



**AUDIT REPORT
ON
THE ACCOUNTS OF
PAKISTAN RAILWAYS
AUDIT YEAR 2021-22**

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 2020-21. 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 2021-22 with a view to reporting significant findings to the stakeholders. The Sectoral analysis has been added in this report covering strategic review and overall perspective of Audit results. The main body of the Audit Report includes significant systemic issues and audit findings. Relatively less significant issues are listed in Annexure-X as Memorandum for Departmental Accounts Committee. These shall be pursued with the Principal Accounting Officer at the DAC level and in cases where the PAO does not initiate appropriate action, the audit observations shall be brought to the notice of Public Accounts Committee through next year's Audit Report.

Thematic Audit – new concept, has been introduced and made part of this report at 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
Dated: 24.02.2022

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

TABLE OF CONTENTS

	Page No.
PREFACE	
Abbreviations & Acronyms	I
Executive Summary	Iv
Audit Report Snapshot	Xi
Sectoral Analysis	Xiv
Chapter 1 Public Financial Management Issues	
1.1 Audit Paras	1
Chapter 2 Pakistan Railways	
2.1 A Introduction	12
B Comments on Budget & Accounts	13
2.2 Audit Profile of Pakistan Railways	17
2.3 Classified Summary of Audit Observations	18
2.4 Brief Comments on the Status of Compliance with PAC directives	19
2.5 AUDIT PARAS	
2.5.1 Fraud and Serious Irregularities	20
2.5.8 Issues in Land Management	26
2.5.18 Issues in Civil Works	36
2.5.24 Procurement Management Issues	44
2.5.28 Issues in Inventory and Store Management	48
2.5.33 Governance and Administrative Mismanagement	54
2.5.55 Management of Accounts in Commercial Banks	75
2.5.56 Governance Issues in PSDP and Development of Infrastructure	77
2.5.63 Issues in Railway Track and Rolling Stock	84
2.5.67 Financial Mismanagement Issues	87
2.5.76 Issues in Revenue Management	95
Chapter 3 Thematic Audits	
3.1 Land utilization for Revenue Generation	100
3.2 Customer Satisfaction & Retention	123
Annexures	176

ABBREVIATIONS & ACRONYMS

AGP	Auditor General of Pakistan
AGM	Additional General Manager
ATP	Automatic Train Protection
AEN	Assistant Executive engineer
BQM	Bin Qasim Port
CA	Certification Audit
CAO	Chief Accounts Officer
CBI	Computer Based Interlocking
CBU	Completely Built Unit
CCFM	Chief Commercial and Facilitation Manager
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
CME	Chief Mechanical Engineer
CMM	Chief Marketing Manager
CSF	Concrete Sleeper Factories
C&W	Carriage and Wagon
DAC	Departmental Accounts Committee
DAO	Divisional Accounts Officer
DC	District Controllers
DS	Divisional Superintendent
DCO	Divisional Commercial Officer
DCP	District Controller of Purchase
DE LOCO	Diesel Electric Locomotive
DEE	Divisional Electrical Engineer
DG	Director General
DME	Divisional Mechanical Engineer
DP	Draft Para
DS	Divisional Superintendent
DTO	Divisional Transportation Officer
FA&CAO	Financial Advisor and Chief Accounts Officer
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FIR	First Information Report

GM	General Manager
GPF	General Provident Fund
HSFO	High Sulphur Furnace Oil
IOW	Inspector of Works
KPI	Key Performance Indicators
KP	Khyber Pakhtunkhwa
KUTC	Karachi Urban Transport Corporation
LC	Letter of Credit
LD	Liquidated Damages
LDC	Lower Divisional Clerk
LOCO	Locomotive
LLPR	Lalpir Station
MB	Measurement Book
MD	Managing Director
MFDAC	Memorandum for Departmental Accounts Committee
MGPR	Mughalpura
MoR	Ministry of Railways
MR Note	Material Return Note
M&S	Manufacturing and Services
MTBF	Medium Term Budgetary Framework
NBP	National Bank of Pakistan
NCOC	National Command Operation Center
NESPAK	National Engineering Services Pakistan
NDS	New Diesel Shed
NLC	National Logistics Cell
OEM	Original Equipment Manufacturer
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PCP	Pakistan Citizen's Portal
P&L	Property and Land
PO	Principal Officer
PPRA	Public Procurement Regulatory Authority
PRFTC	Pakistan Railways Freight Transportation Company
PR	Pakistan Railways
PRECHS	Peshawar Railway Employees Cooperative Housing Society
PRACS	Pakistan Railway Advisory and Consultancy Services Limited
PEC	Pakistan Engineering Counsel
POH	Periodical Overhauling

