss due to non-implementation of agreement with Jamshoro Power Company Limited- Rs 281.700 million

According to Inland Coal Transport Agreement (ICTA) executed between Jamshoro Power Company Limited (JPCL) and PRFTC on 8th September 2018, the later agreed for transportation of 345,205 tonnes coal per month.

During audit of Pakistan Freight Transportation Company (PRFTC) in February 2022, it was observed that Inland Coal Transportation Agreement (ICTA) was signed between PRFTC and Jamshoro Power Company Limited (JPCL) on 8th September 2018 for transportation of 345,205 tonnes coal per month. The JPCL intimated PRFTC about Commercial Operation Date of 660MW Unit #1 which was June 2022 for which 180,000 tonnes of coal was required to be transported at least six months before the Commercial Operation Date (COD) i.e. January 2022. Despite a meeting between PRFTC and JPCL dated 15.06.2021, freight rates were not finalized by the PRFTC. Furthermore, neither land nor design for loading at Port Qasim was finalized. The above state of affairs showed that PRFTC was deprived of earning of Rs 281,700,000 (180,000 tonnes x Rs 1,565 per ton) initially for non-transportation of 180,000 metric tonnes of coal for trial run of Unit #1 of JPCL.

The matter was taken up with the management in March 2022 and discussed in DAC meeting on 14.10.2022. DAC directed that PRFTC should submit a detailed reply giving specific details about the extended COD & Railways preparation for transportation of coal along with documentary evidence to Audit within 1-week. Same reply as was already provided was submitted by the management of PRFTC without compliance of DAC recommendations.

Audit recommends that DAC directives may be complied with in true letter and spirit.

DP # 11724

2.5.86 Non-recovery of freight charges from Huaneng Shandong Ruyi (HSR) – Rs 175.093 million

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

During audit of Pakistan Railways Freight Transportation Company (Pvt) limited (PRFTC) in March 2022, it was observed that Huaneng Shandong Ruyi (HSR) received 57,570 metric tonnes of coal at Yousafwala Project over & above the actual weight done at Port Qasim during the period from January 2017 to October 2019. A joint committee was nominated by Secretary/chairman Pakistan Railways to inquire the matter vide letter No. 1-1/2013-T-1 dated 25th March 2019. The committee concluded that variation was due to incorrect calibration of weighbridge installed by PR at Port Bin Qasim. The HSR received Rs 175.093 million from National Electric Power Regulatory Authority (NEPRA) on account of freight charges of 57,570 metric tonnes of Coal. Actually, it was the right of PR to receive such amount. But management failed to make any strenuous efforts to recover this amount from HSR. This reflected weak internal controls and slackness on the part of management

The matter was taken up with the management in March 2022 and discussed in DAC meeting on 07.10.2022. The DAC directed that the Audit Committee of PRFTC should review the FDA management in terms of provision of the relevant agreements and come up with a report having clear recommendations within four weeks' time. Further, based on the recommendations of the committee, the PRFTC management and PRFTC Board needed to resolve the issue in a timely manner. A detailed report to this effect should be submitted to Audit by 30th November, 2022. Compliance of DAC directives was awaited.

Audit recommends that reasons of non-recovery be explained and amount be recovered from HSR under intimation to Audit. Internal controls be strengthened to avoid such recurrence.

DP # 11722

2.5.87 Loss on account of non-completion of advisory consultancy agreements – Rs 4.441 million

Para 807 of 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 Pakistan Railway Freight Transportation Company in March 2022, it was observed that PRFTC entered into six (06) different transaction advisory agreements/studies for improvement of new Rail links during the period from April 2021 to May 2021. An amount of Rs 4.441 million was paid to the contractors on this account. However, contracts were terminated in October 2021 without mentioning any reason. This resulted into loss of expenditure due to slackness of the management.

The matter was taken up with the management in March 2022 and discussed in DAC meeting on 07.10.2022. The DAC directed that the Audit Committee of PRFTC should review the consultant procurement and implementation process and come up with a report having clear recommendations within four weeks' time. Compliance of DAC directives was awaited.

Audit recommends that reasons for termination of agreements be explained. Matter for wasteful expenditure be probed and action be taken against those held responsible under intimation to Audit. Internal controls be strengthened to avoid such recurrence.

DP # 11729

2.6 Paras from Special Audit Reports/ Studies

In compliance with directives of the Auditor General of Pakistan, seventeen (17) significant paras worth Rs 6,937.11 million from three specialized audit reports i.e. Special Study on Contract Management in PR, Special Study on Credit of Revenue Earnings in Railways Fund and Performance Audit on Role of Pakistan Railway Police in Safeguarding Railways are included in this section.

2.6.1 Lack of fair competition and transparency in procurement – Rs 5,097.43 million

Rule 4, 10, 23 & 29 of Public Procurement Rules 2004 require that the bidding documents should include appropriate evaluation criteria. The Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner and specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage.

During audit of Contract Management over Pakistan Railways in 2020, it was observed that in eight (8) cases of international procurement valuing Rs 5,097.43 million (US$ 20,288,781 & Euro 20,322,452.7), the technical evaluation criteria given in the bidding documents, required mandatory 100% clause to clause compliance with technical specifications for declaration of bids as responsive as detailed in **(Annexure-N)**. This resulted in non-transparent international procurement in violation of PPRA rules.

The matter was taken up with the management in August 2020 and also discussed in DAC meeting held on 03.02.2023. DAC directed that the PO (Dir/Proc.) should submit a comprehensive reply of the entire procurement process alongwith documentary evidence within three days. Compliance of DAC directives was awaited.

Audit recommends that the matter be inquired to fix responsibility for inappropriate technical evaluation criteria. Effective steps be taken to ensure procurement of such items by OEM and the technical evaluation criteria should cover essential areas and qualification marks be given to ensure transparency in the procurement.

DP # 12085

2.6.2 Inordinate delay in collection and remittance of station earnings – Rs 892.572 million

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

During audit of Credit of Revenue Earnings in Railway Fund in June 2021, it was observed that the Chief Cashier and Treasurer (CCT) office, Lahore collected and credited station earnings in the shape of bank drafts (BD) amounting to Rs 21,542.800 million in Railway Account-III during the year 2019-20. Scrutiny of selected record revealed that the CCT Office, Lahore collected station earnings of Rs 892.572 million in the shape of demand drafts from different Railway stations. The BDs received in CCT office with a delay of 1 to 391 days and were credited in Railway Account-III with a delay of 1 to 394 days **(Annexure-O)**. This inordinate delay in collection and remittance of station earnings had negatively affected cash flow position of Pakistan Railways.

The issue was discussed in DAC meeting held on 30.08.2022. DAC constituted a committee headed by Member Finance along with Additional General Manager/Traffic to review the entire revenue, accrual and realization process with reference to the instant case including fixing of the responsibility, process flow and proposals for course corrective measures within two weeks. Railway management vide their revised reply dated 19.09.2022 stated that a mechanism for reconciliation with NBP regarding collection and deposit of PR earnings had been devised. As a result of reconciliation for the year 2021-22, penalty of Rs 185.879 million for late collection and deposit had been calculated and claimed from NBP. However, the claim had not yet been accepted by NBP. The issue was again discussed in DAC meeting held on 03.02.2023. The DAC directed that the inquiry report alongwith comprehensive response covering all aspects of audit observations should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends that a system of prompt realization of Railway earnings be adopted through real cash management system at all Railway stations. The agreement with NBP be implemented in its true letter & sprite under intimation to Audit.

DP # 12086

2.6.3 Non-replacement of defective material – Rs 267.752 million

According to terms and conditions of the Purchase Orders of FOB Procurement the seller was bound to replace defective material free of cost.

During audit of Contract Management over Pakistan Railways in 2020, it was observed that defective material valuing Rs 267.752 million (landed cost) procured on FOB basis was not got replaced despite lapse of more than five years. This depicts poor contract management **(Annexure-P)**.

The matter was taken up with the management in July 2020 but no reply was received. This para could not be discussed in DAC meeting despite repeated requests.

Audit recommends that matter be inquired to fix responsibility for non-replacement of material. Action be taken against those held responsible besides recovery of the cost of defective material from the suppliers or person(s) found at fault.

DP # 12087

2.6.4 Extra burden on government exchequer due to unjustified introduction of Fixed Daily Allowance – Rs 239.22 million

Para 807 of 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 Role of Railway Police in Safeguarding of Railways in September 2022 it was observed that during meeting in Central Police office Lahore under the Chairmanship of Federal Minister for Railways on 20.11.2021, the Inspector General (IG) requested the chair to fix TA/DA Allowance @ 20 days per month in the salary of Pakistan Railway Police (PRP) personnel on the analogy of provincial police. He added that no financial implication was involved in the matter and requirements would be met out from the allocated budget of FY 2021-22. On presentation of these fact, the Federal Minister approved the proposal. The Secretary/Chairman Railways allowed to fix Daily Allowance of PRP Personnel, for 20 days, only from the allocated budget of FY 2021-22 vide MoR letter dated 19.01.2022. Audit observed that above proposal involved financial implications and existing budget allocation was not sufficient to meet additional expenditure, therefore, additional funds of Rs 230.00 million were provided under the head Fixed Daily Allowance vide MoR letter dated 20.01.2022. It was revealed from budget and expenditure statements for the year 2017-18 to 2020-21 (4 years) that total expenditure under the head TA/DA was Rs 380.62 million and average expenditure was Rs 95.15 million per annum **(Annexure-Q)** whereas for period from January to June 2022 (six months) expenditure under FDA was Rs 286.80 million. In this way the annual expenditure under FDA would be Rs 573.6 million per annum whereas under TA/DA average annual expenditure was Rs 95.15 million. PR was facing financial crunch since long and it was not in a position to meet with its expenditure of regular pay & allowances and pension. Federal Government was providing funds to the Railways to meet with expenditure of pay & allowances and pension, therefore, it was not justified to introduce an additional allowance which resulted in extra burden of Rs 239.22 million [Rs 286.8-47.57 (Rs 95.15/2)] on public exchequer for the period from January to June 2022.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 03.02.2023. DAC directed that an inquiry headed by Member Finance and AGM/Traffic should be conducted within one week and report to this effect be submitted to Audit latest by 13th February, 2023. Compliance of DAC directives was awaited.

Audit recommends that decision of allowing FDA may be reviewed keeping in view the financial position of the Railways.

DP # 12088

2.6.5 Unauthorized procurement of proprietary items – Rs 105.500 million

Rule 42 (c)(ii) of Public Procurement Rules – 2004 allows direct contracting where only one manufacturer or supplier exists for the required procurement.

During audit of Contract Management over Pakistan Railways in 2020, it was observed that purchase order No.10/0013/05-0/1-2017 dated 06.11.2018 for procurement of a proprietary item i.e. 250,000 liters Engine Crank Case Oil valuing Rs 105.500 million was executed with M/s Allied Engineering & Services, Lahore on FOR basis instead of from the Original Equipment Manufacturer/OEM i.e. M/s Caterpillar USA on FOB basis. This resulted in procurement of proprietary item in violation of PPRA rules.

The matter was taken up with the management in March 2020 but no reply was received. This para could not be discussed in DAC meeting despite repeated requests.

Audit recommends that the matter be inquired to fix responsibility for procurement of proprietary item on FOR basis from M/s Allied Engineering Services instead of procurement from OEM i.e. M/s Caterpillar, USA on FOB basis. Effective internal controls be designed to ensure procurement of proprietary items on FOB basis to avoid risks associated with FOR procurement.

DP # 12089

2.6.6 Loss on account of interest on overdraft due to delay in remittance of earning in Railway Fund – Rs 78.969 million

Para-904 of Pakistan Railways Code for the Accounts Department provides that the general rule is that all moneys received by Pakistan Railways should be paid promptly into government treasuries.

During audit of Credit of Revenue Earnings in Railway Fund in June 2021, it was observed that total revenue earning of Pakistan Railways for the year 2019-20 was Rs 47,583.687 million. Scrutiny of selected Revenue Earnings of Rs 1,142.746 million revealed that Revenue Earnings of Pakistan Railways remitted through bank drafts/cheques was delayed upto 369 days and Revenue Earnings remitted through cash by NBP and by CCT Office was delayed upto 84 days. This abnormal delay in remittance of earning in Railway Fund caused loss of Rs 78.969 million on account of interest on overdraft **(Annexure-R)**. This inordinate delay in remittance adversely affected the cash flow position of Pakistan Railways. Had the Railway management been vigilant in timely remittance of earning in Railway Fund the burden of interest on overdraft could be reduced/avoided.

The matter was taken up with the management in June 2021 and also discussed in DAC meeting held on 30.08.2022. DAC constituted a committee headed by Member Finance along with Additional General Manager/Traffic to review the entire revenue, accrual and realization process with reference to the instant case including fixing of the responsibility, process flow and proposals for course corrective measures within two weeks. Railway management vide their revised reply dated 19.09.2022 stated that a mechanism for reconciliation with NBP regarding collection and deposit of PR earnings had been devised. As a result of reconciliation for the year 2021-

22, penalty of Rs 185.879 million for late collection and deposit had been calculated and claimed from NBP. However, the claim had not yet been accepted by NBP. The issue was again discussed in DAC meeting held on 03.02.2023. DAC directed that the inquiry report alongwith comprehensive response covering all aspects of audit observations should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends that a system of prompt realization of Railway earnings to be adopted through real cash management system at all Railway stations. The agreement with NBP be implemented in its true letter & sprite under intimation to Audit.

DP # 12090

2.6.7 Non-recovery of stolen material – Rs 67.65 million

Pakistan Railways Police Act, 1977 provides that Pakistan Railways Police would be responsible for the safety of passengers and goods transported by Pakistan Railways, the protection of Railway property, the prevention, inquiry and investigation of offences committed in relation to Pakistan Railways and for matters connected therewith.

During audit of Role of Railway Police in Safeguarding of Railways in September 2022, it was observed that in Karachi, Sukkur, Multan, Lahore, Peshawar and Rawalpindi Divisions of Pakistan Railway Police 10763 cases valuing Rs 147.509 million were reported during the period from July 2017 to June 2022. Out of these cases, 7344 (70.25%) cases were convicted and cost of stolen material amounting to Rs 79.859 million (54%) was recovered. Under trial cases for the period from July 2017 to June 2022 were 2587 against which an amount of Rs 67.65 million was recoverable. This indicated that conviction ratio was 70.25% whereas recovery ratio was only 54%. This resulted in non-recovery of cost of stolen material amounting to Rs 67.65 million **(Annexure-S)**.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC directed that the PO (DIG/North) should submit a comprehensive response with regard to specific audit observation in addition to providing comparative performance benchmarks with provincial police with regard to the incident rate. The response should be submitted with documentary evidence within two weeks. Compliance of DAC directives was awaited.

Audit recommends that efforts be made for appointment of magistrates in all divisions of PR and prosecution be improved to dispose of the cases in time for prompt recovery of cost of stolen material.

DP # 12091

2.6.8 Bidding without bid evaluation criteria – Rs 51.276 million

As per rule 23(2)(j), 29 and 30 of Public Procurement Rules 2004 the bidding documents should include bid evaluation criteria, formulation of an appropriate evaluation criterion against which a bid is to be evaluated and all bids should be evaluated in accordance with the evaluation criteria.

During audit of Contract Management over Pakistan Railways in 2020, it was observed that following three (03) contracts for civil works & procurement of goods valuing Rs 51.276 million were awarded on the basis of bidding documents which were devoid of bid evaluation criteria.

(Rs in million)

Sr. #	Project	Contract No. and Date	Description	Value
1	PD, Rehabilitation of Flood Damages	149-A/KYC/RFD/2016-17, Dated: 17.012.16	Recoupment of short Embankment at KM 140-141 between Sehwan Sharif and Bubak Road Karachi, Division	8.005
2	PD, Track Rehabilitation KhanpurLodhran	PD/TR (KPR-LON)/Bahawalpur Yard/ Face Wall dated 30.03.2019	Partial Dismantling & Reconstruction of the Face Wall of the Platform Bahawalpur Railway Station	1.862

3	PD, Installation & Commissioning of Solar System at PR HQs Office	Elect/solar Energy/300KW/2016 dated 15.03.2016	Installation & Commissioning of solar Energy system at PR. HQ Office Lahore (Rs 37.674 million) and Supply, Installation & Commissioning of LED lights at PR HQ, Lahore (RS 3.735 million)	41.409
Total				**51.276**

The procurement of works and goods through bidding documents without bid evaluation criteria manifested that due diligence & due care was not exercised while drafting the bidding documents. This also questioned the bid evaluation made by the bid evaluation committee.

The matter was taken up with the management in March 2020 and also discussed in DAC meeting held on 07.02.2023. DAC was of the view that this was an important area therefore an inquiry headed by Member Finance and AGM/Traffic should be conducted covering all aspects of the instant procurement alongwith identification of the gaps, if any, and course corrective measures within two weeks. Compliance of DAC directives was awaited.

Audit recommends that the matter be probed to fix responsibility for drafting bidding documents not compliant with PPRA rules. Action be taken against those found at fault under intimation to Audit.

DP # 12092

2.6.9 Unauthorized establishment of LC on other than OEM – Rs 36.230 million

Procedure Office Order No. 582 dated 10.10.2017 issued by the Chief Controller of Purchase (CCP) provides that payment on account of procurement of OEM material on FOB, LC should be established on Original Equipment Manufacturer (OEM). However, in some special cases it would be established in the name of authorized principal manufacturer on the recommendations of tender committee as already included in the terms and conditions of the tender.

During audit of Contract Management over Pakistan Railways in 2020, it was observed that payment against FOB procurement was made through establishment of LC on the Principal Manufacturer(s) without any express recommendations of the tender committee. Audit further observed that payment against procurement of Rs 36.230 million was made and payment was made through establishment of LC on local agent M/s Tradeimpex, USA Inc, instead of OEM in USA as detailed in **(Annexure-T)**. Due to unauthorized establishment of LCs on other than OEM, chances of procurement of sub-standard material at over invoiced price could not be ruled out.

The matter was taken up with the management in September 2020 but no reply was received. This para could not be discussed in DAC meeting despite repeated requests.

Audit recommends that the matter be probed to fix responsibility for unauthorized establishment of Letter of Credits. Moreover, compliance with existing internal controls be ensured in letter & spirit in order to avoid such recurrence and associated risks/losses.

DP # 12093

2.6.10 Wasteful expenditure/non-utilization of Motor Trollies – Rs 25.00 million

According to SOPs regarding "Track Patrolling" dated 06.05.2015 mobile track patrolling will be carried out by a team on Motor Trollies and foot patrolling would be monitored by the same team. The team shall be headed by a Head Constable and include one Mate/Keyman of Railway and one member from Bomb Disposal staff. Incharge Motor Trolley Team would be responsible to conduct thorough checking of the Railway Track and obtain certificate of clearance of the Track from Pakistan Railways and BDS members at the end of each patrolling shift. Superintendent Railway Police concerned would personally ensure provision of Motor Trollies for track patrolling duty by Divisional Railway administration in sensitive sections of Karachi, Sukkur and Multan Divisions.

During audit of Role of Railway Police in Safeguarding of Railways in September 2022, it was observed that Inspector General/Pakistan Railway Police vide letter dated 21.07.2016, addressed to the Additional General Manager/ Infrastructure, requested for provision of two motor trollies for each division for track patrolling. The Ministry of Railways provided funds of Rs 25.00 million to the Chief Engineer/Open Line vide letter dated 30.09.2016 for manufacturing of motor trollies. It was quite shocking that Fourteen (14) Motor Trollies were received by the Railway Police during the year 2018 but neither their operators nor fuel were arranged by the Railway administration which resulted in non-utilization of these motor trollies. The purpose of the expenditure of Rs 25.00 million was also not served despite lapse of more than four years. This irregularity occurred due to poor coordination between Railway management and Pakistan Railways Police. The security of Railway Track and Key Points was being compromised due to non-patrolling of tracks. Moreover, government money amounting to Rs 25.00 million spent on manufacturing of fourteen Motor Trollies was also wasted.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC directed that PO (CEN/OL) should submit comprehensive reply alongwith documentary evidence and in consultation with DIG/North within one week. Compliance of DAC directives was awaited.

Audit recommends that coordination between Railway management and Railway Police may be improved to arrange operators and fuel for the Motor Trollies. Furthermore, Track patrolling may also be ensured as per SOPs to avoid any future unforeseen incident.

DP # 12094

2.6.11 Wastage of expenditure on procurement of luggage scanning machines – Rs 24.94 million

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

During audit of Role of Railway Police in Safeguarding of Railways in September 2022, it was observed that Pakistan Railway Police purchased eight (8) luggage scanning machines valuing Rs 39.91 million vide purchase order No.12/0009/02-0/1/2015(ADP) dated 18.04.2016. These machines were installed at Lahore, Faisalabad, Rawalpindi, Karachi and Rohri Railway Stations during the period from October 2016 to February 2017. Out of eight luggage scanning machines, 50% i.e. four (04) became defective within two years **(Annexure-U)**. An Assistant Telecom Engineer was given the charge of maintenance of security gadgets in January 2022 who stated that luggage scanning machines were not placed in proper environment (proper room with air conditioning facility and alternative power supply) due to which these became defective. This indicated that, due to poor management and maintenance of security gadgets, the expenditure of Rs 24.94 million (Rs 39.91million/8x5) incurred on procurement of luggage scanning machines was wasted.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC directed that an inquiry headed by Member Finance and AGM/Traffic should be conducted within two weeks. The report should be submitted to Audit latest by 20th February, 2023. Compliance of DAC directives was awaited.

Audit recommends that proper arrangements may be made for maintenance of luggage scanning machines, preferably long term maintenance agreement be made because these machines are most important and effective security gadgets available with PRP.

DP # 12095

2.6.12 Acceptance of unsuitable material – Rs 24.014 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.

During audit of Contract Management over Pakistan Railways in 2020, it was observed that Flex ball for hand break with the length of 10 ft 4 inch was procured vide P.O No. 19/0013/01-0/3-2018 dated 22.02.2018 for Rs 24.014 million (Euro 175,288.27). The material was received/ inspected by DCOS/shipping and the same was issued to WM/CDL/RWP vide MR No. 00096001 dated 09.05.2019. The material was declared unsuitable by CDL/RWP with the remarks that length of the material was not as per Purchase Order (PO). Moreover, it was also noticed that no clause of inspection of material was incorporated in PO. Non-inclusion of pre and post shipment testing of material resulted into procurement of unsuitable material.

The matter was taken up with the management in March 2020 but no reply was received. This para could not be discussed in DAC meeting despite repeated requests.

Audit recommends that matter be inquired to fix responsibility for acceptance of unsuitable material. Action be taken against those found at fault besides replacement of the material or recovery of the amount involved.

DP # 12096

2.6.13 Unauthorized payment for extended period under lump sum based engineer consultancy services contract – Rs 10.907 million

Regulation 8/2010 of PPRA provides various types of consultancy contracts such as lump sum payment based contract, time based payment contract, hourly or daily rates based contract or any other contract based on combination. Further, clause 3.1 of the contract Agreement No.14(S&C) 2016-17 dated 5th April, 2016 provides that the consultants shall perform the services and carry out their obligations with all due diligence, efficiency, and economy. Moreover, clause 6.1 implies that contractor's total remuneration shall not exceed the Contract Price and shall be fixed lump sum including all staff costs, incurred by the consultants in carrying out the services.

During audit of Contract Management over Pakistan Railways in 2020, it was observed that a consultancy services contract Agreement No.14(S&C) 2016-17 dated 5th April, 2016 was executed with M/s Master Consulting Firm (Pvt.) Ltd. for consultancy services for Architectural, Structural, Designing and Construction Management Services for Staff Quarters in Various Cities & Guard Running Rooms in Lahore with an amount of Rs 34.638 million. The completion period was 18 months commencing from July 2016. Review of allied record disclosed that the contract was extended time & again after expiry of the contract on 31.12.2017. The last extension in the contract as per record contained in the relevant case was up to 30.06.2019. It was also observed that the construction work was 88% physically completed in February 2020 and an amount of Rs 10.907 million had been paid to the consultants. Thus, payment of additional remuneration of Rs 10.907 million beyond lump sum contract price i.e. Rs 34.638 million was against the spirit of the contract and unauthorized. This also indicated inefficient and ineffective supervision of construction works by the consultants. Moreover, Audit was of the view that in order to safeguard interest of Pakistan Railways consultancy agreements should be executed on %age basis.

The matter was taken up with the management in March 2020 and also discussed in DAC meeting held on 03.02.2023. The DAC took serious view for non-response on the part of PO concerned and directed that comprehensive reply alongwith documentary evidence should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends that the matter be investigated to fix responsibility for unauthorized payment for extended time of the contract. Action be taken against those found at fault besides recovery of the amount involved. Further, the Consultancy contract should be executed on percentage based payments in order to avoid such recurrence.

DP # 12097

2.6.14 Non-charging of profit for late deposit of Revenue earnings in Railway fund – Rs 7.994 million

According to part (1) Clause 8 of the agreement between Pakistan Railways and National Bank of Pakistan for collection of cash, in the event of Bank's failure to deposit the amount within the period specified, it shall pay profit on PLS rates, as notified by the National Bank of Pakistan from time to time but without prejudice to the payment of profit, the aggregate period between receipt of daily collections and its deposit in the Pakistan Railway Funds shall in no case exceed the due date of deposit.

During audit of Credit of Revenue Earnings in Railway Fund in June 2021, it was observed that NBP deposited Railway earnings of Rs 116.707 million with a delay of 1 to 17 days in Railway Account-III with SBP during the year 2019-20 through Treasury Receipts and Demand Drafts. Whereas, the profit amounting to Rs 7.994 million on late deposit of Railway earning at PLS rate was not imposed and recovered from NBP **(Annexure-V)**. Thus, non-implementation of contractual clauses not only adversely affected the cash flow of PR but resulted in loss due to non-imposition and non-recovery of profit on late deposit of Railway earnings in Railway Fund.

The matter was taken up with the management in June 2021, and also discussed in DAC meeting on 30.08. 2022. The DAC constituted a committee headed by Member Finance along with Additional General Manager/Traffic to review the entire revenue, accrual and realization process with reference to the instant case including fixing of the responsibility, process flow and proposals for course corrective measures within two weeks' time. Railway management vide their revised reply dated 19.09.2022 stated that a mechanism for reconciliation with NBP regarding collection and deposit of PR earnings had been devised. As a result of reconciliation for the year 2021-

22, penalty of Rs 185.879 million for late collection and deposit had been calculated and claimed from NBP. However, the claim had not yet been accepted by NBP. The issue was again discussed in DAC meeting held on 03.02.2023. DAC directed that the inquiry report alongwith comprehensive response covering all aspects of audit observations should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends that the delay in remittance of earning in Railway fund be worked out through the currency of contracts. Amount of profit on late deposit in Railway fund be recovered from NBP under intimation to Audit and remedial measures be adopted to avoid such recurrence.