PSC	Pre-stressed Concrete Sleepers
PSO	Pakistan State Oil
PSDP	Public Sector Development Programme
QTA	Quetta Station
RAILCOP	Railway Constructions Pakistan Limited
REDAMCO	Railway Estate Development and Marketing Company (Pvt.) Limited
ROH	Rohri Station
Rs	Rupees
SDGs	Sustainable Development Goals
SECP	Securities and Exchange Commission of Pakistan
S& C	Survey and Construction
SOPs	Standard Operating Procedures
SqYd	Square Yard
SS	Station Superintendent
TW	Tank Wagon
TWS	Track Workshop
UIC	Union of International Carriers
WAPDA	Water and Power Development Authority

EXECUTIVE SUMMARY

The Director General Audit Railways has the mandate to conduct audit of receipts and expenditure of Pakistan Railways and its subsidiaries, viz. Pakistan Railway Advisory & Consultancy Services Limited (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Pakistan Railway Freight Transportation Company (PRFTC) (Pvt.) Limited, and Karachi Urban Transport Corporation (KUTC). This office conducts regularity audit (financial and compliance with authority audit) and performance audit of the projects executed by the Ministry of Railways. Audit of receipts and expenditure was carried out on test check basis in accordance with audit methodology envisaged in Financial Audit Manual. DG Audit Railways carried out this audit with human resource comprising 142 officers and staff by utilizing 35,642 man-days and spending Rs 202.151 million.

Scope of Audit

This office is mandated to conduct audit of 218 formations working under Ministry of Railways including Pakistan Railways and its subsidiary companies. Total budget for expenditure and receipt of these formations were Rs 119.663 Billion and Rs 61.892 Billion respectively for the Financial Year 2020-21.

Audit coverage relating to expenditure and revenue receipts for the current Audit year comprises 29 formations of Pakistan Railways having total expenditure of Rs 75.441 Billion and revenue receipts of Rs 37.989 Billion for the Financial Year 2020-21. In terms of percentage, the audit coverage for expenditure is 63% of auditable expenditure and for revenue receipts are 61% of auditable receipts. Out of total 29 formations planned for current audit year, 26 were audited from July to December 2021.

This Audit Report also includes audit observations resulting from the audit of expenditure of Rs 6.503 Billion and receipt of Rs 2.757 Billion for the Financial Year 2019-20 pertaining to 20 formations of Pakistan Railways. Moreover, the pending paras of 2018-19 and 2019-20 have also been included in this Audit Report.

In addition to this compliance audit report, Director General Audit (Railways) conducted one Financial Attest Audit, two thematic Audits, one Performance Audit and one Special Audit from January to December 2021. Two thematic audit reports have been incorporated in this Report as separate chapter on the prescribed format.

Recoveries at the instance of Audit

As a result of audit, a recovery of Rs 28.55 Billion was pointed out during 2020-21. Recovery effected from January to November 2021 was Rs 20.84 million which was verified by audit.

Audit Methodology

The audit methodology included various steps in sequential and independent manners mainly examination of relevant files/ documents, review of financial data, site visits and discussions with the management. Detailed audit of selected samples was carried out keeping in view the risk and materiality factors. A review of business operations to assess the impact on revenue generation of PR was also conducted. Other factors were to understand internal controls and risk of fraud and obtaining an understanding of accounting system.

Audit Impact

On pointation of Audit, the Railway management enforced the Public Sector Companies (Appointment of Chief Executive) Guidelines 2015 regarding appointment of Managing Director/CEO in two subsidiary companies of Pakistan Railways.

Comments on Internal Controls

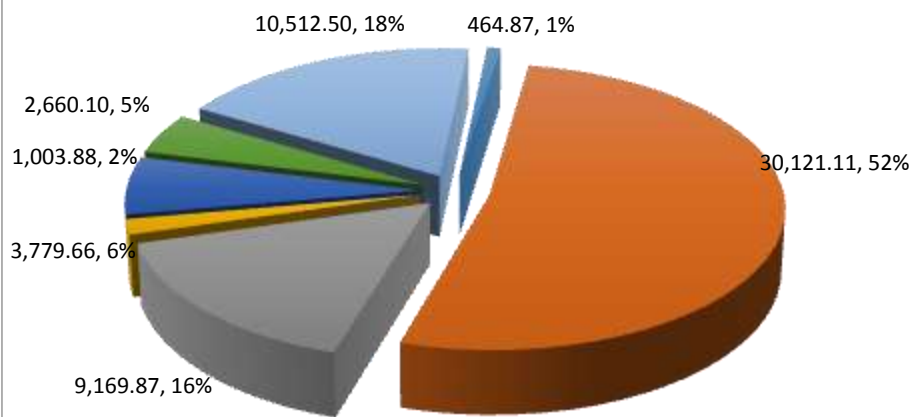
The Principal Accounting Officer, assisted by Internal Audit Department, is responsible for ensuring that a proper system of internal controls exists within the entity. Audit observed certain lapses in internal controls regarding security arrangements, inventory management, budgetary controls, receivables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

a. The key audit findings of the report

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

Breakup of Paras - Audit Report 2021-22

- Fraud and serious irregularities
- Issues in Land Management
- Governance and Administrative mismanagement
- Issues in Infrastructure and rolling stock management
- Issues in Procurement and Inventory Management
- Governance issues in PSDP Projects and development infrastructure
- Issues in Financial and Revenue Management



Key audit findings of the report are given as under;

- i. Encroachment of Railway land valuing Rs 24.16 Billion.¹
- ii. Non-adjustment of Suspense Balances Rs 10.03 Billion².
- iii. Excess expenditure over and above the allocated budget amounting to Rs 7.37 Billion³.
- iv. Non recovery of damages on account of non-production of sleepers and long ties amounting to Rs 6.29 Billion⁴.
- v. Irregular mutation of land valuing Rs 4.75 Billion⁵.
- vi. Non-recording of accrued liability on account of interest and exchange risk premium on foreign loan Rs 4.11 Billion⁶.
- vii. Non-recovery of Rs 3.48 Billion of Railway receivables⁷.
- viii. Double booking of Federal Government Investment on Replacement Account amounting to Rs 3.40 Billion⁸.
- ix. Extra consumption of fuel due to speed restrictions, in excess of fixed quota and non-operational functions amounting to Rs 1.77 Billion⁹.
- x. Procurement of sub-standard/ defective material Rs 1.42 Billion¹⁰.
- xi. Blockage of capital due to unnecessary procurement of material worth Rs 1.30 Billion¹¹.
- xii. Loss due to defective agreement with NLC Rs 863.15 million¹².

¹Para 2.5.8, 2.5.11, 2.5.12, 2.5.14 & 2.5.15

²Para 1.1.5

³Para 1.1.9

⁴Para 2.5.67

⁵Para 2.5.9

⁶Para 1.1.2

⁷Para 2.5.68, 2.5.69 & 2.5.70

⁸Para 1.1.7

⁹Para 2.5.31, 2.5.32, & 2.5.41

¹⁰Para 2.5.24 & 2.5.25

¹¹Para 2.5.28

¹²Para 2.5.63

- xiii. Theft and misappropriation of Railway material valuing Rs 837.26 million¹³.
- xiv. Non-disposal of scrap valuing Rs 582.40 million¹⁴.
- xv. Non replacement of wrong/defective material amounting to Rs 387.38 million¹⁵.
- xvi. Non recovery of liquidated damages charges and irregular waiver of rental charges Rs 355.95 million¹⁶.
- xvii. Irregular utilization of PSDP funds for revenue works and revenue funds for PSDP works Rs 291.20 million¹⁷.
- xviii. Fraudulent payment without execution of works and fraud in on line ticketing Rs 251.48 million¹⁸.
- xix. Irregular expenditure of Rs 162.59 million due to over staffing and on engagement of staff in excess of sanctioned strength was observed¹⁹.
- xx. Non production of record in eight cases amounting to Rs 153.93 million²⁰.
- xxi. Unauthorized deposit of Railway earning into private bank accounts Rs 50.40 million²¹.
- xxii. Misappropriation of miscellaneous advances and government money Rs 15.15 million²².
- xxiii. Irregular investment and use of earnings by misappropriation of Railway funds Rs 9.94 million²³.