DP # 12098

2.6.15 Unjustified deposit of traffic challan fee in treasury of Provincial Government – Rs 7.660 million

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

During audit of Role of Railway Police in Safeguarding of Railways in September 2022, it was observed that traffic in the area of Railway Stations Lahore and Rawalpindi was being managed by the Pakistan Railways Police. The pay & allowances of 36 employees of Railway Police Lahore, Rawalpindi, Multan and Quetta were being paid from the budget allocated by the Pakistan Railways. Audit observed that Railway Police issued 84533 traffic challans during the period from July 2017 to June 2022 and amount of challans for Rs 7.660 million was deposited in the treasury of Provincial Governments instead of Pakistan Railways i.e. Federal Government. This irregularity was occurred due to non-observance of rules. This resulted in unjustified deposit of traffic challan fee in the treasury of Provincial Government **(Annexure-W)**.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC took serious view of such practices and directed the PO (DIG/North) that all such receipts should be deposited in Railway Revenue Account-III through MRs at the respective stations. The amount already deposited in the Provincial Government Punjab should be recovered and deposit it in Railway Account accordingly in consultation with FA & CAO/Revenue within two months. Compliance report should be submitted to Audit latest by 5th April, 2023. Compliance of DAC directives was awaited.

Audit recommends that amount deposited in the treasury of Provincial Governments may be withdrawn and deposited in Railways Fund. Remedial measures may be taken to avoid recurrence.

DP # 12099

2.6.16 Irregular award of contract to NBP without fair competition

Rule 13 (1) of the Public Procurement Rules-2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement of goods, services and works.

During audit of Credit of Revenue Earnings in Railway fund in June 2021, it was observed that a contract agreement for revenue collection and deposit in Railway account-III was executed between Pakistan Railways and National Bank of Pakistan on 04.02.2015 for a period of three years w.e.f. 01.07.2014 to 30.06.2017, which was extended for further period of three years on 06.06.2020. After expiry of the agreement Railway management invited Expression of Interest (EOI) from leading Commercial and Micro Finance Banks on 22.06.2019 in connection with revenue collection and disbursement of cash services across the country through real time online mechanism. Four commercial banks submitted their technical bids within stipulated time on 29.07.2019. The NBP submitted technical bid after finalization of technical evaluation which was not accepted by members of EOI. Surprisingly the process of invitation of EOI was stalled by Railway management and the contract agreement for collection and deposit of Railway revenue earning was awarded to NBP on 18.03.2021 despite persistent violations of contract clauses by NBP in previous currency of contract. This resulted into irregular award of contract to NBP without fair competition.

DAC in its meeting held on 30.08.2022 constituted an inquiry committee comprising Member Finance (Chairman), Director Procurement (Member) and CCM (Member) to review the entire procurement process, to fix the responsibility and propose course corrective measures within two weeks' time. The issue was again discussed in DAC meeting held on 03.02.2023. DAC directed that the inquiry report alongwith comprehensive response covering all aspects of audit observations should be submitted to Audit within three days. Compliance of DAC directives was awaited.

Audit recommends that the matter be probed for fixing responsibility for award of contract without open bidding, get the violation condoned from the competent forum (PPRA) and stop its recurrence forthwith.

DP # 12100

2.6.17 Encroachment of Railway Land measuring 1669.03 acres over closed sections of Multan and Sukkur Divisions

Pakistan Railways Police Act, 1977 provides that Pakistan Railways Police would be responsible for the safety of passengers and goods transported by Pakistan Railways, the protection of Railway property, the prevention, inquiry and investigation of offences committed in relation to Pakistan Railways and for matters connected therewith.

During audit of Role of Railway Police in Safeguarding of Railways in September 2022, it was observed that 2527 kilometers track over twenty-five (25) sections of Pakistan Railways was closed for Railway traffic during the period from 1989 to 2020. The security of these sections was being managed by the operational and maintenance staff of Pakistan Railways. PRP had not taken over security of these sections due to which precious Railway land was being encroached. Audit observed that 1669.03 acres Railway land was encroached in the Multan and Sukkur Divisions only **(Annexure-X)**. The precious Railway land was encroached due to poor security arrangements. Thus, unauthorized occupation of 1669.03 acres Railway land caused loss to the PR.

The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 03.02.2023. The DAC directed that the Railway Police and DG/P&L, being custodian of Railway land across Pakistan are required to not only to retrieve the encroached land but also take corrective measures to avoid encroachment of railway land and property in the first place. The PO DIG/North in consultation with DG/P&L should give a comprehensive reply about specific measures taken on the above-mentioned lines alongwith performance outcomes within one week. Compliance of DAC directives was awaited.

It is recommended that security arrangements of closed sections of PR should be improved by the Pakistan Railways Police and encroached land be got retrieved.

DP # 12101

CHAPTER 3

THEMATIC AUDIT REPORT

ON

ROLLING STOCK MANAGEMENT TO

REDUCE BUDGET DEFICIT

IN PAKISTAN RAILWAYS

(AUDIT YEAR 2022-23)

TABLE OF CONTENTS

3.1 Thematic Audit of Rolling Stock Management to Reduce Budget Deficit

3.1.1 Introduction

Pakistan Railways (PR) is a State Owned Enterprise (SOE) which operates from its headquarters at Lahore under administrative control of Ministry of Railways. The core functions of PR are to provide passenger facilitation and freight operations. The Railways Board at Ministry of Railways frames policies and guidelines for functioning of PR. The PR has been running in loss since 1972 and has been kept afloat through grants by the Government of Pakistan.

Rolling Stock term is used in railway transport industry which refers to any vehicle that can move on rail road. It include power vehicle such as locomotives (Diesel-Electric) and unpowered vehicles such as passenger coaches, freight wagons, cargo wagons etc. The cross cutting activities of PR depend on availability of rolling stock. Pakistan Railways had 466 locomotives, 1602 coaching vehicles and 14,104 freight wagons as on June 30th 2022[37] having value of Rs 94.455 billion.[38]

PR generated major portion of its revenue from passenger services. During the year 2021-22, the passenger revenue was increased whereas goods earnings were decreased passenger and goods services of PR depend upon availability of efficient and reliable rolling stock. Scheduled maintenance is necessary to ensure availability of rolling stock. New rolling stock was being added and existing rolling stock being rehabilitated under PSDP projects but adequate availability remained a challenge.

According to Pakistan Railways Strategic Plan 2018-2025, much of PR rolling stock will need to be replaced in the next decade. PR has traditionally operated this fleet of locomotives without sufficient spare parts and with many old facilities of repair and maintenance. Its work force is accustomed with existing rolling stock, but not acquainted with the new technologies. The Pakistan Railways Strategic Plan (PRSP)

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[37] PR Year Book 2022

[38] Appropriation & Commercial Accounts (FY 2021-22)

includes the acquisition of new locomotives, passenger coaches, equipment, and freight wagons with new technologies and new skills for the manpower operating and maintaining them.[39]

3.1.2 Background

A vibrant railways system of a country is backbone of economy as it facilitates commerce and trade, decreases transportation cost, promotes rural development and national integration. Unfortunately, over the last decade, the factors like lack of attention, myopic policies, exorbitant expenditures, misappropriation of funds, reliance on obsolete technologies, poor infrastructure and working ethics, lack of managerial oversight and declining market share have made Pakistan Railways a liability for the already ailing economy of Pakistan. A system once providing mechanical services to other national institutions is now striving for its own survival and crumbling before more efficient alternate transportation system. However, in 2016, Pakistan adopted the Sustainable Development Goals (SDGs) as its own national development agenda. The National Economic Council (chaired by the Prime Minister) approved the National SDGs Framework in 2018.[40]

The theme selected for audit in year 2021-22 also closely corresponded with the prioritized categories of SDGs under the National SDGs Framework of Pakistan as PR has been facing a continuously increasing annual operating deficit over the last several years. During last decade, the average annual operating deficit was Rs 34.642 billion; however, the operating deficit was Rs 47.486 billion for the Financial Year 2021-22.[41]

3.1.3 Establishing the Audit Theme

PR has 16172 units of rolling stock including locomotives, carriages and wagons of different categories over the system.[42] Outlived rolling stock and poor maintenance practices particularly that of

[39] PR Strategic Plan 2018-2025
[40] https://pakistan.un.org/en/sdgs
[41] Appropriation & Commercial Accounts of PR 2022
[42] Year Book of Pakistan Railways 2022

cannibalization of parts in rolling stock and heavy reliance on imported spares resulted into heavy decrease in number of operational Rolling stock. To obliterate the consequences of poor maintenance practices, various multi-billion projects were envisioned and executed parallel to scheduled maintenance without providing proper reason, carrying out realistic need assessment and distinguishing nature of mechanical works included in projects from those already included in periodic maintenance schedules, thus, creating overlapping industrial goals with high cost and minimal value addition. The theme was established on the following question: How PR has planned improvement in rolling stock management for achievement of relevant goals under National SDG Framework of Pakistan? The SDGs related to current theme of Pakistan Railways are given below:

Category 1

- SDG 7 (Affordable and Clean Energy)
- SDG 8 (Decent Work and Economic Growth)

Category 2

- SDG 9 (Industry, Innovation and Infrastructure)
- SDG 11 (Sustainable Cities and Communities)

Category 3

- SDG 12 (Responsible Consumption and Production)

3.1.3.1 Reasons of Selection

This theme was selected for audit on the basis of following factors observed from PR's annual audit reports for the last decade:

i. Deficiencies in number of locomotives and other rolling stock
ii. Loss of foreign reserves and blockage of capital due to excessive import of parts and machinery
iii. Outdated modes of production and idle labor
iv. Improper repair, maintenance, and utilization of rolling stock
v. Improper deployment of technical/ trained operational staff

vi. Loss of rolling stock due to accidents
vii. Procurement of substandard locomotives

Pakistan Railways incurred an expenditure of Rs 10.002 billion on maintenance of rolling stock during the financial year 2021-22. An expenditure of Rs 8.904 billion was also incurred under PSDP on procurement of rolling stock. Incurrence of huge expenditure on procurement and maintenance of rolling stock was another reason for selection of this theme.

3.1.3.2 Purpose/ Objectives

The objective of thematic audit of "Rolling stock management to reduce budget deficit of Pakistan Railways" was to examine implementation of relevant Sustainable Development Goals particularly that of affordable and sustainable transport system in compliance with National SDG Framework of Pakistan. The purpose included critical evaluation of rolling stock turnover for the financial year 2021-22 and related management issues in rolling stock program, analysis of projects, its periodical rehabilitation along with repair & maintenance. Audit intends to find out internal as well as external factors impeding optimal utilization of rolling stock available with Pakistan Railways.

Audit endeavor to gauge efficiency and effectiveness of procurements, productive capacity of Rail industry and steps taken towards standardization of rolling stock to achieve reliability and economy of scales in domestic production.

Audit commented on infusion of IT into production and maintenance system to enhance stock availability and safety using innovative solutions. Audit also evaluated the green initiatives planned and taken by PR in promotion of environment friendly rail transport.

3.1.3.3 Scope

Scope of audit was limited to assess effectiveness of rules, procedures and policies related to procurement, maintenance and effective utilization of rolling stock, as well as to scrutinize financial record pertaining to FY 2021-22 at Railway headquarters, operating divisions, and extra divisional offices. Audit developed following TORs for this thematic audit:

i. To ascertain that the rolling stock management plans were in place and being followed at Federal, Headquarters and Divisional levels of Pakistan Railways incorporating the institutional reforms committed under SDGs Framework of Pakistan.

ii. To conduct a detailed review of significant procurement/ manufacturing and repair/ rehabilitation works relating to rolling stock under PSDP, juxtaposing the intervention with National Prioritized SDGs relevant targets.

iii. To perform an analysis of existing manufacturing facilities in Carriage Factory, Islamabad and Locomotive Factory, Risalpur in order to assess implementation status of SDGs Target 9.5 vis-à-vis enhancement of research and up-gradation of industrial technologies.

iv. To analyze the rationalization plan in Mechanical Department (Railway Workshops) and Manufacturing Units vis-à-vis Carriage Factory Islamabad and Pakistan Locomotive Factory Risalpur in order to achieve maximum productive efficiency without compromising the concept of standardized work (ranked under Category-I of SDG Framework of Pakistan-2018).

v. To conduct a detailed analysis of detention of rolling stock, idle stock and dig out reasons for stabling and its impact on revenue generation in selected divisions.

vi. To assess the impact of initiatives taken for promotion of environment friendly and affordable transportation system.

3.2 Legal frame work governing the Theme

Articles 169 and 170(2) 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. Thematic audit of Rolling Stock Management to reduce budget deficit of PR was undertaken under above legal framework with sub-themes including

- adequacy of acquisition plan,
- repair/ rehabilitation of Rolling Stock,
- inventory management and performance/ utilization.

Further, the existing enactment regulating the operations of Pakistan Railways is the Railway Act, 1890. Subject to the provisions of this act, the executive authorities in connection with the administration of Railways vest with the Ministry of Railways/Railway Board. The Ministry of Railways makes regulations regulating the affairs related to passengers and goods being transported. Pakistan Railways has predefined and well-established business processes and had its own set of Codes and Manuals. These codes and manuals alongwith policies and directives of the MoR and Federal Government were used as criteria for conducting this audit. The list of directives, codes and manuals are given hereunder:

i. Policies and directives issued by the Ministry of Railways/ Railway Board
ii. Pakistan Railways Code for the Accounts Department
iii. Pakistan Railways General Code
iv. Pakistan Railways Code for the Mechanical Department
v. Pakistan Railways Code for the Stores Department
vi. General Financial Rules

3.3 Stakeholders and governmental organizations identified as directly/indirectly involved

It is very important that all stakeholders and Governmental organizations be kept informed of the changing financial position of Pakistan Railways keeping in view the complexity and diversity of its operations. The following Government organizations and stockholders are directly and indirectly involved in this assignment:

i. Ministry of Railways
ii. Pakistan Railways
iii. Ministry of Finance
iv. Ministry of Defense

v. Ministry of Climate Change
vi. Ministry of Industries and Production
vii. Ministry of Communication

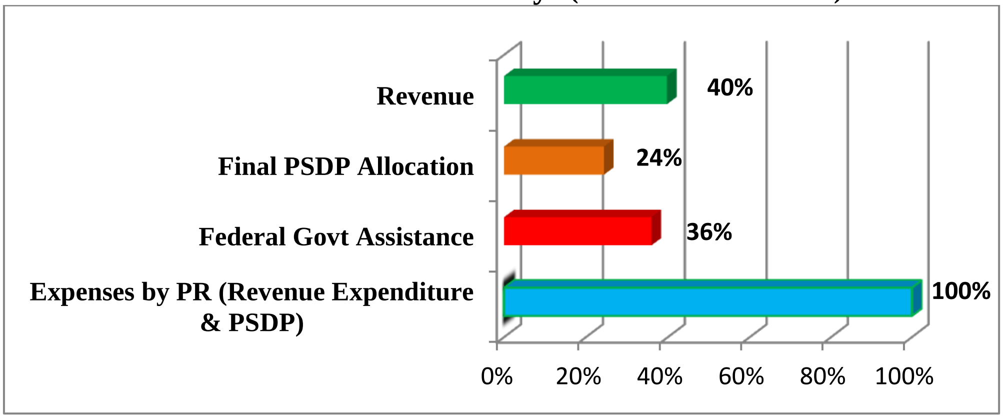
3.4 Role of important organizations

Ministry of Railways is mainly responsible for formulation of strategies related to procurement, maintenance and utilization of rolling stock. The Chief Mechanical Engineer/ Carriage & Wagons and Chief Mechanical Engineer/Loco under the supervision of Additional General Manager/ Mechanical are responsible for addition, deletion, procurement, maintenance and management of rolling stock in Pakistan Railways. Pakistan Locomotive Factory/Risalpur and Carriage Factory/Islamabad are manufacturing facilities of rolling stock in Pakistan. The Director Procurement, Islamabad is responsible for procurement of rolling stock whereas, Chief Controller of Purchases is responsible for procurement of maintenance stores and spares for rolling stock. The Chief Controller of Stores is responsible for stocking and supply of spare parts for maintenance of rolling stock and disposal of obsolete parts and rolling stock.

3.5 Organization's Financials

Financial data of last decade showed that PR generated 40% revenue of its total expenditures and to meet remaining 60%, PR received 36% Federal Govt. assistance and 24% PSDP grant. There has been a steady increase of 121% in revenues (FY 2021-22) as compared to FY 2012-13 over the last ten years. However, the accumulated losses stand at a whopping Rs 369.14 billion. To cover PR losses the federal government injected into the Railways Rs 250.947 billion in the last decade, through Federal Govt. assistance and PSDP projects **(Annexure-Y).** Practically the PR is sustaining its operations through consistent and periodic fund transfers from the federal government, with an average of Rs 39.28 billion being transferred per year over the last ten years. This state of affairs raises serious questions about PR's status as a going concern.

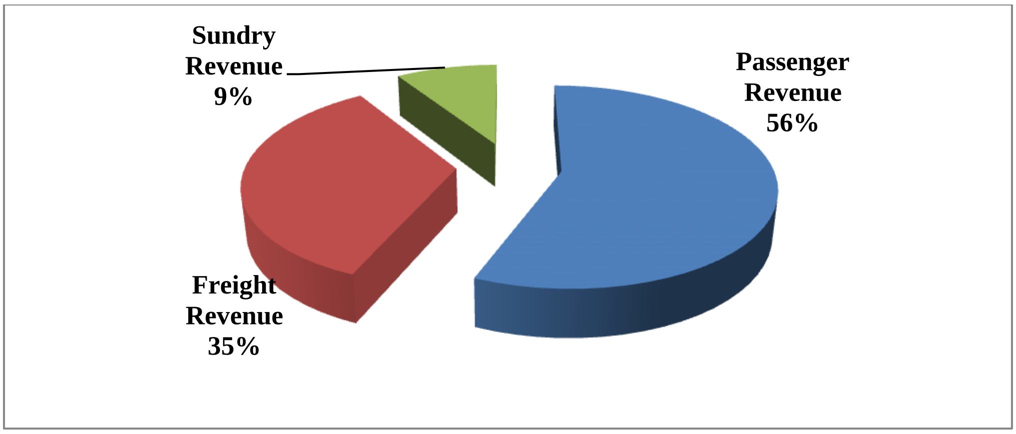
Financials of Pakistan Railways (FY 2012-13 to 2021-22)



Source: Appropriation & Commercial Accounts of PR (FY 2012-13 to FY 2021-22)

PR generated 56% of its revenue from Passengers, 35% from freight operations and 9% from sundry earnings **(Annexure-Z).** Although, a separate company named Pakistan Railway Freight Transport Company (PRFTC) was established in 2014 but the desired targets not yet achieved and freight earnings of PR has not been considerably increased.

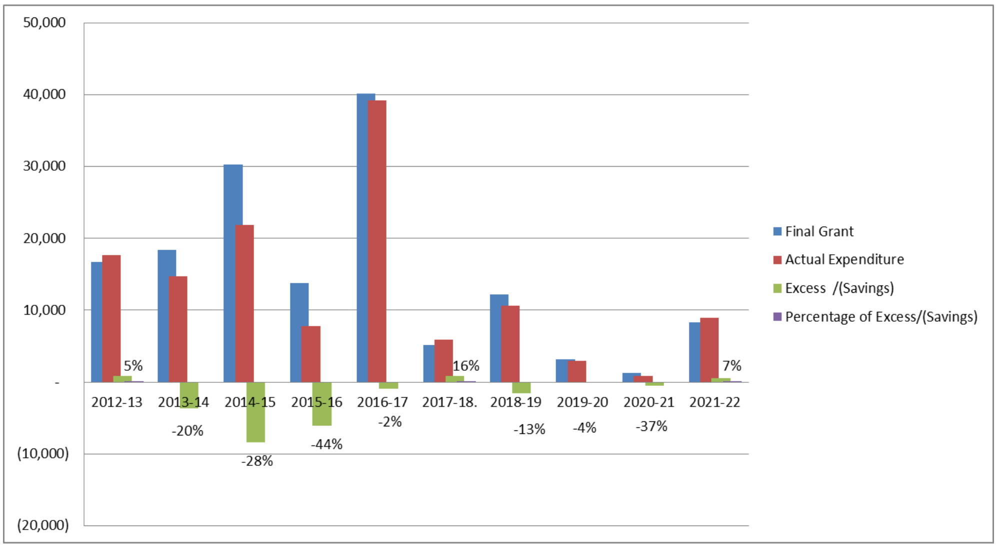
Revenue Components of PR (FY 2012-13 to FY 2021-22)



Source: Appropriation & Commercial Accounts of PR (FY 2012-13 to FY 2021-22)

An analysis of capital grant (PSDP) related to Rolling Stock for the period from 2012-13 to 2021-22 revealed that railway management could not utilize capital grant of Rs 21.407 billion in 10 years **(Annexure-AA)** which showed serious capacity issues on part of PR management. Inefficient utilization of the capital grant implies adverse impact on rolling stock development and PR operations.

Utilization of PSDP fund for Rolling Stock (FY 2012-13 to FY 2021-22)



Source: Appropriation & Commercial Accounts of PR (FY 2012-13 to FY 2021-22)

Pakistan Railways was suffering financial loss which was an indication of the fact that its revenue from both passenger and freight train services were not enough to meet with its expenditure. This deficit could be reduced by increasing revenue through improvement in passenger and freight services which were largely dependent on availability and optimal utilization of rolling stock.

3.6 Field Audit Activity

Field Audit activity was conducted on the basis of segregation from desk audit activity and record was requisitioned from concerned stakeholders. The record was carefully scrutinized to report material irregularities and suggest remedial measures to be taken up at policy level. The retrieval of record took more time than expected for the reason that what looked to be streamlined at headquarters level was scattered and haphazard at divisional level and audit team faced lukewarm support from the field staff in retrieval of record. Field Audit activity was kept limited to scrutiny of record for time constraints and physical verifications could not be conducted.

The thematic audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) as envisaged in Financial Audit Manual (FAM) of DAGP.

3.6.1 Audit Methodology

Thematic Audit is an emerging field in auditing, the assignment was divided into distinct phases of planning, Desk Audit, field audit activity and reporting through both qualitative and quantitative techniques. The audit assignment was planned keeping in view the financial and HR constraints, the number of man-days allocated were kept optimum as per minimum requirements of the assignment. The desk audit activity involved developing comprehensive understanding of rules, procedures and policies related to rolling stock of Pakistan Railways and compiling a master file of the legal framework for ready referencing. Desk audit segregated the issues of potential significance from the ones with low materiality so that resources could be invested for maximum value addition

3.6.2 Audit Analysis

Different variables of rolling stock have been analyzed to evaluate performance of PR workshops/factories, fuel management and train mix etc. in order to assess the availability and utilization of rolling stock.

3.6.2.1 Review of Internal Controls

The internal controls were studied and analyzed to get an overall understanding of internal control system in PR. The specific instances of internal control weaknesses found through observations and evaluation of internal control system are mainly related to weaknesses in risk identification, operational, reporting and compliance controls, financial management, procurement management, inventory management, assets management, and project management.

a) Successive certification, compliance and performance audit reports stand witness that internal controls for operational activity has not been improved and implemented. This history of regulatory violations by the entity depicts a weak and ineffective governance structure. Pakistan Railways has not been able to modernize its accounting, reporting, and financial management system. All these issues have a serious and material impact on the financial stability and profitability of the entity. In fact, in view of the huge accumulated loss and continuous dependence of the PR on the federal government's grants in aid, there are serious questions on the sustainability of its operations.

b) PR had procured different types of locomotives from China, USA, and Japan due to which the objective of standardization could not be achieved. Resultantly; PR had 16 different types of locomotives in its fleet for train operation.[43] To keep these locomotives in proper working condition, PR had to procure spare parts of varying nature and lube engine oil with different specifications. These spare parts cannot be used alternatively and became scrap when a particular class of locomotives is deleted (for instance Distributed Power Unit Locos). Transfer of Technology was made an integral part of agreements executed for procurement of various locomotives, but PR could not manufacture a signal locomotive by using its in-house capacity in PLF Risalpur. The above issues could have been resolved by ensuring standardization of locomotives in PR.

c) Presently, PR has 466 Diesel Electric Locomotives in its fleet. These locomotives used High Speed Diesel oil which emits carbon dioxide (CO2) in large quantity as compared to the Electric Locomotives which were environment friendly. Unfortunately, PR does not have a signal Electric Locomotive

[43] Data from o/o Chief Mechanical Engineer (Loco)

in its fleet. Further, PR had no plan to electrify it existing track to comply with SDGs.

d) PR had widely spread network of workshops and factories. The main objective of these workshops and factories was repair and maintenance of rolling stock and manufacturing of spare parts for repair and maintenance. But, these workshops and factories were underutilized and PR had to rely heavily on imported spare parts. This had resulted in loss of foreign reserves on one side and acts as major obstacle for promotion of local industry on the other side. This was mainly because of installation of outdated machinery and non-adoption of modern techniques of manufacturing. Majority of the machines were under repair since long and due to which worker to machine ratio has increased thereby increasing idle pay. Due to this fact, the Factory Overhead (FOH) rate of Railway workshops had been increased manifold. In steel shop, Lahore FOH was raised to 1660%. Therefore, its unit cost comprised of 94% FOH and 6% prime cost (Direct labor and direct material). This daunting situation has made PR incompatible in open market for deposit work.

e) Labor force in workshops and factories had been categorized as skilled, semi-skilled and unskilled. This labor force plays an important role in smooth train operation therefore, safe and healthy working environment in PR workshops and factories should be ensured. All the necessary safety gears like skin protection, footwear, sun and heat protective gears, ear protection, and disposable protective clothing for working with chemical and bio-hazards must be provided to workers. Audit observed that majority of the workers do not have protective gadgets thereby putting their lives in danger which was a flagrant violation of International Organization for standardization (ISO-45001) and SDG-8.

3.6.2.2 Critical Analysis of Rolling Stock

Since Pakistan Railways is an organization primarily meant for transportation of passengers and goods through effective and efficient running of rolling stock (Locomotives, Passengers Coaches, and freight Wagons). Rolling stock being a primary concern is vulnerable to mismanagement, leakages, financial erosion and neglect. Rolling stock, nevertheless, has a potential to bridge the gap between revenue and expenditure of PR which has brought the organization close to a halt.

a) Availability of rolling stock

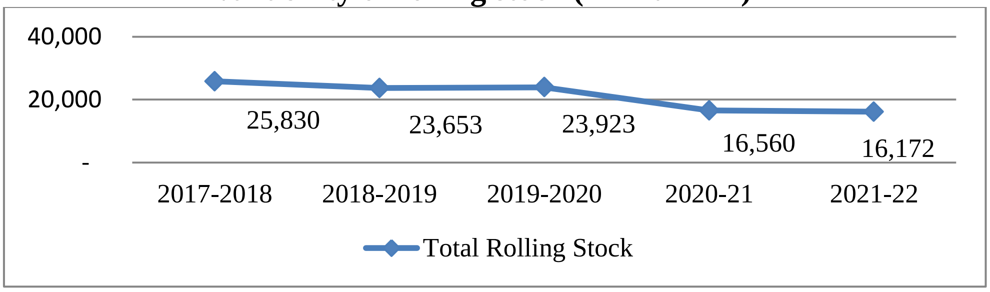
During the last five years, the availability of locomotives decreased by 3%, freight wagons by 39%, Brake Vans by 44% and that of passenger coaches by 22%. The overall rolling stock was reduced by 39%.

Trends in Rolling Stock (FY 2017-18 to 2021-22)

S. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Locomotives	478	442	473	467	466
2	Passenger Coaches	1,743	1,647	1,645	1,375	1351
3	Brake-Vans	449	429	429	270	251
4	Freight Wagons	23,160	21,135	21,376	14,448	14104
Total Rolling Stock		**25,830**	**23,653**	**23,923**	**16,560**	**16,172**

Source: Year Books of Pakistan Railways (FY 2017-18 to 2021-22)

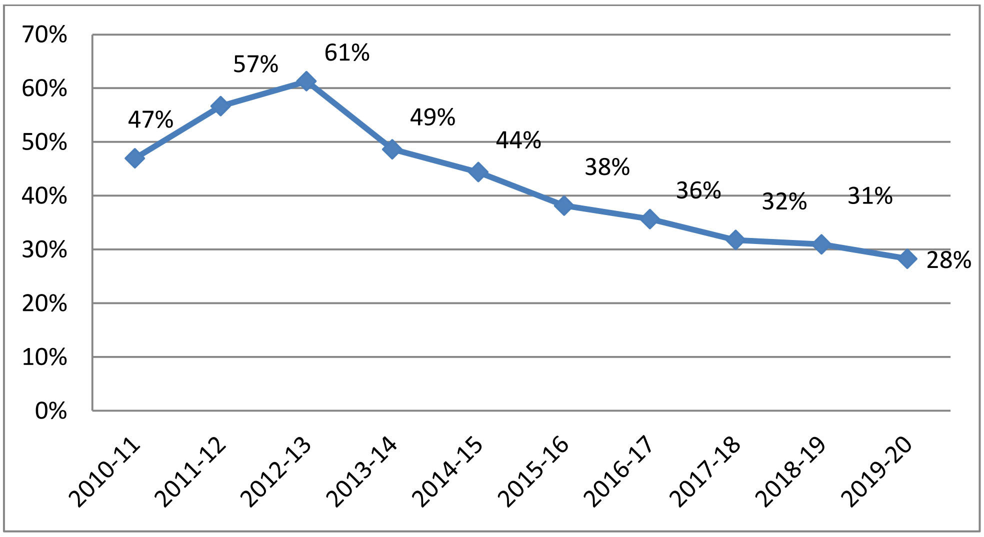
Availability of rolling stock (FY 2017-22)



Source: Year Books of Pakistan Railways (FY 2017-18 to 2021-22)

During last decade, it was observed that average availability of locomotives was 39% to 72% and out of service locomotives was ranging from 28% to 61% **(Annexure-AB).** This huge range of out of service showed inability of PR to manage its locomotive fleet although PR executed five major projects for the procurement, repair and rehabilitation of locomotives.

Comparison of out of Service Locomotives (FY 2010-11 to 2019-20)



Source: Year Books of Pakistan Railways (FY 2010-11 to 2019-20)

b) Inadequate Acquisition Plan

Restructuring and revamping of the Rolling Stock is vital to operations of PR but it has not been included as a significant intervention in the strategic plan of Pakistan Railways (2018-2025) to provide a competitive, safe, reliable, market oriented, efficient and environmentally friendly mode of transport that could also make a meaningful contribution to the economy. Policy directives have also been issued to improve the Rolling Stock management. The implementation of the plans and the execution of change has remained the source of concern in the view of audit.

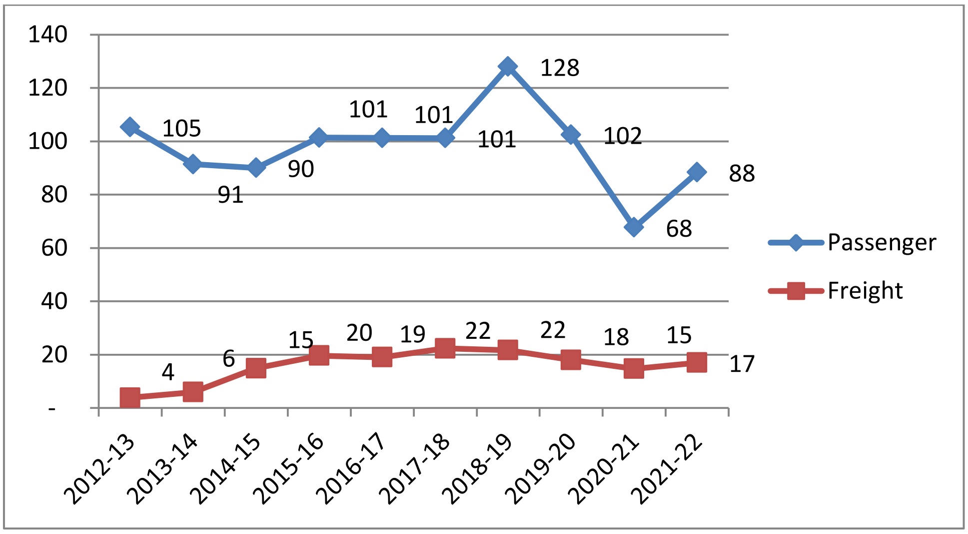
Pakistan Railways could not achieve the goals of strategic plan 2017-20. It did not take initiative to review the Railway Act, restructuring of Railway Board, redefining of responsibilities for policy formulation etc.

Further, there was no visible progress in commercial matters except in hiring the services of advisors for improving marketing and HR and no progress was witnessed in infrastructure, accounting systems, IT systems, standards and work practices.

c) Level of train mix

An analysis of last 10 years' train mix indicates that the PR has not been able to determine an optimum level of train mix and thereby ensure balancing in the number of passenger and freight trains. The passenger trains saw a sharp decrease from 105 to 88 over the ten-year period, while the number of freight trains increased from 4 to 17 during the decade. In 2013, the freight to passenger train ratio was 1:27 while in 2022 this ratio changed to 1:5, as can be seen from the graph below. The graph shows that practically since 2015 the PR has settled on the ratio of 1:6. This is indicative of a policy cut on the discharge of public service obligation by bringing reduction in passenger traffic **(Annexure-AC).** Inefficiency in turning out the rolling stock from PR industrial units and frequent break downs due to poor quality of workmanship and material eroded the capacity of commercial department to come up with the train mix that could touch the economic break even and add in net revenue generation.

Level of Train Mix (FY 2012-13 to FY 2021-22)

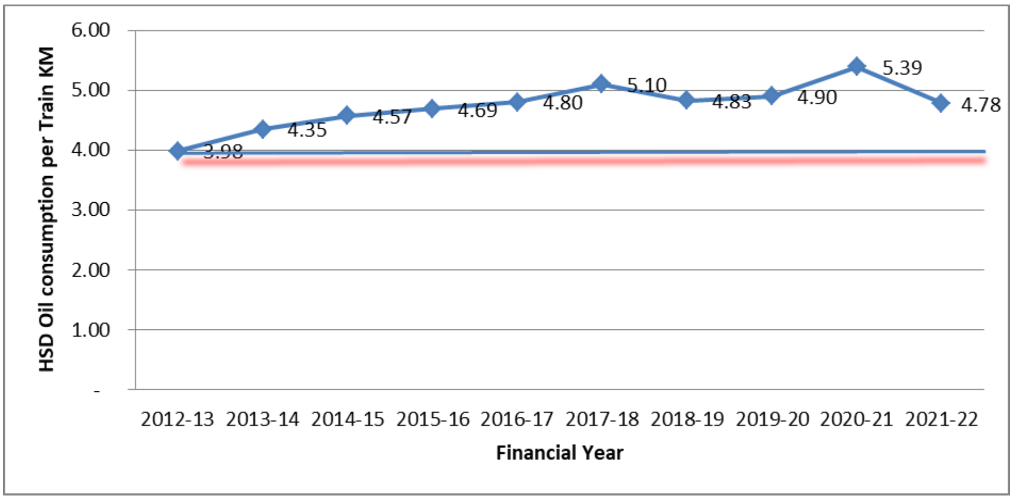


Source: Year Books of Pakistan Railways (FY 2012-13 to 2021-22)

d) Fuel Management

Analysis of operating fuel (High Speed Diesel oil) consumption revealed that in the year 2012-13 per train kilometer consumption of HSD was 3.98 liters which increased to 4.78 liters (35% increase) in 2021-22. This resulted in excess expenditure on operating fuel amounting Rs 6.239 billion in 2021-22. This indicated increase in fuel inefficiency **(Annexure-AD).**

HSD Oil consumption per Train KM (Liter per thousand)



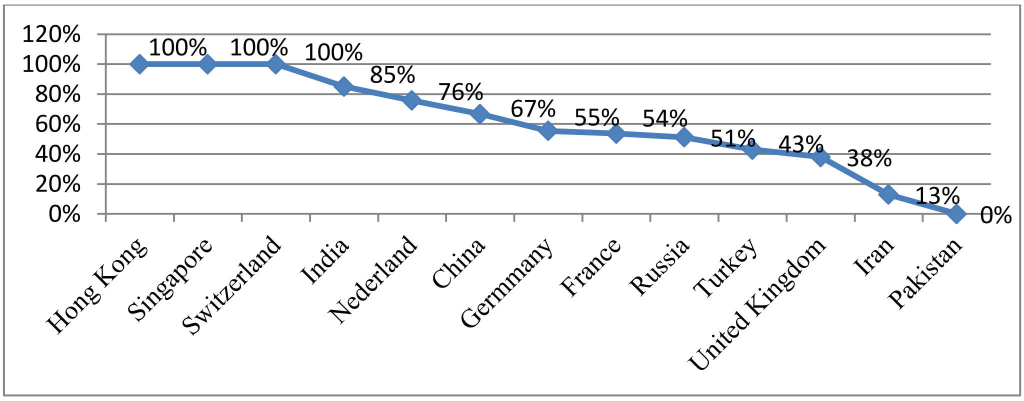
Source: 1. Year Books of Pakistan Railways (FY 2012-13 to 2021-22)
2. Appropriation and Commercial Accounts of PR (FY 2012-13 to 2021-22)

Likewise, operating fuel expense per train kilometer also increased from Rs 420.96 in 2012-13 to Rs 715.72 (70%) per train kilometer in 2021-22. Moreover, total train kilometers run in 2021-22 were 29742000 kilometers which remained quite below in last ten years except in the year 2018-19 when it was 33144000 kilometers,. However there was no corresponding reduction in consumption of HSD oil per train kilometers, rather consumption increased up to 5.39 liter per train kilometer in 2020-21. In the prevailing circumstances there was high risk of mis-utilization and embezzlement in HSD oil. Moreover, this also manifested ineffective repair & maintenance as well rehabilitation of the locomotives causing recurring financial loss to PR**.**

e) Abandonment of Electric Track:

Instead of extending the cost-effective locomotives, electric track (ET) was abandoned in October 2009 during dualization of track between Khanewal and Raiwind. This deprived PR from efficient and environment friendly mode of train operations but also increased the operating expenses which in turn have led to persistent increase in operational loss.

International electric track comparison



Source: Given in Annexure-AE

As shown in the graph above, railways in Hong Kong, Singapore and Switzerland adopted 100% electrified traction system. India converted 85%, and China 67% to electric traction. Similarly, Iran has 13% electric traction. Currently Pakistan Railways' traffic is 100% dependent on Diesel Electric Traction. Thus, Pakistan Railways failed to maintain and extend the cost effective ET network and dismantled the existing ET **(Annexure-AE).**

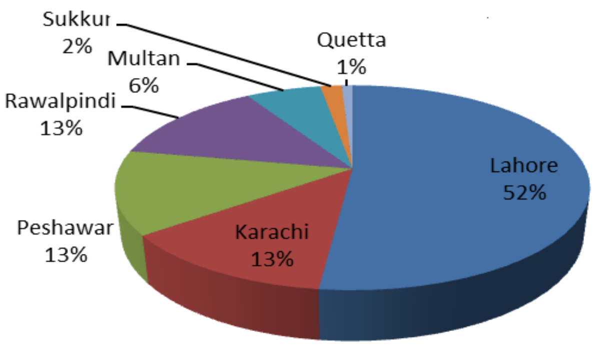
Feasibility study of eco-friendly and cost effective Electric Traction (ET) system should be determined with the objective of ensuring economy in operations and controlling operational losses.

f) Industrial Inefficiency

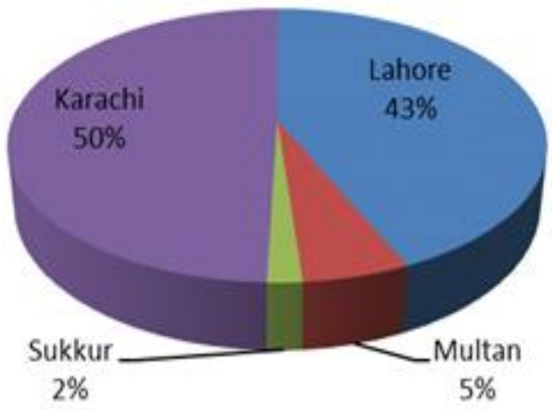
Industrial efficiency is measured from input to output ratio and focuses on getting maximum benefits from available resources. Industrial units in PR are causing loss to the tune of billions to the department through inefficiency and outdated modes of production and rehabilitation.

The industrial units meant for producing essential parts are producing low quality products which fail department's own material testing standards and even testing machinery was out of order since long and there was no alternative testing facility to ascertain the quality of products except for complaints of frequent breakdowns and multiple rejections from end users. There is no plan in sight to take any corrective measures in near future. The major locomotive manufacturing unit is being operated with 4.75% staff and very expensive imported machinery is lying idle since decades. Pakistan locomotive factory Risalpur was envisioned to produce 25 locomotives per annum with 18000 workforces and it has failed to produce a single locomotive since its inception in early 1980s. Now it has been shifted to rehabilitate external body structures of coaches and locomotives. PR is bound to import Locomotives worth millions of dollars every few years and such huge deficits cannot be bridged by operational earnings. Central Diesel workshop Rawalpindi failed to turn out locomotives received for periodic maintenance and nominated repairs and caused a loss of 2943.62 million due to inefficiency in last four years. On the other hand, spare parts worth millions of dollars were lying unused and unrecorded in the same establishment since long. A huge fleet of 69 locomotives is lying idle along with spare parts due to technical reasons where due diligence was not carried out in procuring such a huge fleet. Audit found out that deficiencies noted down at workshops were way different than what was recorded by the sending divisions and chances of theft and misappropriation were fair.

Deficiencies in Coaches



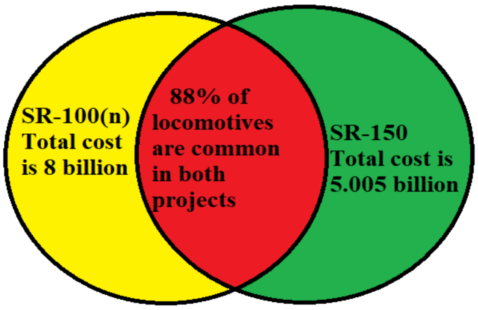
Deficiencies in Goods



(i) Ineffective repair/rehabilitation of rolling stock

The knee jerk reactions towards the requirements arising from a deteriorating fleet have resulted in an ever changing approach and the adhocracy of measures. For instance, the locomotives under regular maintenance schedule have been included in the special projects of repair with the separate funds from PSDP and/or from Revenue stream. The scrutiny of the nature of the work done and the types of locos being included in the special projects exposed the poor quality of repair work and also puts a question mark on the judgment of selection. Additionally, the analysis of regular schedule of maintenance revealed that majority of these locomotives failed to earn/cover the desired kilometers and subsequently included in Special Repair projects before their next classified schedule of repair. 88% of the locomotives were common in both Special Repair projects i.e. SR-150 and SR-100 (new). ‘Responsible Consumption and Production’ under SDG framework (SDG-12) was the first victim of this practice.

Same Locomotives in two special repair projects



(ii) Unsustainability of Railway factories

Self-sufficiency in the manufacturing of the rolling stock to cater for the transportation needs was the ultimate goal for the manufacturing facilities established in Carriage Factory Islamabad and Pakistan Locomotive Factory Risalpur. The collateral benefits of the approach include the improvement of domestic industry, technological enhancement, regional development and more employment for local citizenry (SDG-9). A holistic view of these manufacturing facilities by Audit revealed the failure of purpose and gross irregularities from planning to outcome. The factory created to be ultimately converted into Public Limited Company is still working on the PSDP funds and the Revenue budget.

PLF Risalpur seems to be an example of underachievement at least and the failure at most. The policy failure at the implementation level was evident when audit analyzed the working and output of the facility. The project aimed at attaining the self-sufficiency in manufacturing of locos/spares and envisaged a model of incremental non reliance on import of full/semi manufactured locomotives. The aim of 25 Locos per annum with normal working hours and manpower has remained a pipedream since her inception with a continuous decline as far as the production and output is concerned. The working capacity of the establishment has been reduced to 5-10%. No transfer of technology has resulted in non-achievement of self-reliance.

Buying new locomotives might be the need of the day but not being able to transfer the technology to manufacture them is complacence. The non-standardized fleet with 16 different types of locos requiring separate repair/ maintenance parts, manufacturing facilities and skills is further adding insult to the injury. When the world is moving towards more and more standardization in transportation fleet to reduce the cost of maintenance, Pakistan Railways seems to have not yet decided to change with changing times.

g) Poor inventory Management

It's an old adage that what gets measured gets done. Regarding the procurement of parts Audit analyzed the whole process of procurement. When the requirements are not assessed in a standardized way, the natural consequences are unnecessary procurements and injudicious utilization. Furthermore, the non-return of rejected material added to the loss to national exchequer. For upkeep of an aligning rolling stock there is an incessant of parts. A fraction of these parts is produced locally in industry whereas the major chunk is imported from various countries. In stances of sheer negligence have been observed by the audit in planning as well as in actual procurement. Minimum and maximum level of stock was not maintained. Prequalification process was not sound enough to act as a barrier against the defective procurements. Due diligence was not exercised in the form of pre-shipment inspections to rule out the possibility of unnecessary procurement.

h) Poor Project Management

The seriousness of management regarding implementation of the planned manufacturing/repair became questionable when Audit observed that no independent Project Director was appointed for the project of 230 passenger carriages manufacturing at Carriage Factory Islamabad. Thus the initiative taken for establishing manufacturing units for locomotives and carriages does not remain strictly in compliance with SDG-9 of Industry, Innovation and Infrastructure.

Most of the problems identified by audit are not exclusive or subjective but inclusive and objective, that are inseparably linked with one another. For example, the frequent returns of locos in Carriage and Wagon Workshop and Central Diesel Locomotive Rawalpindi cannot simply be attributed to poor working of these entities. The procurement process delay leads to more stoppage time at workshops. The faulty and low quality spares manufactured at Steel Shop and other spares production units result in early and frequent repair work needed. Resultantly there is cumulative loss to Pakistan Railways

i) Failure of IT Solutions

With the technological advancement the introduction of material accounting system in PR was a good addition as the IT solution. Ideas without proper implementation result in partial, if not complete failure. The system was introduced to cater the need of PR in inventory management. However, audit observed that inventory amounting to 4.088 billion was not included in MAS thus the potential benefit of long awaited IT solutions could not be materialized. Due to non-posting of material, misappropriation could not be ruled out. Another evidence of underachievement of IT solutions, that audit observed was the difference in inventory figures of financial statement and material accounting system.

j) Employee related issue

‘A satisfied worker is a productive worker’ is the premise operating in successful industrial ventures. That said, however, the incentives (monetary/ non-monetary) for the employees need to be coupled with the productive efficiency. From audit point of view, there seems to be disconnecting between the two in PR. When targets for the production have not been met, the payment of overtime allowance can safely be called unjustified (Rs 76.33 million in CDL and Rs 17.856 million in Steel Shop). The face recognition systems’ failure to produce desired results further clouds the assessment of workers attendance. The training of officials is the mandatory requirement to cope with changing requirement of industry. That equips them with knowledge and helps exchanging the productivity of workers and the standard of work.

However, the purpose of the exercise had not been served in case of PR where irrelevant officers have been nominated for foreign training not adding the value to PR workforce.

(i) Poor working environment

According to Pakistan's commitment to sustainable development goals vision 2030 goal number 8 all efforts made to promote decent work for all people. Audit analyzed implementation of this goal in the context of PR industrial worker and found out that the working conditions in PR industries were far from being decent, worker were not provided with safety gears while handling hazardless and life threatening jobs. To the surprise of audit funds year marked for the purpose lapsed due to lack of will and empathy for the workers from management side. Lack of decent work directly added to the poor quality of workmanship and shorter life span of manufactured parts.

k) Green Initiative

Green initiatives, though experimented with at times, were rolled back with the passage of time to bring everything back to square one. Globally, due to emerging abrupt climate changes, Railways systems are shifting towards greener modes of locomotive power. Most of the European countries have shifted majority of rolling stock to electric powered locomotives; even India has her 82% of locomotives shifted from diesel to electric power. Pakistan Railways did its pilot project in running Lahore-Khanewal section traffic through electric powered locomotives which was rolled back in 2009 to diesel engines wasting large sums of public money. Pakistan Railways owns and operates a dedicated production facility namely 'PR steel shop Mughalpura' where production of various finished and intermediary parts is being carried out on a large scale. The melting and re-heating furnaces use environmentally hazardous fuels which emit tons of greenhouse gases (CO_2) per annum and produce parts many times costlier than open market despite adding huge environmental cost. Burnt lube oil is the main source of fuel in my industrial establishments of PR which is criminal in terms of environmental degradation that is caused by burning such fuel. Disposal of industrial by-products does not conform with any national or international standards, waste containing heavy metal traces and high percentage of carbon is being dumped in open places in the heart of congested human populations, degrading the quality of soil and underground drinking water through leaching. Currently, more than one lac cubic feet (100000 cft) of this waste is lying in steel shop alone since 2014. Dismantled electric wiring from coaches is burnt in open to extract copper from sheathed wires, burning plastics in bulk to the misfortune of communities who are not paid against industrial spillovers. 38000 tons of scrap material containing aluminum, steel, cast iron, copper and lead is placed in Lahore General Stores alone without any housing since decades. The idea of corporate social responsibility is absent in PR industry both in theory and practice. Working conditions for PR skilled and semi-skilled labor were deplorable with absence of basic safety gear even for furnace and metal casting units workers, creating alienation and lack of ownership in workers which in turn played out in terms of quality compromises in finished products from indigenous industrial units.

3.6.2.3 Significant Audit Findings

The analysis of medium and long term goals of the Rolling Stock management under the umbrella of the Sustainable Development Goals, from Audit point of view, reveals a bleak picture presenting issues of operational and financial significance in inventory management leading to gross deviations from the goals of responsible consumption particularly in terms of procurements involving Foreign exchange component. Costly maintenance (periodic as well as nominated) had brief life expectancy due to poor workmanship and installation of defective materials. PR paid least attention to bring about standardization in fleet which created hurdles in streamlining industrial processes and robbing its industries of potential benefits of economies of scales along with erosion of foreign reserves. Green initiatives, though experimented with at times, were rolled back with the passage of time to bring everything to square one. Working conditions for PR skilled and semi-skilled labor were deplorable with absence of basic safety gear even for furnace and metal casting units workers, creating alienation and lack of ownership in workers which in turn played out in terms of quality compromises in finished products from indigenous industrial units. That, consequently forced PR import what could readily be manufactured at home, thus, increasing the cost and budget deficit manifold.

PR instead of keeping pace with expanding population gradually contracted in size and shrunk in operation particularly in terms of operational industrial units to half of 1970s level and in some cases to merely a quarter of the same period; while retaining the human resource at the constant level, brining FOH to an unsustainable level for a going concern. Large workforce in contrast with a mall working machinery has badly affected industrial efficiency in terms of outcome.

Observation 1: Award of contract to a technically non-responsive bidder – Rs 24,461.106 million

Clause-4.5 of the tender documents (being the 1st first tender dated 19.04.2018) for procurement/manufacture of 230 new design high speed passenger carriages provides that the bidder shall provide the details of passenger coaches manufactured by them with an operating speed 160 KMPH or more. The bidder must have manufactured at least 1000 passenger coaches with bolster less air spring bogies with an operating speed 160 KMPH. Further, clause-4.6 provides the bidder must have manufactured at least 300 coaches and exported at least 150 coaches with bolster less air spring bogies with an operating speed 120-160 KMPH or more. The manufacturing record should be provided as per clause 4.10 whereby 4.10 (g) provides that original certificate of satisfactory performance with minimum two year service from the using rail road, senior management mentioning the speed and excel load/carrying capacity along with the name and contact of the issuing person. The bids shall be treated incomplete and unresponsive, if above information is not supplied with required clarification along with the bid. The bidder having insufficient experience will be disqualified.

During audit of rolling stock management, it was observed that the contract for procurement of 230 new design high speed passenger carriages worth US $ 148.890 million (Rs 24,461.106 million) was awarded to M/S CRRC Tangshan China on 20.08.2021 by relaxing condition of manufacturing of 1000 passenger coaches into 800 coaches, relaxing of the original performance certificates into verified/notarized copies of performance certificates conditions of the first tender dated 19.04.2018 and evidence of export quality production. The M/s CRRC Tangshan Co., Ltd. China did not have the requisite export experience of manufacturing passenger coaches with operating speed of 160 kmph. Railway administration should have exercised due diligence during selection of successful bidder in compliance of the original tender clauses. Furthermore, during visit of Carriage Factory, Islamabad by representatives of both PR and M/s CRRC, some deficiencies were highlighted during the gap analysis to enable PR to assemble the broken down imported units which were still not implemented **(Annexure-AF)**. Approved design of the coaches was not provided to Audit despite repeated requests which indicated that same was not available with PR.

The matter was taken up with the management in November 2022 and also discussed in the DAC meeting held on 07.02.2023. DAC directed the PO to submit comprehensive reply along with documentary evidence within three days. Compliance of DAC directives was awaited.

Audit recommends that matter be enquired at appropriate level in order to find out the reasons for awarding contract without observance of tender clauses. Pakistan Railways may develop SOPs regarding mega/ complex procurements, with the concurrence of PPRA in order to avoid such lapses in future.

Observation 2: Loss due to repetitive and un-necessary major repairs of same locomotives – Rs 6,880.00 million

According to PC-I of Special Repair of 100 DE Locos SR-100 (new), justification of the project showed that if special repair of these 100 locomotives is not carried out, that the signs of recovery of Pakistan Railway witnessed in recent era might disappear and effective-availability of locomotives might reduce. Therefore, it would not be possible for PR to achieve the targets of revenues.

During audit of rolling stock management, it was observed that three projects for special repair of locomotives under PSDP were envisioned. Two projects named SR-150 and SR-100(old) DE locomotives had been completed whereas, third project SR-100 (new) was under execution in CDL Rawalpindi. Audit observed that 32 no. of locomotives were common in both SR-150 and SR-100 (old) projects; whereas 86 no. of locomotives were included in both SR-150 and SR-100(new) projects and 8 locomotives were included in both SR-100(old) and SR-100(new). This state of affairs indicated that either the criterion for selection of locomotives for special repair projects was defective or the faulty repair was done under the head of repair and maintenance **(Annexure-AG).**

Locomotives selected for SR-100(new) were also regularly repaired under scheduled Classified Repair from Revenue budget during the last 3 years. The total project cost of SR-100 (new) was Rs 8 billion; hence the proportionate cost for 86 locomotives amounting to Rs 6.88 billion seems to be unjustified.

Management replied on 16.12.2022 that the locomotives which were giving frequent troubles during operations on line and were stabled in workshops for want of spares/maintenance were included in new project. The special repairs would improve their availability, reliability and sustainability. Pakistan Railways had improved the availability and reliability of Motive Power by taking measures through some new projects. The present average reliability of locomotives is 20,509 Km/ failure and availability is 71% but after completion of SR-100(New) project the average reliability will be increased to 25,000 Km /failure and average availability would be improved as 85.0%. The reply was not tenable because major parts/assemblies of locomotives were replaced under SR-150 project by incurring huge expenditure therefore their failure within short span was not justified.

The matter was discussed in DAC meeting held on 07.02.2023. DAC directed the CME/Loco for comprehensive response along with documentary evidence with regard to each locomotive in terms of investment streams (Revenue and PSDP) and specific scope within one week. Furthermore, an inquiry headed by Member Finance and AGM/Traffic should be conducted within two weeks. Compliance of DAC directives was awaited.

Audit recommends that SOPs should be developed regarding mega projects of procurement/repair of rolling stock to avoid lapses in future.

Observation 3: Non- recording of material - Rs 4,088.00 million

Para 1316 (a) of Pakistan Railway Code for the Store Department provides that any delay in returning the acknowledgement foil of the issue note should be promptly taken up by the Requisition Register sub-section where the office copy foils should be inspected periodically in order to take up such omissions.

During audit of Rolling Stock Management (ACOS, CDL Workshop, Rawalpindi) in September 2022, it was observed that the project material pertaining to SR-100(new) was lying in store but not made part of Material Accounting System (MAS). In such scenario, neither CCP/CCS nor the concerned Railway officials could see the availability of material for repair and maintenance.

Sifting through store material of the project SR-100, the record of issued material from store under control of ACOS/CDL/RWP to other Railways establishments it was observed that project items valuing Rs 4.088 billion were not posted in MAS and may cause suspected misappropriations. That also practically nullifies the purpose of MAS.

Summary of Stock (Floated, Receipt & Pending)

FOR/FOB	Items Floated	Receipt	Pending
Items on FOB basis	1164	385	779
Items on FOR basis	347	329	18
Total	**1511**	**714**	**797**
Note: Items initially demanded by the CDL workshop Rawalpindi =2195			

Management replied on 16.12.2022 that material was specially purchased for SR-100(New), moreover no any policy neither direction had been received to include the project spares on MAS by the Railway authority. Reply was not acceptable because SOP or direction of any authority regarding non posting of material on MAS was not shared with audit.

The matter was discussed in DAC meeting held on 07.02.2023. DAC directed the CCS to submit a comprehensive reply giving specific details regarding maintenance of inventory system of the entire material (Revenue and PSDP Funded) in terms of provision of store code along with documentary evidence and a certificate from the PO with regard to no duplication of material booking/issued, within one week. Compliance of DAC directives was awaited.

Audit recommends that action be taken against those held at fault for not posting the stock items on MAS.

Observation 4: Loss of earning due to abnormal delay in repair of locomotives – Rs 2,943.620 million

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

During audit of rolling stock management, it was observed that 50 number of DE locomotives were received in CDL, Rawalpindi for classified repair (C-I& C-II). Repair of these locomotives was delayed beyond permissible time limit (32 days for C-I & 24 days for C-II) for the period ranging from 3 to 1447 days. No concrete efforts were made by the Railway management in order to repair these locomotives in stipulated time period to overcome shortage of locomotives over Railway network. If it had happened, a potential earning of Rs 2,943.620 million would have been added to reduce looming budget deficit in PR **(Annexure-AH).**

Management replied on 16.12.2022 that locomotives arrived in CDL workshop for classified and nominated repair which also included accidental locos. The condition of these locomotives was analyzed on receipt and if repair work was beyond the capacity of CDL workshop the locomotives was sent to PLF. The irregular supply of spare parts was also major factor of delayed repair of DE locomotives. Management reply was irrelevant and unacceptable as 50 no. of locomotives were stabled at CDL, Rawalpindi besides those which were sent to PLF for repair.

The matter was discussed in DAC meeting held on 07.02.2023. DAC directed the CME/Loco to submit a comprehensive reply along with documentary evidence within one week. Compliance of DAC directives was awaited.

In view of above, Audit recommends that responsibility be fixed for delay in repair of locomotives besides strengthening controls to avoid recurrence.

Observation 5: Defective repair of locomotives - Rs 959.938 million

Maintenance regulation No.ME/DE-1011 Rev (VI) 2013 states that C-I, C-II and C-I/C-II be carried out after a locomotive earned 1200000 km, 600000 km and 500000 km respectively, or after completion of time period of 6 and 3 year. Furthermore, Para 1801 of Pakistan Railway General code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and also for any loss arising from fraud or negligence on the part of any other Railway servant to the extent it may be shown that he contributed to the loss by his own action or negligence.

During audit of rolling stock, it was noticed that CDL did Classified/ scheduled Repair and Nominated Repair of different classes of locomotives during the period from 03.06.2019 to 30.06.2022 through revenue expenditure. Majority of these locomotives were failed to earn/cover the desired kilometers and subsequently included in Special Repair project SR-100(new) before their next classified schedule of repair due after 30.06.2023. This project in under execution through PSDP fund and expected to be completed on 30.06.2023. Frequent failure of locomotives to produce required results repair and their inclusion in SR-100 (new) means poor quality of either repair work or of spares/material procured for them. This state of affairs indicated that PR management could not exercise internal controls to ensure quality of repair work which resulted into a loss of Rs 959.938 million **(Annexure-AI).**

Management replied on 16.12.2022 that there were three parameters to carry out locomotives turn out after classified repairs:

i. 3 years' period for C-II repair or 6 years' period for C-I repair.

ii. 6 lac KM earned for C-II repairs & 12 lac KM earned for C-I repair.

iii. Special instruction/orders received from CME/loco office, all the locomotives had turned out from CDL work shop Rawalpindi after classified C-I/C-II repairs as per the above discussed three type of instructions. Furthermore, as most of locomotives working in Pakistan Railway completed their economic life twice time, therefore the headquarter office regularly monitored the performance of all type of loco during train operation,

Management reply was not acceptable as majority of the locomotives were repaired through revenue under schedule repair and failed to earn desired Kilometers or requisite time period.

The matter was discussed in DAC meeting held on 07.02.2023. DAC directed the CME/Loco to submit a comprehensive response along with documentary evidence with regard to each locomotive in terms of investment streams (Revenue and PSDP) and specific scope within one week. Furthermore, an inquiry headed by Member Finance and AGM/Traffic should be conducted within two weeks and be submitted to Audit latest by 05.03.2023. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for poor quality of repair of locomotives and controls over the quality of repair work and procurement of spares be strengthened to avoid recurrence in future.

Observation 6: Abnormal factory overhead rate in Steel shop-Rs 594.577 million

Para 911 of Mechanical Code states that the total General and Shop overheads likely to be incurred in a year on account of (a) labour, and (b) materials may be estimated fairly closely with the guidance of the actuals of the previous six months, modified by known changes in conditions and other relevant factors. The labour overheads and the materials overheads may then be expressed as percentages of the total "direct labour and direct material respectively" in round figures. The general overheads would be expressed by two percentages, one for labour and one for materials, applicable to all cost centers, and similarly the shop overheads by two percentages which will be distinctive for each shop. The addition of the shop percentages for "labour" and "materials" to the general overheads percentages under these two heads yields the percentage rates at which the total overheads for "labour" and for "materials" are to be used for estimation in each shop for the coming year.

During audit of rolling stock management, while reviewing record of WM/ Steel Shop, it was observed material production notes amounting to Rs 617.235 million were prepared and forwarded to computer cell/WAC/Store for getting necessary credit against store head of account. Bifurcation of this amount indicated that it included Rs 37.182 million for direct labor and material (Prime cost) and Rs 580.051 for oncost. Shop oncost has been computed on the basis of applied FOH @ of 1660% instead of actual amount of FOH incurred. This showed that overhead expenses on account of utilities, maintenance, pay and allowances of other than skilled/semi-skilled staff were much higher than the skilled labour and material being utilized in shops. It is pertinent to mention that unit cost of production in steel shop is comprised of 94% FOH and 6% prime cost (Direct labor and direct material). That is why PR is not able to compete in market to get deposit work from outsiders. Furthermore, shop oncost rate was expected to be revised twice a year on the basis of actual FOH (P-912). Had it happened, the rate would have become even higher and daunting. This scenario indicates laxity and mismanagement on the part of PR regarding exact determination of unit price and computation of FOH on actual basis **(Annexure-AJ).** Furthermore, it was noticed that actual output of Steel Shop was far less than the set targets during the year 2021-22. Despite the fact that major machinery and equipment for manufacturing and testing was uninstalled/out of order during the period, an amount of Rs 17.856 million was paid to employees on account of overtime. This resulted in unjustified payment of overtime amounting to Rs 17.856 million.

It was replied on 17.11.2022 that all expenses related to store, material, repair/maintenance/overhaul of machines had to be managed by the management of steel shop under oncost. Reply was not tenable as FOH are being applied on estimated base instead of actual FOH.

The matter was discussed in DAC meeting held on 07.02.2023. DAC directed the FA&CAO/PR to submit a comprehensive reply with regard to cost accounting parameters, gaps and course corrective measures to be taken, within one week in order to avoid such practices in future. Compliance of DAC directives was awaited.

In view of above, Audit recommends that responsibility be fixed for not computing FOH on actual basis and internal controls be strengthened to avoid recurrence.

Observation 7: Wasteful/Un-necessary Procurement for Projects-Rs 567.391 million

Para 762 of Pakistan Railways Code for the Stores Department describe that rejected stores should be removed (to a place set apart for such stores) from the Receiving Shed immediately the inspection has taken place and before the Inspecting Officer leaves the Receiving Shed. Such stores should be removed from the stores premises by the contractor within 14 days from the date of rejection. Such rejected stores shall lie at the contractor's risk from the date of such rejection. If the stores are not removed within 14 days of rejection, the Controller of Stores shall have the right to dispose of such stores as he thinks fit at the contractor's risk and on his account. Furthermore, Rule 19 of PPRA Rules-2004 describes that the procuring agency shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who consistently fail to provide satisfactory performance.

During audit of Rolling Stock Management, Diesel Stores Depot, Rawalpindi in September 2022, it was observed that certain material was received in store and got rejected by the Project office of Special Repair, SR-100 (new) on different grounds. Audit observed that neither the material was replaced nor the amount Rs 393.195 million was recovered by the Railway management lapsing considerable period of time. Furthermore, it was noticed that D-29 and HIT-395 HP type traction motors valuing Rs 174.196 million were found defective and still lying with CDL shop since 2018. This not only resulted into loss of Rs 567.391 million to Railway but also caused delay in repair and maintenance of Locomotives.

Management replied on 16.12.2022 that CDL approached concerned firm through CCP office for replacement of traction motors but not replaced yet. As far as unsuitable material was concerned, 97% had been replaced and reported as suitable for fitment remaining material was under shipment and will supplied soon. Reply was not tenable as no documentary evidence was provided to Audit against 97% replacement of un-suitable material.

The matter was discussed in DAC meeting held on 07.02.2023. DAC directed the CME/Loco to give a comprehensive response along with documentary evidence with regard to each locomotive in terms of investment streams (Revenue and PSDP) and specific scope within one week. An inquiry headed by Member Finance and AGM/Traffic should be conducted within two weeks and be submitted to Audit latest by 05.03.2023. Compliance of DAC directives was awaited.

Audit recommends that matter be inquired for procurement and non-replacement of defective material. The rejected material be replaced or amount involved be recovered from suppliers under intimation to Audit.

Observation 8: Blockage of capital due to non-installation of furnace-Rs 162.447 million

Para 1801 of Pakistan Railways General Code states 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 rolling stock management, it was observed that Railway management purchased an Electric Arc Furnace valuing Rs 162.447 million (US$1,539,782.40 x Rs 105.50) vide purchase order No. 15/0046/00-0/1-2017 dated 07.03.2018. The furnace was supplied at Steel Shop, Moghalpura during November 2019 and despite lapse of about four years the same had not been installed and commissioned yet. Moreover, due to civil work of said furnace, working of electric cranes in shop was halted vide letter no 128-W/69(2018-19) dated 26.03.2022. The work of electric cranes was resumed on 24.08.2022 without completion of civil work necessary for installation and commissioning of new ARC furnace till date. This depicts slackness and poor planning of the management which resulted in blockage of capital amounting to Rs 162.447 million. The shutting down of furnace, however could not curtail consumption of costly material needed for production i.e. electrodes, Bakelite bricks etc. valuing Rs 2.725 million which was not unjustified.

Management replied on 17.11.2022 that delay in installation of electric arc furnace was mainly because of late submission of final drawing and BOQs by the firm and non-execution of civil work. The matter was discussed in DAC meeting held on 07.02.2023. DAC directed the CME/C&W should give comprehensive reply along with documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that responsibility for non-installation and commissioning of furnace be fixed and controls over execution of civil work be strengthened.

Observation 9: Wasteful expenditure due to nomination of irrelevant officers/officials for foreign training – Rs 157.50 million

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

During audit of rolling stock management, it was observed that the Ministry of Railways nominated 88 officials (involving cost of Rs 157.050 million approx.) out of which 18 officials were for design & prototype approval for 10 days each, 20 officials were for pre-shipment inspection 11 days each and 50 officials were for training for 22 days each at the supplier's factory in China during 2021-22. The nominations were made in connection with the contract with M/s CRRC Tangshan Co., Ltd. China for procurement/ manufacture of 230 passenger carriages valuing USD 148,889,802 whereby an amount of USD 900,000 was earmarked for said training/inspections etc. These officers were nominated for training without considering factors like qualification, length of service, technical relevance, remaining age for superannuation age etc. Nomination of majority of the officials was unjustified because they were not involved in operation and maintenance of said carriages before and after the training. This state of affair indicated that exploitation of training would not produce desired results due to nomination of majority of irrelevant officials. In the absence of approved design and overhauling of domestic production industry, over-enthusiasm for training alone seems to be a decision coming from skewed planning.

The matter was taken up with the management in November 2022 and also discussed in the DAC meeting held on 07.02.2023. DAC directed the CME/C&W to give a comprehensive reply along with documentary evidence within one week. The Railway administration should ensure that all the nominees of such trainings should be based on objective criteria duly aligned with the strategic direction set for such interventions. Compliance of DAC directives was awaited.

Audit recommends that place of posting of each official before and after the training may be provided. Besides, responsibility for nomination of irrelevant officials for the training be fixed and disciplinary action be taken against the person(s) held responsible. Furthermore, these officers must be held responsible for premature failure of major parts of wagons and coaches during warranty period.

Observation 10: Ambiguous accounting of deficiency in rolling Stock – Rs 118.191 million

Chief Mechanical Engineer/C&W vide letter No.264-W/0/21/12/2.4.1/ 2014-15 dated 18.04.2019 had instructed that details of all deficiencies clearly bifurcated and documented as (a) Worn out consumed parts, (b) Cannibalized parts and (c) theft.

During audit (C&W Shop), while reviewing the record of deficiency in rolling stock, it was observed that deficiencies in coaching stock Rs 78.389 million **(Annexure-AK)** and goods stock Rs 39.802 million **(Annexure-AL)** was pointed out during periodical overhauling (POH) during Jul-2020 to Jun-2022. Possibly, the amount involves all of the above three categories of deficiencies of material. However, no bifurcation of the deficiencies was made as to how much of the amount of deficiencies pertained to worn out consumed parts, cannibalized parts and theft of material. Resultantly, entire amount of Rs 118.191 million has been accounted as deficiency on account of stripping off, cannibalization and en-route deficiencies, while leaving the theft of material (if any) unattended, which is ambiguous and against the above instructions.

Management replied on 21.11.2022 that deficiencies in coaching stock occurred in operating divisions of Pakistan Railways. Before entering into C&W shops, the stock was examined jointly by TXR/C&W shop, TXR/P-31 and PRP representative and deficiencies were recorded/ noted accordingly. Reply was not tenable as proper bifurcation of theft, cannibalization, and worn out parts be provided to Audit.

The matter was discussed in DAC meeting held on 07.02.2023. DAC directed the CME/C&W to submit a comprehensive reply along with documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that the above amount be bifurcated into worn out consumed parts, cannibalized material and theft cases and the cost of stolen material (if any) be recovered under intimation to Audit.

Observation 11: Loss due to rejection of manufactured parts-Rs 43.643 million

Para 1103 of Pakistan Railways Code for 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 rolling stock management, it was observed that certain manufactured parts valuing Rs 43.643 million were rejected by the Senior Inspector of Production (SIP) due to bad casting, bad machining, poor quality of material and under sized items during 2021-22 **(Annexure-AM)**. This resulted in loss of Rs 43.643 million to Pakistan Railways due to poor workmanship, mismanagement and weak operational controls. Audit is of the opinion that manufacturing technology being used by PR is outdated and obsolete which needs to be upgraded, Audit could not find any long term plan to ameliorate the situation.

Management replied on 17.11.2022 that analysis of relevant record revealed that rejection ratio was 8% approximately. Reply was not tenable as rejection ratio in all objected cases explained in annexure was above 10%.

The matter was discussed in DAC meeting held on 07.02.2023. DAC apprised that an inquiry headed by Member Finance and AGM/Traffic is being conducted. The inquiry report was in final stage and would be submitted to Audit. Compliance of DAC directives was awaited.

Audit recommends that internal controls over operational/ manufacturing facilities be strengthened and skills of workers be improved to reduce rejection of parts to minimum level.

Observation 12: Emission of 1554.336 M. Ton of Carbon Dioxide through burning of released lube oil and non-disposal of Ashes valuing Rs 12.269 million

Sustainable Development Goal 11 aims to make cities and human settlements inclusive, safe and resilient and sustainable. Furthermore, Sustainable Development Goal 8 aims to provide decent work environment for all.

During audit of rolling stock management, it was observed that released lube oil was being used as an alternative of gas and electricity supply in Rolling Mill (CC No.7403). A quantity of 616,800 liters of released lube oil was issued to Rolling Mill (CC No.7403) of Steel Shop Mughalpura and the same was consumed during the financial year 2021-22. This consumption of released lube oil emitted 1554.336 (616,800/-x2.53/1000=1554.336) metric ton of carbon dioxide in air. It is worth mentioning here CO_2 is colorless and odorless gas that can affect the health of workers in shop working without using protective gears as well as people living in the surrounding. It also contributes negatively to climate change. This position indicates laxity on the part of PR management towards accomplishment of Sustainable Development Goals approved as National Development Goals by the Parliament of Pakistan unanimously on 16th February, 2016.

Moreover, it was observed that scrap material in shape of ashes of valuing Rs 12.269 million was lying over the steel shop, Mughalpura as on 30.06.2022 **(Annexure-AN).** Sale order against tender No 189-S/2/MGPR/2014/8052/B was opened on 23.04.2014 for the sale of Ash/Shop refuses (Approx. quantity 100000 CFT) at Steel Shop, Mughalpura but these ashes was not lifted by the contractor till date and 900 KG ashes produced for 3 heats per day also piled up till date. The ashes contain toxic traces of metals and other pollutants which have been dumped in the middle of a densely populated area. Railway administration failed to dispose of ashes/shop refuses; resultantly Railway was deprived of earnings of Rs 12.269 million as well as exposing life of workers and people in surrounding areas to grave health risk.

The matter was pointed out to the management in November 2022 and also discussed in the DAC meeting held on 07.02.2023. DAC directed the CME/C&W to give comprehensive reply along with documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for non-adherence to SDGs besides exposing life of workers and people in surrounding areas to health risk. Pakistan Railways production and maintenance industry should incorporate the concept of corporate social responsibility in its policy and legal framework.

Observation 13: Non-Standardization of Rolling Stock

As per clause 8 of PC-1 (May, 1989), PLF was established to achieve standardization of rolling stock, fostering domestic industry and improvement in manufacturing & maintenance technology to retrench foreign currency expenditure. Furthermore, it was also mentioned that on completion, the PLF will manufactured 25 Diesel Electric Locomotives per annum in single shift working.

During audit it was observed that PLF had assembled 102 no. of locomotives (CKD) from May 1989 to August 2022 under umbrella of five different PSDP projects. Transfer of technology (ToT) was acquired as an integral part of projects Rs 87.559 million for standardization and manufacturing of locomotives. Despite this fact, PLF could develop its in house capacity. Resultantly, PR had to procure 75 DE Locos of completely Build Unit (CBU) of locomotives instead of original scope of procuring 25 CBU and 50 Completely Knocked Down (CKD) of a new class. In addition, it is astonishing to mention here that PLF could not manufacture a single locomotive by utilizing its own resources from locally produced components. This state of affair indicated that PLF failed to achieve its objectives which caused a loss of Rs 87.559 million on account of ToT.

The matter was pointed out to the management in November 2022 and also discussed in the DAC meeting held on 07.02.2023. DAC directed the CME/Loco to give comprehensive reply along with documentary evidence within one week. Compliance of DAC directives was awaited.

Audit recommends that standardization of rolling stock should be ensured in future because it could save cost of repair, purchase of excessive spares, foreign training, and ToT for different kinds of Locomotives.

3.7. Departmental Responses

The observations were discussed with the Additional General Manager (Mechanical) in exit conference on 16.11.2022. The management responses were received and also discussed in DAC meeting held on 07.02.2023 and directives of the same have been incorporated in the relevant observations.

3.8. Recommendations

Based on the above audit findings, audit recommendations are as under:

(i) Projects may be planned on the basis of need assessment only if expected outcomes go beyond those of routine maintenance schedules and internal financial controls may not be done away with to spend project funds.

(ii) A comprehensive survey of machinery and equipment should be done and a rationalization plan may be based on man to machine ratio to bring FOH to reasonable levels.

(iii) Quality controls regarding repair of rolling stock should be linked with strict monitoring through inclusion of Information technology so that years earned after maintenance may be watched at headquarters level.

(iv) Right of access to decent work should be made part of HR policies and implemented in true letter and spirit, particularly in PR industry.

(v) All warranty claims of defective material may be got finalized without further delay and SOPs be evolved to streamline and expedite finalization of warranty claims in shortest possible time.

(vi) Spare parts may be stocked as per stock limits to avoid unnecessary procurement and blockage of capital.

(vii) Internal control over posting of material in MAS be improved to avoid misappropriation.

(viii) PPRA rules may be followed in true letter and spirit. Moreover, training of concerned Railway officers be arranged in Public Procurement Rules.

(ix) Ensure standardization of Rolling Stock in future.

(x) High fuel consumption be probed and management of operational fuel should be improved in order to control operational losses.

(xi) Environmental friendly policies should be framed incorporating the idea of corporate social responsibility with a concern for human health.

3.9. Conclusion

The rolling stock management in PR is a cross cutting theme involving procurements, contract management, industrial operations and utilization on commercial lines. Procurements for up gradation and rehabilitation of rolling stock were not based on realistic need assessment. The productive efficiency of industrial units was economically unsustainable due to exorbitant overheads, idle labor, out dated equipment and poor workmanship. Worker to machine ratio is highly disproportionate as PR failed to install/repair machinery and equipment with the passage of time while retained workforce at initial levels. Consequently, turnout of rolling stock from workshops was delayed creating operational hurdles and eroding much needed revenue. The industrial facilities were envisioned to indigenously produce rolling stock and their parts but the avowed targets could not be achieved due to failure of management to effectively monitor the process of transfer of technology and standardization of rolling stock. Due to imports of different kinds of rolling stock, the maintenance industry could not achieve benefits of economies of scales for the want of standardization. Projects have been under taken without involving stakeholders and expected value addition could not be made due to top down decision making. Decades old equipment utilized greenhouse intensive fuels and generated hazardous by products which have not been handled with corporate responsibility and more often than not dumped in densely populated areas. Attempts to introduce greener class of locos were rolled back in favour of HSD driven locos and internal controls for the accountal of HSD were found prone to leakages. Due to above mentioned multiple factors, optimal train mixes could not be achieved and department kept on feeding the white elephant of passenger trains while depriving the earning hand of freight business from much needed rolling stock.

Based on the findings of this report, budget deficit of Pakistan Railways could be reduced by 13% to 15% (Rs 6 billion approx. FY 2021-22), by addressing causes of fuel inefficiency (per kilometer fuel consumption of locomotives was increased by 35% from 2012-13 to 2021-22). Repeated repair of locomotives also resulted in extra burden on PR therefore, by improving repair and maintenance standards budget deficit could further be reduced by 2% to 3%. Scarce financial resources of PR could also be saved through standardization of locomotives by reducing investment in inventories. Budget deficit could also be reduced by avoiding obsolescence of inventories. Thus, budget deficit of PR could be reduced by 15% to 18% by attending above inefficiencies. Although, major repair & maintenance of locomotives is being managed through PSDP funds but deficit reduction potential could further be improved by attending held locomotives and their efficient utilization for freight operations.

ANNEXURES

Annexure-A
(Sectoral Analysis)

Key Performance Indicator Analysis by Output

S. No.	Output	Indicator	Original Target 2021-22	Target Achieved 2021-22	Reason for Variance
1.	Railways Policies formulation and implementation	Railways Policies Formulation and Implementation (%)	50	40	Finalization of some policies is under process
2.	Railways Services (HQ 0129, HQ 1987, HQ 1988)	Freight Traffic to be handed (Billion Tones Kilometers)	7.8	8.07	Achieved more than Original Target
		Passenger Traffic to be handled (Billion Passenger Kilometers)	22.2	23.11	Achieved more than Original Target
		Outsourcing of Ticketing System in percentage)			
		Improvement in punctually of passenger services (%)			
		Number of freight handing terminal to be improved			
		Number of stations where reservation system is to be computerized			
		Reduction in accidents (in percentage)			
		Freight Revenue (Rs in billion)	22	23.7	Target Achieved more than the Estimated.
		Passenger Revenue (Rs in Billion)	26	26.43	Target Achieved more than the Estimated.

S. No.	Output	Indicator	Original Target 2021-22	Target Achieved 2021-22	Reason for Variance
		Other Revenue Receipts (Rs in Billion)	10	10.126	Target Achieved more than the Estimated.
		Total Revenue Receipts (Rs in Billion)	58	60.256	Target Achieved more than the Estimated.
3.	Admin Support Services (HQ 1987)	Automation of Railways Accounts (%) Revenue			
4.	Railway Passenger Security Services (HQ 1988)	Improvement in Security related Services (%)			
		Reduction of crimes in trains (%)			
5.	Pakistan Railways Infrastructure & Equipment Development Services-Regional Development (KA2216)	Feasibility Studies (Number) PC-II for feasibility study and transaction advisory services for construction of new double line track from Karachi to Hyderabad on PPP or BOT basis	(1). Phase-1: Project development (60% cost of the Project). (i) Submission of feasibility study (ii) Submission of PPP Project Proposal. (iii) Approval of Project proposal from P3A. (2) Phase-II: Transaction execution (40% cost	(1). Phase-1: Project development (60% cost of the Project). (i) Feasibility Study submitted (ii) PPP Project Proposal submitted.	Review of feasibility study, financial model & Project qualification Proposal (PQP) is under process by the consultant in line with the fresh comments of P3A & world bank received on 28.11.2022. Review of the recommendations of financial sub-committee is under evaluation by the review committee comprising of AGM/Traffic. Chief Marketing Manager, Chief Mechanical.

S. No.	Output	Indicator	Original Target 2021-22	Target Achieved 2021-22	Reason for Variance
			of the project) (i) Bid Evaluation (ii) Signing of PPP agreement (iii) Financial Close		Engineer/Locomotive and Chief Engineer/S&C
6.	Pakistan Railways Infrastructure & Equipment Development Services Track(KA2216)	New Track (K.Ms)	11	0.6	Only 0.6 Kms new track laid. Target could not be achieved as PC-1 of PSDP Project was approved in 2020-21. Moreover, the new track lying works which were going on under PSDP projects like TR-II (KPR-LON) were closed as the same scope was envisaged to be carried out under ML-1/ CPEC.
		Rehabilitation of Track (Kms)	180	40.063	Target could not be achieved as on PC-1 of PSDP Project was approved in 2020-21. Moreover, the new track lying works which were going on under PSDP

S. No.	Output	Indicator	Original Target 2021-22	Target Achieved 2021-22	Reason for Variance
7.					projects like TR-II (KPR-LON) were closed as the same scope was envisaged to be carried out under ML-1/ CPEC.
		Rehabilitate Structures (Bridges, Culverts) (Nos)	80	55	These bridges were rehabilitated by the department from own resources. No PSDP works are involved expect 12 bridges which were rehabilitated under PSDP project of RFD.
		Up-gradation of Main Line-1 (ML-1) under CPEC (Kms)			
7	Pakistan Railways Infrastructure & Equipment Development Services Other infrastructure (KA2216)	Rehabilitation of existing Stations (Nos.)	23	5	These Stations were rehabilitated by the department from own resources. No PSDP works are involved.
		New Stations (Numbers)			
8.	Pakistan Railways Infrastructure & Equipment Development Services-Signaling (KA2216 & HQ1763)	Up-gradation of signaling system (K.M.s)	46	46	Target Achieved.
		Up gradation of signaling system (No. of stations)	1	4	Achieved for more than Original Target

S. No.	Output	Indicator	Original Target 2021-22	Target Achieved 2021-22	Reason for Variance
9.	Pakistan Railways Infrastructure & Equipment Development Services-Rolling stock (KA2216)	Procurement of new Locomotives (Nos.)	10	-	PC-1 for 25 Nos new shunting Locomotives is not approved by the competent forum.
		Rehabilitation of existing Locomotives (Numbers)	20	10	PC-1 for Re-commissioning of 05 DPU-30 De locomotives is not approved by the competent forum. Locomotives could not be turned out as per target under special repair of 100 locomotives project due to non-provision of FEC by Finance Division which resulted in non-finalization of procurement for locomotives.
		Procurement of new Coaches (Numbers)	46	46	Design approval and inspection at sight delayed a bit due to COVID restrictions in China. 46 Coaches reached at Pakistan unde3r extensive trial before utilization on system.

S. No.	Output	Indicator	Original Target 2021-22	Target Achieved 2021-22	Reason for Variance
		Procurement of new Wagons & Power Vans (Numbers)	200	NIL	Design approval and inspection at sight delayed a bit due to COVID restrictions in China. 70 High Capacity Wagons have been inspected in China and waiting for shipment at China Port. Remaining 130 wagons will reach in Pakistan in the last week of January 2023 which is well in schedule time.
		Up-gradation of Maintenance facilities (Numbers)	1	1	Quetta and Central Diesel Locomotives Workshops, Rawalpindi were equipped with overhead Electric Cranes under up gradation of Maintenance Facilities.
10.	Business Development (KA2216)	Establishment of New Dry Ports (Numbers)	1	1	Aza Khel Dry Port Shifted from Peshawar to Aza Khel in March 2021

S. No.	Output	Indicator	Original Target 2021-22	Target Achieved 2021-22	Reason for Variance
11.	Governance (KA2216)	Training and Developments (Numbers)	40	40	Achieved
		Monitoring and Evaluation System (Nos.)	1	1	Achieved
		Monitoring and Evaluation Report (Nos.)	45	38	Total 38 M&E Reports were generated for PSDP funded projects in Financial Year 2021-22.

Annexure-B
(Para 1.1.2)

Detail of Foreign loans received during last decade

(Rs in Million)

Years	Foreign Loan on Capital Account	Foreign Loan on replacement account	Cumulative Total	Addition/ (Clearance)
2011-12	8,090,991,043	3,173,325,208	11,264,316,251	-
2012-13	24,024,466,064	3,173,325,208	27,197,791,272	15,933,475,021
2013-14	24,958,522,512	3,173,325,208	28,131,847,720	934,056,448
2014-15	26,174,991,596	3,173,325,208	29,348,316,804	1,216,469,084
2015-16	26,174,991,596	3,173,325,208	29,348,316,804	-
2016-17	26,174,991,596	3,173,325,208	29,348,316,804	-
2017-18	26,174,991,596	3,173,325,208	29,348,316,804	-
2018-19	26,174,991,596	3,173,325,208	29,348,316,804	-
2019-20	26,174,991,596	3,173,325,208	29,348,316,804	-
2020-21	26,174,991,596	3,173,325,208	29,348,316,804	-
2021-22	**26,174,991,596**	**3,173,325,208**	**29,348,316,804**	**-**

Annexure-C
(Para 1.1.5)

Detail of Pending Liabilities as on 30th June, 2022

(Rs in million)

Sr. No.	Unit	Commutation (Payable)	Leave encashment (Payable)	GPF Advance	Pension /GPF Arrears	Total
1	DAO Lahore	448.738	137.807	41.000	38.260	665.805
2	DAO Multan	617.310	164.388	38.189	55.684	875.571
3	DAO Workshop	663.421	112.227	38.203	45.320	859.171
4	DAO Rawalpindi	309.632	62.338	30.572	180.798	583.340
5	AO CFI	25.827	6.905	2.780	65.464	100.976
6	AO PLF	48.291	3.260	-	103.102	154.653
7	DAO Peshawar	268.732	56.778	46.514	45.302	417.326
8	DAO Sukkur	548.800	-	10.400	-	559.200
9	DAO Karachi	869.352	149.458	81.558	121.302	1,221.670
10	DAO Quetta	236.575	28.417	17.346	50.607	332.946
11	HQ	618.222	73.344	39.327	68.130	799.023
12	Detail of Pending Liabilities on Account of Benevolent Fund and Group Insurance Premium (Non Gazette Staff)					1,676.110
	Total	**4,654.900**	**794.922**	**345.889**	**773.969**	**8,245.790**

Annexure-D
(Para 1.1.6)

Overstatement of Miscellaneous Advances (Revenue) due to less recovery of different utilities from employees of PR

(Amount in Rs)

Sr. No	Suspense Head	Cumulative Outstanding on 30/06/2022		Relating to 2020-21	
		Cr	Dr	Cr	Dr
i	Advance for Local Purchase	140,175,532	180,151,858	101,579,518	135,088,880
ii	Outstanding Electric Charges	2,020,450,418	1,959,526,228	853,620,331	693,399,929
iii	Outstanding Sui Gas Charges	37,700,171	1,506,637,891	37,576,162	1,507,274,025
iv	Outstanding Telephone Charges	177,612	143,160	30,911	81,197
v	Other items	38,651,341	303,534,262	37,484,551	303,562,207
Total Miscellaneous advance (Revenue)		**2,237,155,074**	**3,949,993,399**	**1,030,291,473**	**2,639,406,238**
Net Off		**1,712,838,325**		**1,609,114,765**	

Sr. No	Suspense Head	Cumulative Outstanding on 30.06.2022		Relating to 2020-21	
		Cr	Dr	Cr	Dr
i	Miscellaneous advance (Capital)	24,326,061	62,095,332	23,246,111	58,201,154
ii	Purchases	170,715,689	4,373,980,170	170,715,689	4,529,367,563
Total Miscellaneous advance (Revenue)		**195,041,750**	**4,436,075,502**	**193,961,800**	**4,587,568,717**
Net Off		**4,241,033,752**		**4,393,606,917**	
Total (Revenue + Capital)				**5.916 (billion)**	

Annexure-E
(Para 1.1.9)

Division wise position of Excesses and Savings as per FR Financial Year 2021-22

(Rs in million)

Division/ Accounting Unit	Expenditure Component	NAM Head Allocation	Budget for the FY 2021-22	Expenditure for the FY 2021-22	Excess	Savings
Lahore Division	**Employee Related Expenses**	A01	5,116.04	5,287.11	171.06	
	Operating Expenses	A03	610.23	676.69	66.46	
	Pension Payment	A04	5,089.10	5,879.33	790.23	
	Loans & Advances	A08	0.00	0.40	0.40	
	Purchase of Physical Assets	A09	0.35	1.16	0.81	
	Repair & Maintenance	A013	1,509.08	2,064.21	555.13	
	Misc: Advance		0.00	-65.87		-65.87
Multan Division	**Employee Related Expenses**	A01	3,704.00	4,076.05	372.05	
	Operating Expenses	A03	275.75	323.94	48.20	
	Pension Payment	A04	4,710.90	4,250.85		-460.06
	Loans & Advances	A08	0.00	0.00	0.00	
	Purchase of Physical Assets	A09	1.09	0.20		-0.89
	Repair & Maintenance	A013	477.38	356.48		(120.89)
	Misc: Advance		0.00	7.68	7.68	
Rawalpindi Division	**Employee Related Expenses**	A01	3,295.55	3,634.50	338.95	
	Operating Expenses	A03	497.84	608.86	111.03	
	Pension Payment	A04	4,310.20	3,711.71		(598.49)
	Loans & Advances	A08	0.00	2.90	2.90	
	Purchase of Physical Assets	A09	0.38	0.50	0.12	
	Repair & Maintenance	A013	795.93	638.76		(157.17)
	Misc: Advance		0.00	11.51	11.51	

Division/ Accounting Unit	Expenditure Component	NAM Head	Budget for the FY	Expenditure for the FY 2021-22	Excess	Savings
		Allocation	2021-22			
Peshawar Division	**Employee Related Expenses**	A01	1,969.79	2,173.14	203.35	
	Operating Expenses	A03	139.50	164.42	24.92	
	Pension Payment	A04	2,361.20	2,108.95		(252.25)
	Loans & Advances	A08	0.00	0.12	0.12	
	Purchase of Physical Assets	A09	0.83	1.22	0.39	
	Repair & Maintenance	A013	458.72	483.44	24.73	
	Misc: Advance		0.00	-3.66		-3.66
Karachi Division	**Employee Related Expenses**	A01	4,802.48	5,340.40	537.93	
	Operating Expenses	A03	822.70	1,013.03	190.33	
	Pension Payment	A04	5,845.50	5,529.40		(316.10)
	Loans & Advances	A08	0.00	0.00	0.00	
	Purchase of Physical Assets	A09	2.10	1.40		(0.71)
	Repair & Maintenance	A013	718.63	1,388.36	669.74	
	Misc: Advance		0.00	21.57	21.57	
Quetta Division	**Employee Related Expenses**	A01	1,783.28	1,874.13	90.85	
	Operating Expenses	A03	151.70	242.92	91.22	
	Pension Payment	A04	1,587.80	1,683.05	95.25	
	Loans & Advances	A08	0.00	-0.18		-0.18
	Purchase of Physical Assets	A09	0.45	0.75	0.30	
	Repair & Maintenance	A013	250.59	189.89	-60.70	(60.70)
	Misc: Advance		0.00	-9.77	-9.77	
Sukkur Division	**Employee Related Expenses**	A01	3,254.96	3,509.63	254.67	
	Operating Expenses	A03	502.27	596.03	93.75	
	Pension Payment	A04	3,553.80	3,586.16	32.36	
	Loans &Advances	A08	0.00	0.00	0.00	
	Purchase of Physical Assets	A09	0.48	1.04	0.56	
	Repair & Maintenance	A013	0.00	833.96	833.96	
	Misc: Advance		366.07	37.14		(328.92)

Division/ Accounting Unit	Expenditure Component	NAM Head	Budget for the FY	Expenditure for the FY 2021-22	Excess	Savings
		Allocation	2021-22			
Store	Employee Related Expenses	A01	581.61	582.10	0.49	
	Operating Expenses	A03	16,580.95	21,405.84	4,824.9 0	
	Pension Payment	A04	0.00	0.00	0.00	
	Loans & Advances	A08	0.00	0.00	0.00	
	Purchase of Physical Assets	A09	0.25	0.24		-0.01
	Repair & Maintenance	A013	1.25	3.02	1.77	
	Misc: Advance		0.00	0.00	0.00	
Workshop Division	Employee Related Expenses	A01	2,913.80	3,149.00	235.20	
	Operating Expenses	A03	638.00	760.52	122.51	
	Pension Payment	A04	4,710.90	5,292.53	581.63	
	Loans & Advances	A08	0.00	0.68	0.68	
	Purchase of Physical Assets	A09	1.95	0.92		(1.03)
	Repair & Maintenance	A013	1,025.88	1,206.16	180.28	
	Misc: Advance		0.00	129.49	129.49	
Headquarter	Employee Related Expenses	A01	2,174.81	1,718.91		(455.91)
	Operating Expenses	A03	3,692.58	1,542.30		(2,150.27)
	Pension Payment	A04	6,366.50	5,925.89		(440.61)
	Loans & Advances	A08	29.99	25.93		(4.07)
	Purchase of Physical Assets	A09	46.19	14.72		(31.46)
	Repair & Maintenance	A013	476.26	351.36		(124.90)
	Misc: Advance		0.00	-1.43		(1.43)
Others	Employee Related Expenses	A01	968.30	1,020.48	52.18	
	Operating Expenses	A03	195.87	243.61	47.73	
	Pension Payment	A04	786.40	746.64		(39.76)
	Loans & Advances	A08	0.00	2.21	2.21	
	Purchase of Physical Assets	A09	1.40	1.04		(0.36)
	Repair & Maintenance	A013	913.38	909.54		(3.84)
	Misc: Advance		0.00	-22.94		(22.94)
Total					**11,751.1**	**(5,642.48)**

Annexure-F
(Para 1.1.10)

Actual Expenditure without provision in Budget of PR for Financial Year 2021-22

Head of Account	NAM	Budget	Actual Expenditure
Administration			
Contribution & Subscription	A03913	0	0.038
			0.038
LOCOMOTIVE FACTORY			
Rent of Office Building	A03402	0	1.220
Rent for Res. Building	A03403	0	2.387
Transport	A09501	0	0.047
Others	A09802	0	0.274
			3.928
VIGILANCE DIRECTORATE			
Pay of Officers	A01101-50	0	1.413
Pay of Other Staff	A01151	0	0.147
Regular Allowances	A012-1	0	1.286
T.A	A03805		0.018
			2.864
FA & CAO/PR			
Rent of Office Building	A03402	0	0.277
Payment to Others	A03919	0	1.000
			1.277
FA & CAO/ M&S			
Uniform & Clothing	A03906	0	0.040
			0.040
F.A. & C.A.O/Revenue			
Bank / Legal Fees	A03101-2	0	0.144
Advertisement & Publicity	A03907	0	0.050
Uniform & Clothing	A03906	0	0.009
			0.203
DIVL/HQ ADMINISTRATION			
Rent of Office Building	A03402	0	2.292
Advertisement & Publicity	A03907	0	3.424
Transport	A09501	0	0.017
			5.733
LOCOMOTIVE DEPARTMENT			
Other Allowances	A012-2	0	1.404
			1.404

Head of Account	NAM	Budget	Actual Expenditure
STORES DEPARTMENT			
Rent for Res. Building	A03403	0	**0.936**
Transportation of Goods	A03806	0	**0.864**
Newspaper & Books	A03905	0	**0.028**
Uniform & Clothing	A03906	0	0.238
Payment to Others	A03919	0	0.085
Software	A09202	0	0.150
			2.301
MISC. EXPENSE			
National Celebration	A03918	0	0.035
Payment to Others	A03919	0	0.085
			0.120
MISC. Advance			
MISC. Advance		0	103.724
			103.724
Management Information System (I.T)			
POL Charges	A03807	0	0.754
Cash Award	A06103	0	0.107
			0.861
Loans & Advances to Rly. Employees			
House Building	A08101	0	16.203
Motor Car	A08102	0	15.134
Moto Cycle	A08103	0	0.695
Cycle	A08104	0	0.010
			32.042
Rolling Stock / Carriage			
Pay of Officers	A01101-50	0	1.773
			1.773
P. Way Engg. & Structural Works			
Transport	A13001	0	1.846
Furniture & Fixture	A13201	0	0.113
			1.959
Telecom			
Pay of Officers	A01101-50	0	0.893
Apparatus and Plant (Telecom)	A13902		1.819
		0	**2.712**
Signal			
Apparatus and Plant (Signaling)	A13902	0	0.055
		0	**0.055**

Head of Account	NAM	Budget	Actual Expenditure
Traffic			
Pay of Officers	A01101-50	0	83.163
		0	**83.163**
ELEC. & GENL. COMM. SERVICES			
Others	A09802	0	3.777
		0	**3.777**
G.M./DEVELOPMENT			
Cash awards.	A06103		**0.038**
OTHER EXPENSES			
Payment to others (Green Line Train)	A03919		**25.431**
MEDICAL			
Postage & Telegraph	A03201	0	0.040
Payment to Govt. Deptt.	A03915	0	11.797
Exhibition & Celebration	A03918	0	0.697
			12.534
Total			**285.98**

Annexure-G(i)
(Para 1.1.11)

Electricity payments of new installation in PR colonies booked as Revenue expenditure

No	Para No	Accounting Unit	Amount in Rs
1	49	DAO Quetta	840,000
			512,400
			22,258,200
			38,391,800
2	70	DAO Sukkur	74,939,441
3	16	DAO RWP	185,394,294
4	45	SAO CFI ISBD	27,464,042
			1,575,020
5	7	DAO Peshawar	21,751,901
6	39	DAO Multan	1,287,950
			1,463,950
			566,000
			598,810
			723,600
			600,500
			7,181,802
			8,593,368
			7,166,477
			8,713,841
7	12	DAO Workshop	115,118,000
8	30	DAO Lahore	131,901,761
Total			**657,043,157**

Annexure-G(ii)

PSDP expenditure booked to Revenue

PR Accounting Unit Name	Para Nos	Error Irregularity	Amount in Rs
DAO Quetta	16	PSDP to Revenue	2,685,360.00
DAO Karachi	32	PSDP to Revenue	3,618,180.00
SAO CFI	23	PSDP to Revenue	470,691.00
SAO CFI	33	PSDP to Revenue	272,000.00
SAO CFI		PSDP to Revenue	335,000.00
SAO CFI		PSDP to Revenue	324,400.00
SAO CFI	40	PSDP to Revenue	380,800.00
Total			**8,086,431**
Grand Total			**665,129,588**

Annexure-H
(Para # 2.5.1)

Loss due to theft/misappropriation of material

(Rs in million)

S #	DP #	Formation	Description	Amount	Remarks
1.	11823	Civil Engineering Department, Pakistan Railways Karachi	Material i.e. Crushed stone, Anchor plates and wood scrap etc. observed less than book balance and found misappropriated/ short	13.718	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 06.01.2023.The DAC took serious view of the non-professional management practices regarding material management at field formation levels. The PO (CEN/OL) should personally ensure that all the materials both inward and issued for certain works are in accordance with the relevant rules. An effective monitoring system should be put in place to avoid recurrence of such practices. The PO should submit a comprehensive reply with regard to booking of the entire material duly supported with documentary evidence and endorsed by the P.O within two weeks. The Audit will verify booking of entire material through SAO/Stores, Karachi. Compliance of DAC directives was awaited.
2.	11988	Mechanical Department Pakistan Railways Karachi	Theft of Power cables of traction motors and Decanting Valves	13.080	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to DIG/PRP concerned who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CME/Loco to the audit observation within two weeks. Compliance of DAC directives was awaited.
3.	11807	Mechanical Department, Pakistan Railways, Rawalpindi	Material i.e. Brake Blocks, lube oil and thread bushing were not acknowledged/ missing	5.604	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC took serious view of the non-professional management practices regarding material management at field formation levels. The PO should personally ensure that all the materials both inward and issued for certain works are in accordance with the relevant rules. An effective monitoring system should be put in place to avoid recurrence of such practices.

S #	DP #	Formation	Description	Amount	Remarks
					should submit a comprehensive reply with regard to booking of the entire material duly supported with documentary evidence and endorsed by the PO within two weeks. The Audit will verify booking of entire material through SAO/Stores concerned. Compliance of DAC directives was awaited.
4.	11806	Mechanical Department, Pakistan Railways, Rawalpindi	Theft of locomotive parts i.e. Air compressor, Brake Blocks, safety valve and buffer lamp	3.682	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to DIG/PRP concerned who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CME/Loco to the audit observation within two weeks. The Audit will examine reply. Compliance of DAC directives was awaited.
5.	12056	Mechanical Department, P.R, Sukkur	Theft of power leads of traction motors	1.81	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to DIG/PRP concerned who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CME/Loco to the audit observation within two weeks. Compliance of DAC directives was awaited.
6.	11962	Civil Engineering Department Pakistan Railways Peshawar	Material i.e. Nuts & T Bolts, ER clip,MS loose jaws, fish bolts, rails and steel keys etc. were theft	1.610	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to DIG/PRP concerned who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CEN/OL to the audit observation within two weeks. Compliance of DAC directives was awaited.

S #	DP #	Formation	Description	Amount	Remarks
7.	11844	Mechanical Department, Pakistan Railways, Rawalpindi	Theft of HSD Oil	1.490	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to DIG/PRP concerned who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CME/C&W to the audit observation within two weeks. Compliance of DAC directives was awaited.
8.	11985	Mechanical Department Pakistan Railways Karachi Division	No record of local purchase of Air Hose Pipe Rubber was available in Ledger Cards. Material i.e. TBN-13 oil, drill machine and grinder etc. found missing during reconciliation with book balance	1.306	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC took serious view of the non-professional management practices regarding material management at field formation levels. The PO should personally ensure that all the materials both inward and issued for certain works are in accordance with the relevant rules. An effective monitoring system should be put in place to avoid recurrence of such practices. The PO should submit a comprehensive reply with regard to booking of the entire material duly supported with documentary evidence and endorsed by the PO within two weeks. The Audit will verify booking of entire material through SAO/Stores concerned. Compliance of DAC directives was awaited.
9.	11872	Civil Engineering Department, Rawalpindi	Theft of material i.e. fish bolts & nuts, rails and steel thorough sleepers etc.	0.944	The matter was taken up with management in August 2022. The para was discussed in DAC meeting held on 23.12.2022. DAC directed that the para related to DIG North/PRP who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CEN/OL to the audit observation within two weeks. Compliance of DAC directives was awaited.

S #	DP #	Formation	Description	Amount	Remarks
10	12035	Mechanical Department Pakistan Railways Karachi Division	Earning of the canteen of Loco Shed Karachi Cantt deposited in two private bank accounts	0.633	The matter was taken up with the management in August 2022. Management replied that the amount would be transferred to the Government Treasury shortly. The remarks were an admission of audit observation.
11	11891	Pakistan Railways, Multan Division	Theft of HSD oil	0.607	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to DIG/PRP concerned who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CME/Loco to the audit observation within two weeks. Compliance of DAC directives was awaited.
12	11776	Civil Engineering Department, Multan	Theft of material i.e. WI dog spikes, fish plate, bolt & nut, steel scrap, CI scrap, timber scrap and rails etc.	0.464	The matter was taken up with the management in September 2022. The para was discussed in DAC meeting held on 27.12.2022. DAC directed that the para related to DIG/PRP concerned who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CEN/OL to the audit observation within two weeks. Compliance of DAC directives was awaited.
13	11905	Mechanical Department Multan	Theft of material i.e. bearing brass, electric wires, buffer plunger and welding lead	0.199	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to DIG/PRP concerned who is responsible for ensuring that such incidents should not occur in the first place and make efforts to minimize them. He should provide a comprehensive response, in consultation with CME/Loco to the audit observation within two weeks. Compliance of DAC directives was awaited.
Total				**45.147**	

Annexure-I
(Para # 2.5.18)

Non-disposal of scrap

(Rs in million)

Sr #	DP #	Formation	Description	Amount	Remarks
1	11775	Civil Engineering Department P.R. Multan	Release material i.e. C.I Scrap, Steel Scrap and US Rails etc.	645.284	The matter was taken up with the management in September, 2022. The para was also discussed in DAC meeting held on 23.12.2022. DAC directed that the para related to CCS who is the principal officer for disposal of scrap over the entire PR system. He should submit comprehensive response within two weeks duly supported by documentary evidence. Compliance of DAC directives was awaited.
2	11873	Civil Engineering Department Pakistan Railway Rawalpindi	Scrap of different types i.e. Steel, W.I scrap, Rails, tongue rails, crossing acute, check rail and fish plates etc.	67.853	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC directed that P.O should submit a comprehensive reply about the details presented in the DAC alongwith documentary evidence within one week to Audit. Compliance of DAC directives was awaited.
3	11790	Civil Department, Pakistan Railways, Lahore	Scrape of timber, steel, Wrought iron, T/Tonage, Fish plate, RCC Sleepers, Check rails and cast iron	67.62	The matter was taken up with the management in August 2022. The para was also discussed in DAC meeting held on 22.12.2022. DAC directed that the para related to CCS who is the principal officer for disposal of scrap over the entire PR system. He should submit comprehensive response within two weeks duly supported by documentary evidence. Compliance of DAC directives was awaited.
4	11982	Mechanical Department, Workshops Mughalpura	Condemned 24 coaches and 99 wagons	46.051	The matter was taken up with the executive in August-2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to CCS who is the principal officer for disposal of scrap over the entire PR system. He should submit comprehensive response within two weeks duly supported with documentary evidence. Compliance of DAC directives was awaited.
5	11994	Mechanical Department, Pakistan Railways Rawalpindi	Different type of material/parts of locomotives i.e. Fuel assembler, oil centrifugal filter, rubber hose, brush, V-belt, starter motor and buffer plunger etc.	20.534	The matter was taken up with the executive in August-2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to CCS who is the principal officer for disposal of scrap over the entire PR system. He should submit comprehensive response within two weeks duly supported with documentary evidence. Compliance of DAC directives was awaited.

Sr #	DP #	Formation	Description	Amount	Remarks
6	11871	Civil Engineering Department Pakistan Railway. Rawalpindi	Released/ surplus material i.e. Drilling rigs, Pipe casing, Drill stem and sleeve	9.289	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 06.01.2023. DAC directed the PO to submit a comprehensive reply duly supported with documentary evidence and endorsed by the PO within one week. Compliance of DAC directives was awaited.
7	11975	Mechanical Department , Pakistan Railways, Peshawar	Scrap of different types i.e. Wrought iron scrap, Aluminum scrap, Loose scrap, MS scrap, wheel without axle, Brass bush and Grease sodium soft etc.	4.038	The matter was taken up with the executive in August-2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to CCS who is the principal officer for disposal of scrap over the entire PR system. He should submit comprehensive response within two weeks duly supported with documentary evidence. Compliance of DAC directives was awaited.
8	11906	Mechanical Department Pakistan Railway, Multan	Released material i.e. Scrap iron, old screw coupling, old brake block, old bolster plank tray, old truss bar, Buffer plunger bogie and empty drums	2.99	The matter was taken up with the executive in August-2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to CCS who is the principal officer for disposal of scrap over the entire PR system. He should submit comprehensive response within two weeks duly supported with documentary evidence. Compliance of DAC directives was awaited.
9	11965	Pakistan Railways Carriage Factory Islamabad	Non disposal surplus store i.e. PVC Pipe, Air Distributer, Rubber Bush, Safety Glass, Bolt, Stuffing box and Air Pressure etc.	1.725	The matter was taken up with the executive in August-2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to CCS who is the principal officer for disposal of scrap over the entire PR system. He should submit comprehensive response within two weeks duly supported with documentary evidence. Compliance of DAC directives was awaited.
10	11750	Divisional Electrical Engineer, Workshops Division, MGPR	Different kinds of overage machines and obsolete type self-generation Air Conditioning system material and other equipment	1.571	The matter was taken up with the executive in August-2022 and also discussed in DAC meeting held on 24.01.2023. DAC was informed that issue related to CCS who is the principal officer for disposal of scrap over the entire PR system. He should submit comprehensive response within two weeks duly supported with documentary evidence. Compliance of DAC directives was awaited.
Total				**866.955**	

Annexure-J
(Para # 2.5.19)

Unnecessary procurement resulting in blockage of capital

(Rs in million)

Sr #	DP #	Formation	Description	Amount	Remarks
1	11817	Central Diesel Locomotive Workshops, Rawalpindi	Non-disposal of surplus stock	94.989	The matter was taken up with the management in August, 2022 and also discussed in DAC meeting held on 24.01.2023.DAC directed that the PO should submit comprehensive reply alongwith documentary evidence duly certified within one week. The Railway administration should ensure that no procurement is made over and above its requirements. The recent instructions issued by the Ministry of Railways with regard to procurement management should be implemented in letter and spirit. Compliance of DAC directives was awaited.
2	11766	Central Diesel Locomotive Workshops, Rawalpindi	Non-utilization/disposal of 40 Nos. Radiator Cores	36.40	The matter was taken up with the management in August, 2022 and also discussed in DAC meeting held on 24.01.2023.The PO should submit comprehensive reply alongwith documentary evidence duly certified by the PO within one week. The Railway administration should ensure that no procurement is made over and above its requirements. The recent instructions issued by the Ministry of Railways with regard to procurement management should be implemented in letter and spirit. Compliance of DAC directives was awaited.
3	11801	Electrical Department, Workshops Division, MGPR	Non-utilization/disposal of HSD Oil	16.014	The matter was taken up with the management in September, 2022. The para was discussed in DAC meeting held 23.12.2022. The DAC took serious note of such practices. The PO should have revised sanctioned quota downward after installation of new DG sets and based on the actual requirements, thereby avoiding wastage of precious commodity. The sanctioned quota should be revised within one week by the PO and a detailed report should be submitted to Audit latest by 31st December, 2022 without fail. The PO should also transfer all these surplus HSD latest by 5th January, 2023 and a report to this effect should be submitted to Audit on 6th January, 2023.COPS is directed to review all the HSD quota across the Railway system in consultation with respective POs and DSs within three weeks and revised them based on the actual requirements and consumption patterns. Compliance of DAC directives was awaited.

Sr #	DP #	Formation	Description	Amount	Remarks
4	11839	Concrete Sleeper Factories, Islamabad	Unnecessary procurement of 1086750 Nos Dowel Plugs/caps & 20969 ltr concrete oil and non-disposal/ utilization of same	14.265	The matter was taken up with the management in October, 2022. The para was discussed in DAC meeting held on 27.12.2022. The DAC took serious note of the non-professional approach on the part of PO (MD/CSF) to this important aspect of official work. The DAC directed that an inquiry headed by CME/Loco, COPS/Safety and FA&CAO/PR should be conducted to review the entire production process at concert sleeper factories, demand analysis, procurement practices and come up with course corrective measures to avoid such non-professional management of these factories. The responsible officers should be issued displeasure and such practices should be avoided in future. Balance scrap materials should be dispatched to general store within two weeks and comprehensive report to this effect should be submitted to Audit and approving authority within three weeks. Compliance of DAC directives was awaited.
5	11963	Civil Engineering Department Pakistan Railways Peshawar	Non disposal/utilization permanent way material i.e. Fish plate, W.I dog spikes, bolts & nuts, tongue rails and PSC sleepers	11.260	The matter was taken up with the management in August, 2022 and also discussed in DAC meeting held on 24.01.2023. The PO should submit comprehensive reply alongwith documentary evidence duly certified by the PO within one week. The Railway administration should ensure that no procurement is made over and above its requirements. The recent instructions issued by the Ministry of Railways with regard to procurement management should be implemented in letter and spirit. Compliance of DAC directives was awaited.
6	11827	Civil Engineering Department, Pakistan Railway Karachi	Unnecessary procurement and non-utilization of ballast	6.845	The matter was taken up with the management in August 2022and also discussed in DAC meeting held on 06.01.2023. The DAC took serious note of such un professional approach on the part of railway administration and managing ballast which is essentially required for track maintenance thereby ensuring improved service delivery. An inquiry should be conducted by CME/Locos (Chair), COPS and FA&CAO/PR to review the entire issue, identify gaps and recommend course corrective measures to avoid such practices in future within one month. The report must be submitted to Audit and respective authority latest by 10.02.2023. Compliance of DAC directives was awaited.
Total				**179.773**	

Annexure-K
(Para # 2.5.26)

Non-deduction of advance income tax from contractors of outsourced trains and procurement from unregistered suppliers

(Rs in million)

Sr. #	DP #	Formation	Description	Amount	Remarks
1	12068	SAO/Revenue	Non-collection of withholding tax from contractor of outsourced trains/luggage vans	762.909	The matter was taken up with the management in 2022 and also discussed in DAC meeting held on 24.01.2023. The PO should submit comprehensive reply alongwith0 documentary evidence within one week to Audit for examination. Compliance of DAC directives was awaited.
2	12084	Civil Engineering Department Sukkur	Non-deduction of General Sales Tax from contractors bills	9.907	The matter was taken up with the management in August, 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed that the FA&CAO/PR should give comprehensive reply within one week alongwith documentary evidence to Audit for examination. Compliance of DAC directives was awaited.
3	11983	Project regarding Preliminary Design of Upgrading Pakistan Railways Existing Mainline (ML-1) and Establishment of a Dry Port at Havelian	Non deduction of withholding income tax	4.441	The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed that the PO should give comprehensive reply within one week alongwith documentary evidence to Audit for examination. Compliance of DAC directives was awaited.
4	12066	Workshops Division, MGPR	Non-recovery of withholding Tax from lessees	1.886	The matter was taken up with the management in December 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed that the FA&CAO/PR should give comprehensive reply within one week alongwith documentary evidence to Audit for examination. Compliance of DAC directives was awaited.

Sr. #	DP #	Formation	Description	Amount	Remarks
5	11890	Accounts Officer/Projects Headquarters, Lahore	Non recovery of GST from the unregistered suppliers	1.130	The matter was taken up with the management and also discussed in DAC meeting held on 24.01.2023. DAC directed that the FA&CAO/PR should give comprehensive reply within one week alongwith documentary evidence to Audit for examination. Compliance of DAC directives was awaited.
6	11828	Electrical Department, Lahore	Payment without obtaining of GST invoices	0.963	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed that the FA&CAO/PR should give comprehensive reply within one week alongwith documentary evidence to Audit for examination. Compliance of DAC directives was awaited.
7	11813	Deputy General Manager, Headquarter office, Lahore	Procurement of material from un-registered firms/ shopkeepers	0.943	The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 27.12.2022. The DAC directed that the PO (DGM) should submit a comprehensive response duly supported by documentary evidence and endorsed by the PO concerned within one week. The Audit will examine. Compliance of DAC directives was awaited.
8	11835	Electrical Department, Pakistan Railways, Lahore	Procurement of material from un-registered firms/ shopkeepers	0.652	The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC directed that the PO (CEE) should submit a comprehensive response duly supported by documentary evidence and endorsed by the PO concerned within one week. The Audit will examine. Compliance of DAC directives was awaited.

Sr. #	DP #	Formation	Description	Amount	Remarks
9	11782	Civil Department, Pakistan Railways, Lahore	Non recovery of GST from the contractor	0.64	The matter was taken up with the management and also discussed in DAC meeting held on 24.01.2023. The DAC directed that the PO (CEN/OL) should submit a comprehensive response duly supported by documentary evidence and endorsed by the PO concerned within one week. The Audit will examine. Compliance of DAC directives was awaited.
10	11732	Pakistan Railway Advisory and Consultancy Services (PRACS)	Non-payment of advance income tax on account of Faiz Ahmed Faiz Express train	0.478	The matter was taken up with management in February 2022 and also discussed in DAC meeting held on 14.10.2022. DAC directed that the PRACS should submit comprehensive response within one week. Compliance of DAC directives was awaited.
Total				**783.949**	

Annexure-L
(Para # 2.5.29)

Irregular expenditure on appointments of officers and staff on temporary basis

(Rs in million)

Sr. #	DP#	Formation	Audit Period	Description	Amount	Remarks
1	11723	Pakistan Railway Freight Transport Company (PRFTC)	March 2022	Appointment of TLA staff of Class-IV	32.053	The matter was taken up with the management in March 2022 and discussed in DAC meeting on 07.10.2022. DAC directed that the HR Committee of PRFTC should review the entire recruitment process and come up with a report having clear recommendations within four weeks' time. Compliance of DAC directives was awaited
2	11787	Civil Department, Pakistan Railways, Lahore	August 2022	Appointment of TLA against the posts of gangmen	27.71	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC directed that the HR Committee should review the entire recruitment process and come up with a report having clear recommendations within four week time. Compliance of DAC directives was awaited.
3	11851	Electrical Department, Lahore Division	Septe mber, 2022	Appointment of TLA against posts of Muawan	22.665	The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC directed that the HR Committee should review the entire recruitment process and come up with a report having clear recommendations within four week time. Compliance of DAC directives was awaited.

Sr. #	DP#	Formation	Audit Period	Description	Amount	Remarks
4	11977	Mechanical Department, Pakistan Railways, Peshawar	August , 2022	Appointment of TLA against the posts Muawan, Khakroob and Cleaner	21.61	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC directed that the HR Committee should review the entire recruitment process and come up with a report having clear recommendations within four week time. Compliance of DAC directives was awaited.
5	11760	Audit of Pakistan Railway Advisory and Consultancy Services (PRACS)	February, 2022	Appointment of Director Commercial, Deputy Director (A&C), Deputy Director (F&A)	6.340	The matter was taken up with the management in February 2022 and discussed in DAC meeting on 14.10.2022. DAC directed that PRACS HR-committee should review the issue and come up with clear recommendations within 4-weeks. However, Audit was not satisfied with the response received after DAC directives.
6	11961	Civil Engineering Department Pakistan Railways, Peshawar	August , 2022	Appointment of TLA staff of Class-IV	5.152	The matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. The DAC directed that the HR Committee should review the entire recruitment process and come up with a report having clear recommendations within four week time. Compliance of DAC directives was awaited.
Total					**115.53**	

Annexure-M
(Para # 2.5.60)

Non-recovery from Government/Private Parties

(Rs in million)

Sr. #	DP #	Formation	Description	Amount	Remarks
1	11893	Civil Engineering Department, Multan Division	Maintenance charges of level crossings	880.785	The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 27.12.2022. DAC directed that this is very important aspect of financial management where due priority is to be given by the railway administration. This speaks volumes of the financial management practices and budgetary controls. An inquiry may be conducted thorough a committee headed by the Member Finance, CCM and DG/P&L to review the entire spectrum of bill receivable with reference to Generally Accepted Accounting Principles (GAAP), IFRS and come up with course corrective measures to improve the internal budgetary controls, have more clarity and management of the receivables and to avoid such practices in future. The report should also cover specific recommendations for early recovery of bills receivables (Rs 880.785 million and Rs 178.76 million as reported in DP 11820) and late payment surcharges (Rs 19.529 million) if due. The report should be finalized within three weeks and submitted to approving authority and audit. The Audit will examine and report in the next meeting of DAC. Compliance of DAC was awaited.

Sr. #	DP #	Formation	Description	Amount	Remarks
2	11777	Civil Engineering Department Pakistan Railways, Multan	Maintenance/ operational charges of level crossings and sidings	778.93	The matter was taken up with the management in September 2022 and also discussed in DAC meeting held on 22.12.2022. DAC directed that PO should submit a comprehensive reply covering at least aging of the accrued receivables, recoveries made, efforts made for balance recoveries with timelines and future strategy to avoid accumulation of receivables on this account within one week. The Audit will verify the recovered amount through DAO Multan within two weeks after receipt of complete response from PO concerned. Compliance of DAC directives was awaited.
3	11820	Civil Engineering Department, Pakistan Railways, Karachi	level crossings, sidings, sewerage crossings, water crossings, sui-gas crossings	178.76	The matter was taken up with the management in August 2022. The para was also discussed in DAC meeting held on 27.12.2022. DAC directed that This is very important aspect of financial management where due priority is to be given by the railway administration. This speaks volumes of the financial management practices and budgetary controls. An inquiry may be conducted thorough a committee headed by the Member Finance, CCM and DG/P&L to review the entire spectrum of bill receivable with reference to Generally Accepted Accounting Principles (GAAP), IFRS and come up with course corrective measures to improve the internal budgetary controls, have more clarity and management of the receivables and to avoid such practices in future. The report should also cover specific recommendations for early recovery of bills receivables (Rs 880.785 million and Rs 178.76 million as reported in DP 11820) and late payment surcharges

Sr. #	DP #	Formation	Description	Amount	Remarks
					(Rs 19.529 million) if due. The report should be finalized within three weeks and submitted to approving authority and audit. The Audit will examine and report in the next meeting of DAC. Compliance of DAC directives was awaited.
4	12063	Civil Engineering Department Pakistan Railways, Peshawar	Operational/maintenance charges of level crossings	68.158	This matter was taken up with the management in August 2022 and also discussed in DAC meeting held on 24.01.2023. DAC directed that PO should submit comprehensive reply alongwith documentary evidence duly endorsed by the P.O within one week about the recovery made. The Audit will verify the recovered amount within two weeks through DAO/Peshawar. The PO should expedite the recovery process for the balance amount of Rs 42.542 million and a report to this effect be submitted to Audit alongwith documentary evidence within two months. After verification by audit within two weeks, the same would be submitted to DAC in next meeting. Compliance of DAC directives was awaited.
5	11785	Civil Engineering Department Pakistan Railways, Lahore	Maintenance charges of level crossing	24.03	The matter was taken up with the management in August 2022. The para was discussed in DAC meeting held on 22.12.2022. DAC directed that PO should submit a comprehensive reply covering at least aging of the accrued receivables, recoveries made, efforts made for balance recoveries with timelines and future strategy to avoid accumulation of receivables on this account within one week. The Audit will verify the recovered amount through DAO Multan within two weeks after receipt of complete response from PO concerned. Compliance of DAC directives was awaited.

Sr. #	DP #	Formation	Description	Amount	Remarks
6	11818	Civil Engineering Department, Pakistan Railways, Lahore	Departmental Charges of level crossing	3.414	The matter was taken up with the management in August 2022.The para was discussed in DAC meeting held on 22.12.2022. DAC directed that the PO (CEN/OL) should provide a comprehensive response including approval from the competent authority, justification for such action and any other relate aspect, duly endorsed by the PO within three days to Audit. The Audit will examine within two weeks after submission of such response and the report to the DAC in next meeting for consideration. Compliance of DAC directives was awaited.
Total				**1934.077**	

Annexure-N
(Para 2.6.1)

Lack of fair competition and transparency in procurement

Sr. #	Contract No.	Description of Tenders	Bidding Document Reference	Evaluation Criteria	Contract Value
1	DP/Rails-A/2016	Procurement of 54KG Rails=25931 M Ton	Clause 12.3 bidding documents. 6.4 Clause of the technical specifications.	The technical evaluation shall be evaluated on clause to clause compliance of all technical specifications, special provisions, inspection requirements & warranty requirements.	US$ 7,662,050
2	DP/Track Machine/2013 (Feb. 2013)	Procurement of Track Lifting, Leveling, Tamping & Aligning Machines	Clause 12.3 of the bidding documents.		Euro 8,971,823
3	DP/SPML-A/2014 (Nov. 2014)	Procurement of Self-Propelled Material Lorries 10 MT	Clause 12 of the bidding documents. 12.4 Clause Technical Specifications		Euro 5,807,500
4	DP/SPML-B/2014 (Nov. 2014)	Procurement of Self-Propelled Material Lorries 20 MT	Clause 12.3 of the bidding documents. 12.4 Clause Technical Specifications.		Euro 2,456,400
5	DP/Crane/2016	Procurement of Rail-cum-Road Crane	Clause 12.3 of the bidding documents. 14.2.4 Clause Technical Specifications.		US$ 967,356
6	DP/Rails/2015	Procurement of 54 KG Rails	Clause 12.3 of the bidding documents. Clause 6.4 Technical Specifications.		US$ 11,659,375

Sr. #	Contract No.	Description of Tenders	Bidding Document Reference	Evaluation Criteria	Contract Value
7	DP/SEM/2016	Procurement of Sleeper Exchanging Machines	Clause 12.2 of the bidding documents. 17.2.4 Clause Technical Specifications.		Euro 3001,350
8	DP/VT/2016 24.01.2017	Procurement of Vertical Tempers=17 sets	Clause 12.2 of the bidding documents.	The technical offers must be compliant with all mandatory requirements as specified in the technical specifications.	Euro 85,379.70

Total in US$ 20,288,781
Total in Euro 20,322,452.7

	Currency	Amount	Exchange Rate		PKR
Total in US$ 20,288,781	US$	20,288,781.00	Dec-15	104	2,110,033,224.00
Total in Euro 20,322,452.7	Euro	20,322,452.70	Dec-13	147	2,987,400,546.90
				Total amount	**5,097,433,770.90**
				Total million	**5,097.43**

Annexure-O
(Para 2.6.2)

Summary of delay in collection and credit of BDs in Railway fund during the year 2019-20

S.No.	Detail of BDs	Amount of BDs (Rs)	Delay in collection (Days)		Delay in Credit (Days)	
			Max	Min	Max	Min
1	National Bank of Pakistan	23,036,429	391	2	394	3
2	Dry Port	1,020,167	28	1	48	3
3	Misc.	185,887,324	136	1	369	1
4	Local	682,627,943	367	1	369	4
Total		**892,571,863**	391	1	394	1

Annexure-P
(Para 2.6.3)

List of warranty claims 2015-2020

S #	P/order	Item No.	Description	Failed Qty	Landed cost	Remarks
1	19/0023/ SR-100/3-2016 dt: 29.02.16	12	Diode Rectifier	54	873,192	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt 15.03.17
2	19/0013/ SR-100/4 dt: 14.01.16	9	Exciting coil with pole piece	120	31,316,051	Failed during warranty period matter referred to CCP/LHR and PD SR-100
3	19/0013/ SR-100/4 dt: 14.01.16	10	Exciting coil with pole piece	120	31,376,842	Failed during warranty period matter referred to CCP/LHR and PD SR-100
4	19/0013/ SR-100/4 dt: 14.01.16	11	Connecting coil with pole piece	240	58,660,606	Failed during warranty period matter referred to CCP/LHR and PD SR-100
5	19/0001/ SR-100/1-15 dt: 30.09.15	1	crank shaft	1	8,781,782	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 19.04.2017
6	19/0019/ SR-100/3-16 dt: 24.02.16	25	gasket cylinder head	90	73,184	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 29.05.2017
7	19/0019/ SR-100/3-16 dt: 24.02.16	28	shaft	4	75,942	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 29.05.2017
8	19/0075/ SR-100/4-16 dt: 25.06.16	1	Axle finished	72	11,100,834	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 29.05.2017
9	19/0038/ SR-100/4-16 dt: 19.04.16	2	gasket lube oil filter	15	48,630	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 29.05.2017

S #	P/order	Item No.	Description	Failed Qty	Landed cost	Remarks
10	19/0038/ SR-100/4-16 dt: 19.04.16	8	contact support	120	778,872	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 29.05.2017
11	19/0038/ SR-100/4-16 dt: 19.04.16	4	nut hex	300	8,266	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 29.05.2017
12	19/0009/ SR-100/4-15 dt: 30.12.15	4	elbow 1/2 fpt 1/2 mpt	10	82,333	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 20.04.2017
13	19/0062/ SR-100/2-16 dt: 07.06.16	1	silicon control rectifier	150	3,095,720	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 26.05.2017
14	19/0011/ SR-150/2-13 dt: 14.09.13	1	power pack fork	104	57,813,803	Failed during warranty period matter referred to CCP/LHR and PD SR-150
15	19/0011/ SR-150/2-13 dt: 14.09.13	2	power pack blade	104	51,867,667	Failed during warranty period matter referred to CCP/LHR and PD SR-150
16	19/0058/ SR-100/2-17 dt: 18.10.17	1	sanp on torque handle	4	632,223	Failed during warranty period matter referred to CCP/LHR and PD SR-100 dt: 08.04.19
17	19/0004/ 01-0/2-19 dt: 15.03.16	1	starting motors	5	512,435	Failed during warranty period matter referred to CCP/LHR dt: 20.07.2017
18	19/0007/ 01-0/2-15 dt: 18.03.15	1	armature	2	2,359,693	Failed during warranty period matter referred to CCP/LHR dt: 07.09.2017

S #	P/order	Item No.	Description	Failed Qty	Landed cost	Remarks
19	19/0004/ 01-0/2-16 dt: 15.03.16	2	starting motors	2	204,974	Failed during warranty period matter referred to CCP/LHR dt: 10.10.2017
20	19/0034/ 01-0/2-16 dt: 28.06.16	1	inlet value	2	18,652	Failed during warranty period matter referred to CCP/LHR dt: 03.09.2018
21	19/0034/ 01-0/2-16 dt: 28.06.16	2	inlet value	88	827,788	Failed during warranty period matter referred to CCP/LHR dt: 03.04.2019
22	19/0006/ 01-0/3-16 dt: 04.03.16	1	carbon brush	400	619,997	Failed during warranty period matter referred to CCP/LHR dt: 06.04.2017
23	19/0061/ 01-0/3-15 dt: 09.06.15	2	carbon brush	450	515,584	Failed during warranty period matter referred to CCP/LHR dt: 06.04.2017
24	19/0003/ 01-0/3-09 dt: 28.02.09	1	Roller bearing	156	2,616,929	Failed during warranty period matter referred to CCP/LHR dt: 04.05.2010
25	19/0077/ 01-0/3-14 dt: 30.09.14	1	after collar	2	848,514	Failed during warranty period matter referred to CCP/LHR dt: 07.03.2014
26	19/0068/ 01-0/3-09 dt: 26.06.09	1	spring double coil	200	2,641,301	Failed during warranty period matter referred to CCP/LHR dt: 04.05.2009
Total					**267,751,814**	

Annexure-Q
Para (2.6.4)

Statement showing budget allocation and actual expenditure of TA/DA of PRP

(Rs in million)

Sr. No.	Year	Budget Allocation	Actual Expenditure	Saving/ Excess
1	2017-18	172.565	144.282	-28.283
2	2018-19	175.000	145.101	-29.899
3	2019-20	175.000	64.104	-110.9
4	2020-21	150.000	27.134	-122.87
Total		672.565	380.621	-291.94
Average		**168.141**	**95.155**	**-72.986**

Annexure-R
Para(2.6.6)

Summary of loss on account of interest on overdraft due to delay in credit of earning in railway fund during the year 2019-20

S. No.	Description of Earning	Amount of Earning (Rs)	Delay in Credit (Days)		Amount of interest on Overdraft (Rs)
			Max	Min	
1	Bank Draft by National Bank of Pakistan	23,036,429	394	3	2,639,727
2	Bank Draft (Dry Port)	1,020,167	48	3	62,480
3	Bank Draft (Misc)	185,887,324	369	1	20,235,758
4	Bank Draft (Local)	682,627,943	369	4	37,356,917
5	Bank drafts (Divisional Office, Lahore)	155,897,603	123	2	17,087,998
6	Hard Cash (CCT Office)	605,785	84	1	25,788
7	Cash (Treasury Receipts)	93,670,938	17	1	1,559,924
Total		**1,142,746,189**	**394**	**1**	**78,968,592**

Annexure-S
Para (2.6.7)

Status of registered FIRs (July 2017 to June 2022)

Sr. #	Year	Reported	Admitted	Challaned	Acquitted	Convicted	Under trial	Value of Property stolen	value of property recovered	% of Recovery
Karachi Division										
1	2017-18	117	113	109	33	64	12	5826758	1254399	22%
2	2018-19	182	175	168	44	99	25	2371191	891641	38%
3	2019-20	209	200	193	49	116	28	2511944	1870109	74%
4	2020-21	326	322	310	53	202	55	41570627	21861426	53%
5	2021-22	375	364	357	47	138	172	10884176	3676053	34%
	Total	1209	1174	1137	226	619	292	63164696	29553628	47%
Lahore Division										
1	2017-18	570	564	557	10	438	109	4815011	3909861	81%
2	2018-19	739	732	712	14	423	275	2917165	2588065	89%
3	2019-20	512	507	495	11	320	164	2393205	2596636	109%
4	2020-21	1008	1002	993	11	669	313	5261919	3469030	66%
5	2021-22	1160	1158	1121	4	399	718	9077433	8608003	95%
	Total	3989	3963	3878	50	2249	1579	24464733	21171595	87%
Rawalpindi Division										
1	2017-18	245	241	240	16	217	7	68932	68932	100%
2	2018-19	245	243	241	10	211	20	270464	209324	77%
3	2019-20	289	289	289	16	241	32	749370	456705	61%
4	2020-21	583	583	580	16	509	55	1541922	1355183	88%
5	2021-22	510	508	507	7	313	187	1645502	616503	37%
	Total	1872	1864	1857	65	1491	301	4276190	2706647	63%

Sr. #	Year	Reported	Admitted	Challaned	Acquitted	Convicted	Under trial	Value of Property stolen	value of property recovered	% of Recovery
Peshawar Division										
1	2017-18	136	136	135	0	135	0	11000	200	2%
2	2018-19	138	138	136	5	130	1	133231	133231	100%
3	2019-20	132	132	132	0	127	5	235437	195437	83%
4	2020-21	347	347	342	2	333	7	50757	50757	100%
5	2021-22	521	521	518	0	497	18	567593	548593	97%
	Total	1274	1274	1263	7	1222	31	998018	928218	93%
Sukkur Division										
1	2017-18	118	115	113	38	73	2	994824	961124	97%
2	2018-19	157	156	151	34	109	8	1232094	474194	38%
3	2019-20	98	95	87	24	53	10	3993626	911635	23%
4	2020-21	248	239	233	40	172	21	273864	242628	89%
5	2021-22	263	261	248	10	183	55	29471897	7259057	25%
	Total	884	866	832	146	590	96	35966305	9848638	27%
Multan Division										
1	2017-18	208	202	198	23	164	11	911090	649090	71%
2	2018-19	252	249	247	13	216	18	1462805	1444783	99%
3	2019-20	256	255	250	13	214	23	1716805	1162198	68%
4	2020-21	440	438	433	8	361	64	7757964	6799855	88%
5	2021-22	497	494	472	7	291	174	7785118	6555883	84%
	Total	1653	1638	1600	64	1246	290	19633782	16611809	85%

SUMMARY										
Sr. No	Year	Reported	Admitted	Challaned	Acquitted	Convicted	Under trial	Value of Property stolen	value of property recovered	% of Recovery
1	2017-18	1276	1256	1239	82	1018	139	11632791	5882482	51%
2	2018-19	1713	1693	1655	120	1188	347	8386950	5741238	68%
3	2019-20	1496	1478	1446	113	1071	262	11600387	7192720	62%
4	2020-21	2952	2931	2891	130	2246	515	56457053	33778879	60%
5	2021-22	3326	3306	3223	75	1821	1324	59431719	27264092	46%
	Total	10763	10664	10454	520	7344	2587	**147508900**	**79859411**	54%

Difference: **147508900-79859411**=67649489

Annexure-T
Para (2.6.9)

Establishment of letter of credit (L/C) on local agent instead of (OEM)

Sr #	Purchase Order				Date of Establishment of L/C	Country of Origin	Original Equipment Manufacturers (OEMs)
	No.	Date	Amount US$	Amount PKR			
1	19/0030/01-0/2-2017	19.06.2017	103,887	10908,135	30.06.17	USA	M/s Clark Filter, 3649 Hampland road, Lancaster USA,
2	19/0073/SR-100/4-2017	24.11.2017	84,000	8820,000	04.05.18	China	M/s CRRC Qishuyan Institute Co Ltd, JiangSu, China
3	19/0054/01-0/2-2017	20.12.2017	28,853.96	3,029,6658	07.05.18	USA	M/s Carl M Cummings Mfg., USA for item No 1 & 2 M/s Master Packing & Rubber Co. USA for item No. 03 to 09
4	19/0067/01-0/4-2018	15.01.2019	128,304	13,471,920	25.03.19	China	M/s CRRC Qishuyan Institute Co Ltd, JiangSu, China
			Total	**36,229,721**			

Annexure-U
Para (2.6.11)

Statement showing status of luggage scanning machines

Sr. No.	Division	Station/Place	Date of installation	Date out of order	Status
1	Lahore	Main Porch Lahore	13.02.2017	08.02.2018	Out of order
2		Parcel Gate Lahore	13.02.2017		Working
3		Faisalabad	31.10.2016	30.03.2018	Out of order
4	Karachi	Parcel Office	17.02.2017	11.11.2019	Out of order
5		Reservation Office	17.02.2017	09.12.2019	Out of order
6	Rawalpindi	Parcel Office	15.12.2016		Working
7		Main Gate	15.12.2016	15.08.2022	Out of order
8	Rohri	Booking Office	09.02.2017		Working

Annexure-V
(Para 2.6.14)

Position showing non-imposition/recovery of profit (PLS rate) on late deposit of earning in Railway fund by NBP during the year 2019-20

S. No.	Description	Earnings (Rs)	Delay in Credit (Days)		Amount of PLS Profit @ 3.7% per annum (Rs)
			Max	Min	
1	Treasury Receipts (TRs)	93,670,938	17	1	2,969,399
2	Bank Drafts (BDs)	23,036,429	394	3	5,024,862
Total		**116,707,367**			**7,994,261**

Annexure-W
(Para 2.6.15)

Statement showing unjustified deposit of Traffic challan fee in treasury of the provincial Government

Sr. No.	Period	Lahore		Rawalpindi		Multan		Quetta		Total (Rs)	
		No. of Challans	Amount	No. of Challans	Amount	No. of Challans	Amount	No. of Challans	Amount	No. of Challans	Amount
1	2017-18	17187	1,576,200	995	180,107	1131	208,800	119	46,800	19432	2,011,907
2	2018-19	16077	1,476,030	2532	228,300	1302	273,000	38	15,200	19949	1,992,530
3	2019-20	18174	1,022,550	1627	201,150	1517	185,200	22	2,200	21340	1,411,100
4	2020-21	9136	691,000	485	88,300	957	184,550	15	7,200	10593	971,050
5	2021-22	11374	1,036,430	1124	128,500	721	108,900	0	0	13219	1,273,830
Total		**71948**	**5,802,210**	**6763**	**826,357**	**5628**	**960,450**	**194**	**71,400**	**84533**	**7,660,417**

Annexure-X
Para (2.6.17)

Statement showing encroachment of Railway land on closed sections

Sr. No.	Division	Section	Total Land (Acres)	Soft Encroachment (Acres)	Hard Encroachment (Acres)	Total Encroachment (Acres)
1	Multan	BWU-FPA	991.94	7.77	12.48	20.25
2	Multan	FPA-Marrot	546.91	19	10.93	29.93
3	Multan	MSQJ-Qasim Wala	179.91	0	5.98	5.98
4	Multan	Kat-al-Ammara-Mansora	718.014	15	45.56	57.56
5	Sukkur	LRK-SDKT-JCD				510.37
6	Sukkur	Feeder Line (Nawabshah Sub-Division				1044.94
Total						**1669.03**

Annexure-Y 3.5

Statement of Financial Data of Revenue, Expenses, PSDP, Financial Assistance

(Rs in million)

Financial Year	Total Revenue	Total Expenses	Losses	Expenses by PR (Revenue Expenditure & PSDP)	Federal Govt. Assistance	Final PSDP Allocation
2012-13	18.069	48.535	30.466	74.367	33.366	25.832
2013-14	22.801	55.328	32.527	83.342	33.500	28.014
2014-15	31.924	59.174	27.250	97.409	37.000	38.235
2015-16	36.581	63.155	26.574	89.439	37.000	26.284
2016-17	40.065	80.381	40.316	136.256	37.000	55.875
2017-18	49.570	85.514	35.944	107.534	38.398	22.020
2018-19	54.508	86.487	31.979	109.280	37.000	22.793
2019-20	47.583	96.965	49.382	105.981	45.000	9.016
2020-21	48.652	95.884	47.232	104.483	47.500	8.599
2021-22	60.093	107.559	47.466	121.838	47.064	14.279
Total	**409.846**	**778.982**	**369.136**	**1,029.929**	**392.828**	**250.947**
%age	**40%**			**100%**	**36%**	**24%**

Annexure-Z 3.5

Revenue Components of PR (FY 2012-13 to FY 2021-22)

(Rs in million)

Financial Years	Passenger Revenue (Rs)	Freight Revenue (Rs)	Sundry Revenue (Rs)	Total Revenue (Rs)
2012-13	14,520	1,985	1,564	18,069
2013-14	16,935	3,556	2,310	22,801
2014-15	19,273	8,354	4,297	31,924
2015-16	22,484	10,768	3,329	36,581
2016-17	23,727	12,421	3,917	40,065
2017-18	24,450	20,884	4,236	49,570
2018-19	29,189	20,849	4,470	54,508
2019-20	24,484	19,208	3,891	47,583
2020-21	23,729	20,579	4,344	48,652
2021-22	32,023	22,958	5,112	60,093
Total	**230,814**	**141,562**	**37,470**	**409,846**
Percentage	**56%**	**35%**	**9%**	
	Core Activity		**Non-Core**	

Annexure- AA 3.5

Statement of PSDP fund for mechanical projects

(Rs in million)

Financial Year	Final Grant	Actual Expenditure	Excess /(Savings)	%age of Excess/ (Savings)
2012-13	16,751.00	17,603.00	852	5%
2013-14	18,408.00	14,685.00	(3,723)	-20%
2014-15	30,272.00	21,840.00	(8,432)	-28%
2015-16	13,801.00	7,738.00	(6,063)	-44%
2016-17	40,107.00	39,140.00	(967)	-2%
2017-18.	5,107.00	5,935.00	828	16%
2018-19	12,179.00	10,583.00	(1,596)	-13%
2019-20	3,136.00	2,995.00	(141)	-4%
2020-21	1,309.00	823.00	(486)	-37%
2021-22	8,326.0	8,905.00	579	7%
Total	**149,396.00**	**130,247.00**		

Excess	**2,259**
Savings	**(21,408)**

Annexure- AB
3.6.2.2 (a)

Statement of out of service Locomotives

Financial Year	Total No. of Locomotives	Average availability of Locomotive	Out of Service	%age of Out of Service
2010-11	528	280	248	47%
2011-12	494	214	280	57%
2012-13	465	180	285	61%
2013-14	409	210	199	49%
2014-15	446	248	198	44%
2015-16	448	277	171	38%
2016-17	443	285	158	36%
2017-18	466	318	148	32%
2018-19	462	319	143	31%
2019-20	463	332	131	28%

Annexure- AC
3.6.2.2 (c)

Statement of Train Mix (Freight to passenger Train Ratio)

Financial Year	Number of Trains		Freight to Passenger Train Ratio
	Passenger	Freight	
2012-13	105	4	1:27
2013-14	91	6	1:15
2014-15	90	15	1:6
2015-16	101	20	1:5
2016-17	101	19	1:5
2017-18	101	22	1:5
2018-19	128	22	1:6
2019-20	102	18	1:6
2020-21	68	15	1:5
2021-22	88	17	1:5

Annexure- AD
3.6.2.2 (d)

Statement of Operating Fuel- Price & Efficiency Variance Analysis

Financial Year	HSD Oil Expense (Fuel) Rs in billion	HSD Oil (Consumption) Liter/thousand	Total Train KM (in thousand)	HSD oil Expense per Train KM	HSD Oil consumption per Train KM
	A	**B**	**C**	**D=A/B**	**E=B/C**
2012-13	8.71	82,422	20,691	420.96	3.98
2013-14	10.98	98,212	22,589	486.08	4.35
2014-15	11.09	121,836	26,662	415.95	4.57
2015-16	11.03	139,487	29,744	370.83	4.69
2016-17	11.11	144,631	30,118	368.88	4.80
2017-18	13.89	156,396	30,654	453.12	5.10
2018-19	16.17	159,927	33,144	487.87	4.83
2019-20	18.65	139,600	28,492	654.57	4.90
2020-21	14.38	140,257	26,011	552.88	5.39
2021-22	21.29	142,083	29,742	715.72	4.78
Variance with 2012-13	**12.58**	**59,661**	**9,051**	**294.77**	**1.40**
%age increase	**144%**	**72%**	**44%**	**70%**	**35%**

HSD Oil Expense (Fuel)	Rs	21,290.00	***a***
HSD Oil Consumption	Liters	142.083	***b***
Per Liter Rate	Rs	149.84	***c=a/b***
Total Train run	KM	29.742	***d***
HSD Oil Variance with 2012-13		1.40	***e***
Excess Expenditure	**Rs**	**6,239.240**	***f=c*d*e****

Source: PR Years Books

Annexure- AE
3.6.2.2 (e)

Statement of Operating Fuel- Price & Efficiency Variance Analysis

Country	Length (KM)	Electrified length (km)	% of the total Electrified
Hong Kong	268	268	100%
Singapore	240.1	240.1	100%
Switzerland	5,196	5,196	100%
India	68,103	65,000	85%
Nederland	3,055	2,314	76%
China	150,000	100,000	67%
Germany	40,625	22,500	55%
France	29,273	15,687	54%
Russia	85,600	43,800	51%
Turkey	12,740	5,467	43%
United Kingdom	15,935	6,048	38%
Iran	16,998	2,200	13%
Pakistan	8,100	286	0%

Source:

i. Railway Development Strategy. Hong Kong Transport and Housing Bureau. September 2014. Retrieved 11 January 2023.
ii. Land area (sq. km) - Singapore Data. data.worldbank.org. Retrieved 11 January 2023.
iii. Singapore Population (2022) - Worldometer". www.worldometers.info. Retrieved 11 January 2023.
iv. Rede Ferroviária | Infrastructures de Portugal United Nations Economic Commission for Europe. Retrieved 6 June 2019.
v. Indian Railways Year Book 2020-21
vi. The national railway operating mileage has exceeded 150,000 kilometers in 2021. China
vii. Ne Russian Railways Retrieved 5 January 2023.

Annexure- AF
3.6.2.3(Observation-1)

Deficiencies in Project Execution (230 Coaches)

S. #	Area under Discussion	Issue	PR	CRRC
1	Weight of Coils	Tonnage of existing crane in bay-2 is 5T , maximum required weight for CKD production <= 10T	10T is not available in CFI, CRRC adjust coil weight accordingly	Noted
2	Laser Cutting Machine	New machine to be install	will remove existing Jigs & fixtures in that position	CRRC will install in the layout of CFI
3	Uncoiling line, a bending machine	Following machines not in working conditions: Edge Milling, Bogie Styatic testing Machine and Scribing Instrument	CRRC is require to provide contact detail in order to repair machine	Repair these machines ASAP and inform the repair result in time, if not repair in time, the smooth progress of CKD will affect
4	Pressing Machine	Installation height of 1250T pressing machine needs 13 mm high space, and the height of existing factory building is 9.9 m, so the roof needs to be removed	Agree to remove the roof, however CRRC shall provide the foundation drawing/details for machine indicating load calculation	will be submitted to PR after the equipment bidding is completed
5	Power Interface for pressing machine, shear machine, laser cutting machine and other equipment	Complete the modification of the existing power interface before CKD starts. i.e. 220V voltage is 2 or 3 wires and the 380V three-phase power supply is 5 wire plug jack.	will provide power interface and power cabinets with all plants & machinery to be supplied by CRRC	can provide as per contract

S. #	Area under Discussion	Issue	PR	CRRC
6	Air Brake Test Bench	requires high quality air but the atmosphere in existing CFI cannot satisfy	agree the place where CRRC suggest to install	will be carried out by manufacturer, it reduce the test effect and service life
7	Pretreatment and painting	Pretreatment (including pickling, phosphate and sanding) and painting production requirements can be basically met during PLF investigation.	CRRC ensure ToT and PR shall carry out the work at PLF	FTF MOM dated Feb 8&9,2021, PR shall carry out the phosphate treatment of raw materials in PLF and CRRC shall provide necessary technical assistance and supervision
8	Bogie Frame	Gantry Milling Machine (Model XKA2430x50) and Edge Milling Machine (Model J2M180P), tools are missing and cannot be purchased so the processing work of CKD production cannot be carried out in CFI	Machines will be operative before local manufacturing of CKD coaches of 230 project	Both machines of CFI are failed and CFI needs to repair them and assure these two machines can be operative normally for local manufacturing and inform repair result of the machines in time
9	Bogie Welding	80% Argon + 20% CO_2 shielding gas must be used	ensure welding quality in accordance with ISO 9606-1	Noted
10	Bogie Workshop layout	remaining space in Bay-3 provided by CFI cannot meet the CKD bogie manufacturing demand	related information required from CRRC	updated layout diagram will be provided before 20.03.2022
11	Welder's ability	Welders are not competent therefore may be sent to China for training if not then CKD manufacturing of bogies cannot be realized in this project. Risk of bogie fracture did not ruled out	PR will send welders however CRRC shall arrange and supply Ultrasonic and Magnetic practice flaw detection equipment	Arrange professional staff to participate in the training

S. #	Area under Discussion	Issue	PR	CRRC
12	Equipment & relevant capacity	No facility for wheel set pressing, brake disc pressing and bearing pressing at CFI	completely assembled wheel sets will be required by CFI, however for future CRRC will provide detailed drawings/design/make/type of wheel sets with complete procedure for axle processing, wheel set pressing, brake disc processing and bearing pressing etc.	Drawings/design/make/type of wheel sets with complete procedure for axle processing, wheel set pressing, brake disc processing and bearing pressing will be provided
13	Feedback of bogies manufactured by China in 202 Project & 100 bogie	To overcome all the deficiencies in previous projects	feedback of CNR air spring bogie , firm is required to confirm the improved and robust bogie design/arrangements	noted

Annexure- AG
3.6.2.3 (Observation-2)

Comparison of three project of Special Repair of Locos

Type of Locomotive	Project SR-150	Project SR-100 (Old)	Project SR-100 (New)
	A	***B***	***C***
AGE-30	15	15	15
RGE-24	9	13	6
RGE-20	18	15	10
PHA-20	14	11	12
HBU-20	24	12	21
GMU-15	19	3	9
GMCU-15	16	4	9
GMU-30	16	17	18
DPU-30	19	10	-
Total Locos	**150**	**100**	**100**
Last Turnout from CDL	31.10.2016	19.04.2019	In progress(only 8 Turned Out up to 06.09.2022)

Common Locomotives	Numbers
Between Project SR-150 & SR-100 (old)	32
Between Project SR-150 & SR-100 (new)	86
Between Project SR-100 (old) & SR-100(new)	8
Between Project SR-150, SR-100(old) & SR-100 (new)	2

Similar locomotives selected for repairs in Project SR-150 & SR-100 (new)

Types of Locomotives	Locos repaired under SR-150 project in 2016	Again selected for special repair under SR-100 (New) project in 2022	Locos selected for special repair again within short span	Percentage of repetition repair
AGE-30	15	15	14	93%
RGE-24	9	6	5	83%
RGE-20	18	10	10	100%
PHA-20	14	12	12	100%
HBU-20	24	21	18	86%
GMU-15	19	9	9	100%
GMCU-15	16	9	8	89%
GMU-30	16	18	10	56%
DPU-30	19			
Total Locos	**150**	**100**	**86**	**88%**

List of Common Locomotives in Special Repair Projects

S. No.	Loco Numbers
1	4702
2	4704
3	4706
4	4711
5	4712
6	4713
7	4714
8	4719
9	4721
10	4722
11	6001
12	6002
13	6003
14	6004
15	6005
16	6006

S. No.	Loco Numbers
44	8043
45	8045
46	8046
47	8047
48	8049
49	8053
50	8054
51	8059
52	8060
53	8062
54	8068
55	8069
56	8071
57	8078
58	8302
59	8303

S. No.	Loco Numbers		S. No.	Loco Numbers
17	6009		60	8304
18	6010		61	8307
19	6014		62	8308
20	6018		63	8309
21	6020		64	8310
22	6021		65	8313
23	6024		66	8314
24	6028		67	8317
25	5203		68	8320
26	5207		69	8322
27	5211		70	4801
28	5220		71	4803
29	5221		72	4804
30	5103		73	4806
31	5104		74	4807
32	5106		75	4809
33	5107		76	4811
34	5108		77	4812
35	5111		78	4815
36	5113		79	4901
37	5114		80	4902
38	5121		81	4903
39	5124		82	4905
40	8030		83	4909
41	8034		84	4910
42	8039		85	4911
43	8040		86	4912

Annexure- AH
3.6.2.3 (Observation-4)

Statement showing detail of different categories of locomotives held up in CDL, Rawalpindi

(Rs in million)

Sr. No	Repair	Loco-class	Loco. No	In Take date	Out date	Day taken	Day Allowed	Excess day taken	Per Day Earning	Total Amount
				1	2	3=2-1	4	5=4-3	6	7=6*5
1	C-1	RGE-20	5107	03.01.22	31.08.22	240	32	208	0.265	55.12
2	C-II		5119	13.05.22	27.06.22	45	24	21	0.265	5.565
3	C-I		5113	27.05.21	09.07.21	43	32	11	0.265	2.915
4	C-1	RGE-24	5221	28.06.22	24.08.22	57	32	25	0.265	6.625
5	C-1		5207	02.06.22	25.07.22	53	32	21	0.265	5.565
6	C-I		5211	04.02.22	13.06.22	129	32	97	0.265	25.705
7	C-II		5201	28.06.21	13.08.21	46	32	14	0.265	3.71
8	C-II		5219	10.10.20	07.12.20	58	24	34	0.265	9.01
9	C-1	HBU-20	8052	12.05.22	28.06.22	47	32	15	0.265	3.975
10	C-I		8062	14.09.21	06.12.21	83	32	51	0.265	13.515
11	C-I		8054	05.04.21	09.10.21	187	32	155	0.265	41.075
12	C-I		8069	21.07.20	24.11.21	491	32	459	0.265	121.635
13	C-I		8060	27.04.21	17.07.21	81	32	49	0.265	12.985
14	C-I		8034	01.07.19	29.05.21	698	32	666	0.265	176.49
15	C-I		8045	22.04.21	04.06.21	43	32	11	0.265	2.915
16	C-I		8049	01.01.19	10.04.21	830	32	798	0.265	211.47
17	C-I		8075	16.07.19	27.04.21	651	32	619	0.265	164.035
18	C-I		8035	16.11.20	09.01.21	54	32	22	0.265	5.83
19	C-I		8047	29.07.20	02.09.20	35	32	3	0.265	0.795
20	C-1	PHA-20	8302	21.12.20	05.09.22	623	32	591	0.265	156.615
21	C-1		8317	13.02.21	26.07.22	528	32	496	0.265	131.44
22	C-1		8322	17.03.20	05.08.22	871	32	839	0.265	222.335
23	C-I		8307	26.09.19	11.01.22	838	32	806	0.265	213.59
24	C-I		8318	16.12.19	09.03.21	449	32	417	0.265	110.505
25	C-I		8310	14.12.20	27.02.21	75	32	43	0.265	11.395
26	C-I		8313	20.01.21	12.07.21	173	32	141	0.265	37.365
27	C-I		8304	09.11.20	18.01.21	60	32	28	0.265	7.42

Sr. No	Repair		Loco. No	In Take date	Out date	Day taken	Day Allo wed	Excess day taken	Per Day Earning	Total Amount
28	C-I		8303	30.11.20	30.01.21	61	32	29	0.265	7.685
29	C-1	AGE-30	6023	29.06.19	24.08.22	1152	32	1120	0.265	296.8
30	C-I		6007	23.12.21	09.02.22	48	32	16	0.265	4.24
31	C-II		6018	26.06.21	16.08.21	51	32	19	0.265	5.035
32	C-II		6028	24.05.21	13.07.21	50	24	26	0.265	6.89
33	C-II		6013	26.04.21	12.06.21	47	24	23	0.265	6.095
34	C-II		6006	28.01.21	10.03.21	41	24	17	0.265	4.505
35	C-II		6026	29.09.20	16.11.20	48	24	24	0.265	6.36
36	C-1	GMU-15	4832	04.07.22	01.09.22	59	32	27	0.265	7.155
37	C-I		4821	16.04.21	09.08.21	115	32	83	0.265	21.995
38	C-I		4819	10.07.20	03.09.20	55	32	23	0.265	6.095
39	C-1	GMCU-15	4914	30.05.22	04.07.22	35	32	3	0.265	0.795
40	C-1		4911	31.08.20	30.05.22	637	32	605	0.265	160.325
41	C-I		4921	12.05.18	30.05.22	1479	32	1447	0.265	383.455
42	C-I		4926	27.12.21	03.02.22	38	32	6	0.265	1.59
43	C-I		4916	27.04.21	12.06.21	46	32	14	0.265	3.71
44	C-I		4907	30.12.20	17.04.21	108	32	76	0.265	20.14
45	C-I		4925	12.01.21	02.04.21	80	32	48	0.265	12.72
46	C-I		4901	02.10.20	06.01.21	96	32	64	0.265	16.96
47	C-I		4919	09.07.20	28.10.20	111	32	79	0.265	20.935
48	C-I		4930	01.10.18	19.08.20	688	32	656	0.265	173.84
49	C-1		5043	13.07.22	01.09.22	50	32	18	0.265	4.77
50	C-I		5024	19.06.21	04.09.21	77	32	45	0.265	11.925
Total Amount										**2,943.62**

Annexure- AI
3.6.2.3(Observation-5)

Statement of locomotives included in RS-100 project started from 18.06.2020 and amount incurred on last schedule repair

(Rs in million)

Sr. no	Loco No.	Nature of last repair	Date of last repair	Next Due date of repair	Inception of Project	Difference In day	Status of Last C-I, C-II and NR	Amount of Repair
1	4923	C-I	25.07.22	25.07.28	18.06.20	2959		8.964
2	5020	C-I	07.06.22	07.06.28	18.06.20	2911	7.12.19 C-I	8.146
3	4912	C-I	24.02.22	24.02.28	18.06.20	2807	13.06.2022 NR	8.964
4	8307	C-I	09.02.22	09.02.28	18.06.20	2792	05.20.2019 C-I	13.540
5	4809	C-I	19.01.22	19.01.28	18.06.20	2771		140.657
6	6003	C-I	28.12.21	28.12.27	18.06.20	2749		20.511
7	4801	C-I	07.12.21	07.12.27	18.06.20	2728	30.03.19 C-I	10.622
8	8069	C-I	24.11.21	24.11.27	18.06.20	2715		14.728
9	6005	C-I	11.11.21	11.11.27	18.06.20	2702		18.117
10	4909	C-I	10.11.21	10.11.27	18.06.20	2701	07.01.2019 C-I	10.038
11	6004	C-I	21.10.21	21.10.27	18.06.20	2681		20.009
12	8054	C-I	09.10.21	09.10.27	18.06.20	2669		13.535
13	4803	C-I	08.10.21	08.10.27	18.06.20	2668	31.01.19 C-I	12.881
14	4902	C-I	27.09.21	27.09.27	18.06.20	2657		10.899
15	6009	C-I	13.09.21	13.09.27	18.06.20	2643		16.408
16	5113	C-I	09.07.21	09.07.27	18.06.20	2577	22.01.19 C-II	13.810
17	4905	C-I	29.06.21	29.06.27	18.06.20	2567	4.1.10 C-I	15.464
18	4903	C-I	07.05.21	07.05.27	18.06.20	2514	12.09.18 C-I	16.396
19	4806	C-I	28.04.21	28.04.27	18.06.20	2505		17.878
20	6020	C-I	27.04.21	27.04.27	18.06.20	2504		18.834
21	4807	C-I	22.04.21	22.04.27	18.06.20	2499		17.951
22	8310	C-I	22.02.21	22.02.27	18.06.20	2440	02.06.2018 C-I	15.962
23	4812	C-I	16.02.21	16.02.27	18.06.20	2434		9.166
24	8303	C-I	30.01.231	30.01.27	18.06.20	2417		12.327

Sr. no	Loco No.	Nature of last repair	Date of last repair	Next Due date of repair	Inception of Project	Difference In day	Status of Last C-I, C-II and NR	Amount of Repair
25	8304	C-I	08.01.21	08.01.27	18.06.20	2395	17.03.2022	13.816
26	4901	C-I	06.01.21	06.01.27	18.06.20	2393		13.673
27	8053	C-I	30.09.20	30.09.26	18.06.20	2295		8.504
28	5103	C-I	12.08.20	12.08.26	18.06.20	2246	16.02.2021 C-II	19.916
29	8319	C-I	16.11.19	16.11.25	18.06.20	1977	22.06.2022	12.002
30	4816	C-I	05.08.19	05.08.25	18.06.20	1874	06.05.2022	9.411
31	5203	C-I	29.06.19	29.06.25	18.06.20	1837	22.02.2022 C-I/C-II	21.555
32	8062	C-I	21.05.19	21.05.25	18.06.20	1798	22.12.2021 C-I	10.917
33	5220	C-I	21.05.19	21.05.25	18.06.20	1798	22.12.2021 C-I	18.145
34	8060	C-I	18.04.19	18.04.25	18.06.20	1765	29.07.2021 C-I	11.443
35	5121	C-I	01.04.19	01.04.25	18.06.20	1748	09.18.2021 C-I	18.424
36	8045	C-I	15.03.19	15.03.25	18.06.20	1731	06.03.2021 C-I	15.680
37	8322	C-I	23.01.19	23.01.25	18.06.20	1680	24.07.2019, 24.08.2020 NR	41.355
38	8046	C-I	04.01.19	04.01.25	18.06.20	1661	11.04.2021 C-I	13.325
39	8049	C-I	22.10.18	22.10.24	18.06.20	1587	04.10.2021 C-I	52.138
40	5104	C-I	01.09.18	01.09.24	18.06.20	1536	12.08.2020 C-II	13.758
41	6018	C-I/C-II	13.08.21	13.08.24	18.06.20	1517		17.392
42	5124	C-I	06.08.18	06.08.24	18.06.20	1510	10/01/2020 C-I or C-II	10.357
43	6028	C-II	13.07.21	13.07.24	18.06.20	1486		17.474
44	8034	C-I	31.05.18	31.05.24	18.06.20	1443	13.07.2021	17.704
45	5106	C-I	18.05.18	18.05.24	18.06.20	1430	13.11.2020 C-II	11.450
46	6006	C-II	10.03.21	10.03.24	18.06.20	1361		27.379
47	8047	C-I	05.12.17	05.12.23	18.06.20	1265	10.08.2020 C-I	10.052
48	5105	C-II	16.11.19	16.11.22	18.06.20	881	14.07.2022 C-I	10.682
49	4911	C-I	26.07.18	26.07.24	18.06.20	1499		32.454
50	5211	C-I	05.12.17	05.12.23	18.06.20	1265		45.100
Total Amount								**959.938**

Annexure- AJ

3.6.2.3 (Observation-6)

Statement of abnormal costing of FOH

(Rs in million)

Sr. no.	Month	CC No.	Amount of M.P note	Prime Cost	Amount of FOH (oncost)
1	**2**	**3**	**4**	**5=4/16.60**	**6=4-5**
1	Jul-21	0262	9.873	0. 594	9.278
		0298	5.365	0.323	5.041
		0302	31.162	1.877	29.285
2	Aug-21	0262	16.575	0.998	15.577
		0298	8.115	0.488	7.626
		0302	30.680	1.848	28.831
3	Sep-21	0262	2.516	151	2.365
		0298	8.074	486	7.587
		0302	21.385	1.288	20.097
4	Oct-21	0262	1.694	0.102	1.591
		0298	8.472	0.510,	7.962
		0302	35.662	2.148	33.514
5	Nov-21	0262	9.214	0.555	8.659
		0298	10.159	0.612	9.547
		0302	43.937	2.646	41.290
6	Dec-21	0262	18.912	1.139	17.772
		0298	9.594	0.577	9.016
		0302	42.024	2.531	39.492
		0262	12.964	0.780	12.183
7	Jan-22	0298	11.089	0.668	10.421
		0302	47.259	2.846	44.412
8	Feb-22	0262	9.742	0.586	9.155
		0298	3.827	0.230	3.596
		0302	42.286	2.547	39.739
9	Mar-22	0262	7.374	0.444	6.930
		0298	8.134	0.490	7.644
		0302	39.787	2.396	37.391
10	Apr-22	0262	1.006	0.60	0.946
		0298	8.980	0.541	8.439
		0302	43.325	2.609	40.715
11	May-22	0262	1.046	0.63	0.983
		0298	7.335	0.441	6.893
		0302	29.044	1.749	27.294
12	Jun-22	0262	4.427	0.266	4.160
		0298	7.975	0.480	7.495
		0302	33.662	2.027	31.634
Total Amount			**617.234**	**37.182**	**594.577**

Annexure-AK
3.6.2.3 (Observation-10)

Statement showing deficiencies in Passenger Coaches

(Rs in million)

Months	Lahore	Karachi	Peshawar	Rawalpindi	Multan	Sukkur	Quetta	Total
Jul-20	1.55	0.50	0.87	0.57	0.30	-	0.21	3.99
Aug-20	0.32	0.25	1.11	0.24	0.24	-	0.04	2.19
Sep-20	1.33	0.03	0.26	0.16	0.28	-	0.01	2.06
Oct-20	1.91	0.11	0.42	0.27	0.04	-	0.06	2.80
Nov-20	1.71	0.09	0.37	0.48	0.02	0.00	0.03	2.70
Dec-20	1.28	-	0.49	0.49	0.03	0.00	0.12	2.41
Jan-21	1.53	0.02	0.12	0.35	0.14	-	-	2.16
Feb-21	0.80	0.06	0.06	0.00	-	-	0.04	0.96
Mar-21	1.75	0.38	1.04	0.39	0.04	-	-	3.61
Apr-21	1.12	0.08	0.18	0.01	0.08	0.31	0.09	1.87
May-21	1.19	0.06	0.33	0.26	0.05	0.86	0.02	2.77
Jun-21	2.88	0.05	0.77	0.37	0.42	-	0.01	4.51
Jul-21	1.06	1.62	0.33	0.00	0.01	-	-	3.02
Aug-21	2.23	0.34	0.64	0.50	0.42	-	-	4.14
Sep-21	2.25	0.96	0.57	1.14	0.12	-	-	5.03
Oct-21	0.82	0.08	0.20	0.99	0.09	-	-	2.18
Nov-21	0.97	0.54	0.77	1.36	0.36	-	-	4.00
Dec-21	1.24	0.95	0.49	0.75	0.48	-	-	3.90
Jan-22	1.04	-	0.05	0.75	0.32	-	-	2.16
Feb-22	2.07	0.40	0.12	0.13	0.41	0.01	-	3.15
Mar-22	2.45	0.25	0.45	0.52	0.06	0.12	0.07	3.92
Apr-22	1.45	0.96	0.02	0.30	0.51	0.06	-	3.28
May-22	3.65	0.96	0.05	0.21	0.05	-	-	4.92
Jun-22	4.09	1.37	0.65	0.22	0.32	-	0.00	6.65
Total	**40.68**	**10.05**	**10.36**	**10.47**	**4.79**	**1.36**	**0.69**	**78.39**
In percentage	52%	13%	13%	13%	6%	2%	1%	

Annexure-AL
3.6.2.3 (Observation-10)

Statement showing deficiencies in Goods Stock

(Rs in million)

Months	Lahore	Multan	Sukkur	Karachi	Total
Jul-20	0.23	0.15	-	0.69	1.07
Aug-20	0.21	0.19	-	0.33	0.73
Sep-20	4.39	-	-	-	4.39
Oct-20	-	0.10	-	1.87	1.96
Nov-20	0.25	-	-	0.50	0.75
Dec-20	0.48	0.08	-	1.29	1.85
Jan-21	0.72	-	-	1.35	2.06
Feb-21	0.15	0.18	-	1.49	1.82
Mar-21	0.02	0.26	-	1.31	1.59
Apr-21	0.42	-	-	0.48	0.91
May-21	0.09	0.07	-	0.81	0.96
Jun-21	0.40	0.05	-	0.48	0.94
Jul-21	0.25	-	0.36	1.11	1.72
Aug-21	1.41	0.02	-	0.27	1.70
Sep-21	0.15	-	0.02	1.89	2.06
Oct-21	0.12	-	-	1.07	1.18
Nov-21	2.31	0.11	0.08	1.82	4.31
Dec-21	0.94	0.03	-	0.85	1.81
Jan-22	0.61	0.15	-	0.64	1.40
Feb-22	1.51	0.03	-	0.06	1.60
Mar-22	0.90	-	0.18	0.30	1.37
Apr-22	1.17	0.08	0.01	2.36	3.62
May-22	0.55	0.27	0.10	0.77	1.68
Jun-22	2.02	0.64	0.04	0.27	2.98
Total	**19.28**	**2.40**	**0.79**	**22.00**	**44.46**
In Percentage	**43%**	**5%**	**2%**	**49%**	**-**

Annexure-AM
3.6.2.3 (Observation-11)

Statement showing detail of parts rejected due to bad casting

(Rs in million)

S.No	Month/Product	Per unit Price (Rs)	Quantity Rejected	Rejection Period	Amount
1	Buffer Plunger BG-51	96,023	253	07/2021 to 06/2022	24.293
2	Buffer Plunger BG-50	91,349	34		3.105
3	Housing Adopter	110,815	27		2.992
6	Axle Caps	150,145	25		3.753
7	Knuckle	52,854	47		2.484
8	Buffer casing W-394	130,388	9		1.173
9	Wide Adopter	134,013	3		0.402
10	Buffer casing China	130,380	3		0.391
11	Buffer casing ZBFR	130,380	10		1.303
12	Buffer Plaunger BD-191	123,320	7		0.863
13	Buffer Base	86,408	7		0.604
14	Hub for TSK	14,043	58		0.814
15	Buffer Plaunger MBFR	70,808	12		0.849
16	Wing Type Axle Box AA-57	305,775	2		0.611
Total					**43.643**

Annexure-AN
3.6.2.3 (Observation-12)

Statement of Scrap (Ash/Scrap refuses)

Period	**Description**	**Qty Cft (Approx)**	**Rate P/Cft (Rs)**	**Total (Rs in million)**	
upto 13.04.2015	Ash/Shop Refuses	100,000	59.50	5.950	***A***

Period	**Number of Days**	**Ashes/Shop refuses produced per Day**	**Total Qty (KG)**	**Total Qty (Cft) Approx.***	
14.04.2015 to 30.06.2022	2596	900	2,336,400	0.106	
Total for the Period				6.319	***B***

Grant total Amount of Scrap (Ashes)	**12.269**	***C=A+B***

Annexure-AO

MFDAC

Sr#	DP No	Subject
1.	11718	Loss due to wasteful expenditure on account of office equipment/ furniture -Rs 14.513 million
2.	11727	Misappropriation of trucks and ambulance purchased for Yousafwala Project- Rs 35.929 million
3.	11730	Loss due to unnecessary posting of staff at various locations/stations – Rs 6.440 million
4.	11733	Irregular expenditure due to execution of excessive quantities of individual items – Rs 1.007 million
5.	11734	Bogus reimbursement of medical expenses - Rs 0.917 million
6.	11736	Bogus expenditures on account of fuel/ repair & maintenance of vehicles - Rs 2.201 million
7.	11737	Fraudulent payment by submitting fake degree/ certificate – Rs 0.209 million
8.	11738	Fraudulently drawl of pensionary benefits – Rs 0.998 million
9.	11740	Loss due to inefficiency of management in procurement of DG set – Rs 1.5 million
10.	11745	Non-recovery of Accounts Receivables-Rs 38.40 million
11.	11749	Blockage of capital due to delay in completion of project-Rs 34.624 million
12.	11753	Blockage of capital due to substandard work – Rs 96.706 million
13.	11754	Loss of earnings to PR due to less transportation of coal– Rs 7.689 billion
14.	11756	Loss of profit due to due to delay in encashment of funds from bank – Rs 1.361 million
15.	11757	Non production of record.
16.	11764	Unjustified charging of vehicle running expenses to Yousafwala project
17.	11767	Loss of potential revenue due to stabled D.E locos in PLF, Risalpur - Rs 1543.510 million
18.	11770	Unauthorized provision of expenditure from deposit work- Rs 1.804 million
19.	11771	Outstanding FGIR’s cases due to non-furnishing of safety certificates – Rs 2.37 million
20.	11773	Excess cost due to defective estimation causing delay in completion of deposit work - Rs 20.543 million

Sr#	DP No	Subject
21.	11774	Deficient supply of ballast due to non-compliance of PEC guidelines – Rs 88.597 million
22.	11778	Mis-Procurement of building material due to splitting of work - Rs 0.748 million
23.	11779	Un-authorized cash payment to officers/ officials on account of re-imbursement of expenditure- Rs 682,138/-
24.	11780	Irregular award of through rate items without approval of AGM/I – Rs 8.60 million
25.	11781	Loss due to award of contracts at higher rates- Rs 1.40 million
26.	11783	Irregular award of contracts by extending favor to contractors due to accepting antedated CDRs as bid security-Rs 4.7 million
27.	11784	Irregular expenditure on account of pay & allowances due to engagement of patrollers against sanctioned strength-Rs 18.76 million
28.	11786	Loss due to unjustified expenditure on labour for rail fencing works through contractors – Rs 5.08 million
29.	11788	Irregular expenditure without assessment of annual procurement planning- Rs 10.32 million
30.	11789	Non-return of wooden battens to concrete sleeper factories by PWIs, Lahore Division - Rs 2.175 million
31.	11791	Irregular expenditure due to appointment of staff on TLA other than track maintenance and renewal works – Rs 0.87 million
32.	11795	Irregular expenditure against earnings of crossings-Rs 0.87 million
33.	11796	Excess payment to contractors due to incorrect composite scheduled rates – Rs 0.95 million
34.	11797	Loss due to non-completion of work of Washing line Lahore - Rs 3.27 million
35.	11798	Loss due to defective/incomplete sanitary work leading to structural works – Rs 24.20 million
36.	11799	Wasteful expenditure of Rs 16.586 million on account of pay & allowances of test & meter shops
37.	11802	Financial loss due to non-finalization of death claim Rs 2.350 million.
38.	11803	Loss of Rs 22.152 million due to deficiencies of electric fittings/ equipments in Coaching stock.
39.	11808	Irregular purchase of loco parts from unapproved suppliers Rs 2.773 million

Sr#	DP No	Subject
40.	11809	Loss to freight wagons regarding mechanized use of shovel Rs 2.400 million
41.	11810	Unjustified overtime payment to drivers in monthly pay Rs 3.801 million.
42.	11811	Irregular Payment due to mis-utilization of services of staff Rs 1.95 million
43.	11812	Mis- Procurement due to non-observance of annual procurement plan Rs 5.028
44.	11814	Irregular appointment of over aged TLA staff Rs. 2.731 Million.
45.	11815	Non verification of degrees/certificates resulting in irregular payment of Rs 1.860 million
46.	11816	Revenue loss of Rs 13716.760 million due to stabled D.E Loco in CDL Shop
47.	11819	Recoverable/non deduction of G.P Fund and B.Fund from the salaries of employees Rs 0.837 million
48.	11821	Irregular/Unjustified expenditure by splitting up of repair works Rs 13.998 million
49.	11822	Irregular transfer of ballast to Karachi Circular Railway Project – Rs 2.562 million.
50.	11825	Loss due to non-deduction of Income/Sales Tax- Rs 0.453 million
51.	11826	Temporary mis-appropriation of funds due to non-submission of cash memos - Rs 0.945
52.	11829	Irregular award of contracts due to splitting of works Rs 4.487 million
53.	11830	Loss due to procurement at higher rates Rs 0.966 million
54.	11831	Irregular award of contracts without budget allocation during the financial year Rs 6.117 million.
55.	11834	Irregular award of contracts due to negotiations with successful bidder and reduction of rates Rs 2.925 million
56.	11838	Loss due to procurement of sub-standard sand – Rs 4.679 million
57.	11840	Irregular expenditure due to splitting of special repair works – Rs 7.503 million
58.	11841	Suspected mis-appropriation of HSD oil Rs 11.721 million
59.	11843	Loss due to repeated failure of locomotive - Rs 0.994 million
60.	11846	Fraudulent excess payment on account of exterior paint of building Walton Block – Rs 0.357 million

Sr#	DP No	Subject
61.	11847	Loss due to procurement of substandard material without conducting laboratory test Rs 5.076 million
62.	11848	Loss due to non-recovery of rent from M/s H.I.S Industries – Rs 4.968 million
63.	11855	Loss on account of non-achievement of targets despite engagement of temporary labor – Rs 16.226 million
64.	11856	Irregular/unauthorized execution of agreements for procurement of ballast – Rs 74.714 million
65.	11857	Unjustified procurement of ballast in excess of estimated quantities – Rs 5.295 million
66.	11858	Suspected fraudulent execution of work and payment to contractor – Rs 0.539 million
67.	11859	Non-drawl of completion reports of completed deposit works and non-return of remaining balance to the donor Rs 44.126 million
68.	11860	Irregular procurement of painting material – Rs 0.940 million
69.	11861	Unauthorized utilization of funds of Deposit Misc. - Rs 1.200 million
70.	11862	Irregular/unauthorized execution of new construction works from improvement fund instead of Capital (PSDP) valuing Rs 87.505 million
71.	11863	Inordinate delay in the construction of boundary walls at Golra and Chaklala despite several extensions and payment of Rs 48.36 million
72.	11864	Mis-procurement of building material due to uneconomical and non-transparent process of procurement – Rs 6.105 million
73.	11865	Irregular procurement through local purchase – Rs 4.273 million
74.	11866	Irregular/ unauthorized approval of estimates and execution of deposit works in excess of funds provided by donor – Rs 4.791 million
75.	11868	Non-utilization of funds under improvement fund for construction of boundary walls at Golra and Chaklala – Rs 30.386 million
76.	11875	Non-forfeiture of security money from the ballast contractors Rs 1.150 million
77.	11876	Irregular/un-justified payment to the contractors without prescribed laboratory tests of ballast and verification of Accounts Department Rs 63.649 million
78.	11877	Wasteful expenditure due to mismanagement - Rs 9.539 million
79.	11896	Non-realization of outstanding on account of maintenance charges of L-xings/sidings Rs 73.682 million

Sr#	DP No	Subject
80.	11897	Blockage of capital due to non-utilization of plant and machinery – Rs 88.040 million
81.	11898	Loss due to payment of late payment surcharges Rs 0.781 million
82.	11899	Loss due to payment of low power factor penalty paid to WAPDA – Rs 2.552 million
83.	11900	Irregular award of contract to M/s Waris International for procurement of spare parts of ballast cleaning machine – Rs 102.945 million
84.	11901	Pending liabilities on account of deployment of District Police Personnel on key points over Pakistan Railways network – Rs 480.698 Million
85.	11902	Non-recovery of bill receivables from various government department on account of maintenance and operational charges of level crossings & sidings – Rs 1,960.580 million
86.	11903	Loss due to non-deduction of Income Tax – Rs 4.345 million
87.	11904	Wasteful expenditure due to nomination of irrelevant officials for foreign training – Rs 157.50 million
88.	11908	Non-Recovery from Government of Sindh – Rs 6000.00 million
89.	11918	Loss of capacity and fuel due to utilization of (4000-hp) goods locomotives with passenger trains: Rs 7.946 million
90.	11919	Suspicious local purchases amounting Rs 1.481 million
91.	11920	Blockage of Capital Due to Non-Auction of Condemn Goods Wagons: Rs 15.293 Million
92.	11921	Recoverable amount of 55% running allowance against stationery duty: Rs 0.308 million
93.	11922	Recoverable amount for mileage/overtime allowance to the officials without approved rate: - Rs 2.29 million
94.	11923	Excess consumption of HSD oil by the drivers/assistant drivers worth Rs 2.248 million
95.	11924	Mis-procurement of Rs 2.350 million
96.	11925	Loss due to consumption of HSD Oil over and above the fixed ration Rs 0.911 million
97.	11926	Blockage of capital due to non-supply of locomotive parts- Rs 84.521 million
98.	11927	Mis-procurement due to non-adopting the bidding documents of PPRA
99.	11928	Non-maintenance of principal book of Accounts-the Contractor Ledger

Sr#	DP No	Subject
100.	11929	Undue favour of contractor by non-renewal of bank guarantees – Rs 3.152 million
101.	11930	Unnecessary procurement and Blockage of capital- Rs 47.802 million
102.	11931	Misappropriation of Stock - Rs 16.489 million
103.	11932	Irregular expenditure due appointment of an accounts official in project without provision of post in the PC-I – Rs 4.261 million
104.	11933	Loss due to delay in energizing the IESCO Electric Meters Rs 11.586 million
105.	11934	Irregular/unauthorized expenditure on account of local purchase without approval of competent authority – Rs 8.990 million
106.	11935	Non-disposal of scrap material - Rs 575.817 million
107.	11936	Irregular/ unauthorized expenditure due to application of through rates/ market rates without approval – Rs 4.561 million
108.	11937	Loss due to non-recovery of performance security – Rs 3.306 million
109.	11938	Blockage of capital due to non-utilization of material – Rs 8.666 million
110.	11939	Loss due to out of order Lathe Machine installed at MYP shed Karachi valuing Rs 0.892 million
111.	11940	Irregular leases of canteen at loco shed workshop Karachi cantt amounting to Rs 0.421 million
112.	11941	Loss due to non-auction of condemned wagons Rs 16.585 million
113.	11942	Irregular/unauthorized cash disbursement of establishment charges- Rs 2.081million
114.	11943	Irregular/unauthorized procurement of Uniform –Rs 4.804 million
115.	11944	Loss due to excessive procurement of PVC Cable without estimation – Rs 2.377 million
116.	11945	Irregular/unauthorized expenditure due to execution of works without work orders Rs 0.715 million.
117.	11946	Irregular/unauthorized utilization of non-specified material – Rs 2.400 million
118.	11947	Mis-procurement due to non-observance of PPRA rules- Rs 6.933 million
119.	11948	Irregular award of contract worth Rs 13.913 million by splitting up the similar works and loss due to higher rates
120.	11949	Irregular issuance of material without approved A-Class indent- Rs 100.409 million

Sr#	DP No	Subject
121.	11950	Misappropriation of permanent way material- Rs 0.247 million
122.	11951	Irregular award of contracts by splitting up the similar works- Rs 1.998 million
123.	11952	Loss due to non-recovery of cost of signaling system and inordinate delay in execution of deposit work – Rs 25.580 million
124.	11953	Blockage of capital due to non-auction of scrap material amounting to Rs 68.964 million
125.	11954	Loss due to irregular/unauthorized reduction of maintenance and operational charges of deposit works beyond approved plan- Rs 11.474 million
126.	11955	Irregular expenditure due to splitting up the procurement of similar items- Rs 3.324 million
127.	11956	Loss due to wasteful expenditure on construction of drain- Rs 2.274 million
128.	11957	Mis-procurement due to non-observance of PPRA rules – Rs 0.797 million
129.	11958	Irregular expenditure on procurement of computers Rs- 0.497 million
130.	11969	Irregular expenditure of Rs 1.855 million by splitting up procurement of similar items and loss due to variation in rates
131.	11986	Loss due to transportation of HSD Oil by road – Rs 0.734 million
132.	11992	Loss due to non-supply of ballast and non-collection of performance security Rs 7.989 million
133.	11993	Loss of potential earning due to delay in loading of ballast by the contractor – Rs 42.32 million
134.	11995	Wasteful expenditure of Rs 2.464 as supervision charges to NESPAK
135.	11996	Defective Contract with M/s PSO due to non-inclusion of Penalty clause regarding late supply/non- supply of Engine Crank Oil- Rs 254.146 million
136.	11997	Loss due to application of incorrect composite schedule of rates – Rs 0.608 million
137.	11998	Irregular expenditure due to mis-procurement – Rs 2.697 million
138.	11999	Irregular and sub-standard procurement of Crank Case Oil- Rs 93.00 million

Sr#	DP No	Subject
139.	12000	Defective Contract with M/s PSO due to non-inclusion of Penalty clause regarding late supply/non- supply of Engine Crank Oil- Rs 254.146 million
140.	12001	Loss due to non-recovery of outstanding charges of the work conducted/ executed for M/s NLC at Karachi Cantt: Shed Rs.7.838 million
141.	12002	Loss due to unjustified utilization of TLA staff during suspension of train operations amounting to Rs.6.608 million
142.	12003	Loss to public exchequer due to non-imposition of sales tax- Rs 3.478 million
143.	12004	Non-confirmation of bank guarantees -Rs 9.99 million
144.	12005	Awarding of contracts without legal and financial vetting-Rs 533.434 million
145.	12006	Loss due to en-route detention of trains – Rs 12.26 million
146.	12007	Irregular payment of Rs 1.099 million due to mis-utilization of services of staff
147.	12008	Non- utilization /disposal of surplus LF Oil - Rs 2.400 million
148.	12009	Unjustified/Irregular Payment on Account of Pay and Allowances Rs 1.515 Million
149.	12010	Loss of earnings due to detention of oil tank wagons Rs 3.65 million
150.	12011	Loss on account of excess consumption of HSD oil due to the negligence of drivers – Rs 1.465 million
151.	12012	Loss due to negligence of maintenance staff Rs 1.305 million
152.	12013	Loss due to excess consumption of HSD oil on LOMS – Rs 2.275 million
153.	12014	Loss due to excess consumption of fuel due to poor maintenance of locomotives– Rs 5.43 million
154.	12015	Loss on account of damages to locomotive Rs 0.834 million
155.	12016	Loss due to excess issuance of HSD oil to electric department against the sanctioned quota Rs 13.931 million
156.	12017	Loss of Rs 1,313,292/- per annum due to irregular utilization of staff
157.	12018	Loss of Rs 2.470 million due to purchase of firefighting truck
158.	12019	Loss of Rs 5,043,924/- due payment of salaries to idle staff
159.	12020	Loss to railway due to non-receipt of material amounting to Rs 0.476 million

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160.	12021	Non-disposal of condemn wagon, jeep, pick-up and road crane lying in coaching sick/washing line Lahore value more than Rs 1.000 million
161.	12022	Excess consumption of 43255 litters H.S.D. Oil than the allowed ration quota amounting to Rs 7.454 million
162.	12023	Loss due to supply of substandard coaching material amounting Rs 0.900 million
163.	12024	Unnecessary procurement of material amounting to Rs 0.680 million
164.	12025	Irregular purchase by splitting up to avoid competitive tendering process Rs 7.55 million
165.	12026	Mis-appropriation of project assets - Rs 4.318 million
166.	12027	Irregular/unauthorized acceptance of material without laboratory tests – Rs 5.864 million
167.	12028	Non accountal of material utilized by project. Rs 130.859 million
168.	12029	Misappropriation of stone ballast valuing Rs 1.092 million
169.	12030	Utilization of Track material of PSDP project on revenue works. – Rs 7.855 million
170.	12031	Mis-utilization of Stone Ballast – Rs 3.405 million
171.	12032	Loss due to non-removal of Engineering Speed Restrictions. Rs 14.076 million per month
172.	12033	Irregular award of contract without tendering– Rs 10,478 million
173.	12034	Loss due to non-deduction of shrinkage charges on ballast-Rs 5.14 million
174.	12038	Loss on account of damages to wagons due to improper loading/ unloading by the contractors – Rs 2.786 million
175.	12048	Fraudulent drawl of sales tax amount on fake sales tax invoices Rs 0.307 million
176.	12049	Substandard Sleeper Renewal work Rs 146.085 million
177.	12050	Loss due to non-implementation of Annual Work Plan of approved PC-I – Rs 58.50 million
178.	12051	Loss due to non-inclusion of Shrinkage clause in tender/bid documents Rs 3.598 million
179.	12052	Utilization of material from Revenue Stores in PSDP work. Rs 16.926 million
180.	12060	Irregular award of contract to a technically incapable bidder by granting undue favour – Rs 24,590.640 million

Sr#	DP No	Subject
181.	12075	Loss due to award of Signaling work contract at exorbitant rate- Rs.0.840 million
182.	12076	Irrational and excess fixation of quota for HSD oil for LOMS without devising SOPs – Rs 56.844 million
183.	12077	Potential loss of earning amounting to Rs 4.268 million due to unnecessary detention of goods stock.
184.	12078	Un-authorized execution of work without renewal of administrative approval - Rs 5.404 million
185.	12079	Blockage of capital due to unnecessary purchase of Bicycle -Rs 491,400/-
186.	12080	Fraudulently payment of Rs 678,348/- on account of hiring of private house
187.	12081	Irregular payment of pay & allowances due to non- booking of labour to work orders causing incorrect costing – Rs 600.463 million
188.	12082	Loss on account of repeated failure of locomotives – Rs 204.971 million
189.	12083	Loss due to non-deduction of Sales Tax – Rs 3.607 million
190.	12109	Loss due to non-collection of performance security from the contractor- Rs 0.517 million
191.	12110	Financial loss due to supply of poor quality of Air Compressor of GEU-20 Locomotives valuing Rs 289.009 million
192.	12111	Loss of revenue due to non-auction of Railway land-Rs 2.20 million per annum
193.	12112	Less Recovery of Withholding Income Tax – Rs 2.298 million
194.	12113	Irregular/ unauthorized expenditure on account of pay & allowances causing loss to railway – Rs 1.509 million
195.	12114	Irregular expenditure due to variation in execution of quantities of individual items amounting to Rs 5.642 million
196.	12115	Procurement of Material of incorrect specifications due to unjustified condonation of discrepancies - Rs 3.520 million
197.	12116	Irregular subletting of work of Design Services by FWO – Rs 386.585 million
198.	12117	Unauthorized expenditure under the head establishment charges and irregular purchase of furniture – Rs 9.574 million
199.	12118	Non recovery of House Rent Allowance valuing Rs 474,556
200.	12119	Financial loss of Rs 1.217 million due to less recovery of fares from booking party of Sehwan Special Trains
201.	12120	Less recovery of house building advance amounting to Rs 948,600
202.	12121	Irregular award of contracts on schedule rates instead of through rates – Rs 0.474 million