¹³Para 2.5.37

¹⁴Para 2.5.29

¹⁵Para 2.5.30

¹⁶Para 2.5.71 & 2.5.72

¹⁷Para 2.5.58

¹⁸Para 2.5.1, 2.5.4 & 2.5.21

¹⁹Para 2.5.40, 2.5.47, & 2.5.65

²⁰Para 2.5.52

²¹Para 2.5.55

²²Para 2.5.2 & 2.5.5

²³Para 2.5.6 & 2.5.78

Recommendations

- i. Land management be improved to augment Railway receipts. Management may retrieve all encroached land, besides taking necessary corrective action with regards to title of land. Pakistan Railways needs to revise the commercial land policies as it does not cater multi story buildings constructed by the lessees.
- ii. Recovery policy be reinforced for speedy realization of Railways' receipts such as lease and rental charges a dedicated receivables section be established.
- iii. Cases for excess consumption of HSD oil be investigated and remedial measures be adopted accordingly.
- iv. Procurement of material and execution of works be well planned to avoid unnecessary piling up of inventory and delays in completion of works.
- v. Cases of fraud, embezzlement and shortage/theft of material be investigated appropriately for fixing responsibility and taking remedial measures especially strengthening the internal controls.
- vi. Partial computerization be replaced with planned automation for up-keeping the record of all assets and businesses in order to ensure proper revenue collection and reduction of Railway deficit due to procedural and other loopholes.
- vii. Disciplinary action be taken against the persons found at fault for non-production of record.
- viii. Efficient contract management needs to be ensured for safeguarding of Railways' interest.
- ix. The practice of keeping private banks accounts be inquired and discontinued henceforth and the balances be transferred to PR treasury.
- x. Public Procurement Rules be observed in letter and spirit while awarding contracts and making procurements and fixing responsibility for violations.

- xi. Sub-standard / defective material be got replaced or recovery be effected from the defaulters immediately.
- xii. Governance issues in Development and PSDP works be addressed adequately and management be improved.
- xiii. Expedient disposal of piled up scrap be ensured.
- xiv. Management and financial controls be strengthened and recurrence be avoided.
- xv. Sub-standard/defective material be got replaced or recovery be effected from the defaulters immediately.
- xvi. Expedient disposal of piled up scrap be ensured.
- xvii. Inquiries be processed where required and finalized at the earliest.



SCOPE OF AUDIT



Audit Coverage

Revenue Expenditure: Rs 75.44 Billion (63%)
Revenue Receipt: Rs 37.99 Billion (61%)



Formations Audited

Out of 218 formations 46 formations audited including formations relating to 2020-21.

Recoveries



Recovery of Rs 28.55Billion was pointed out during 2021 and recovery effected was Rs 20.84 million.



Quality of Financial Statements

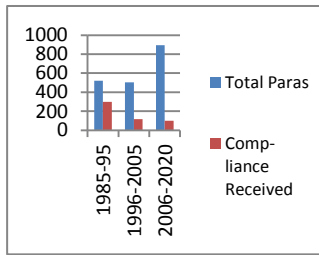
A "Qualified Opinion" was given on Appropriation Accounts for the FY: 2020-21.

An "Adverse Opinion" was given on Commercial Accounts for the FY: 2020-21.



Performance Audit=1
Special Audit/ Study=1
Financial Attest Audit= 1
Thematic Audit = 2
Compliance Audit =46

Compliance with PAC Directives



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

Irregular Expenditure



Audit observations amounting to Rs 57.71 Billion were raised in this report during the current audit of Pakistan Railways and its subsidiary companies.

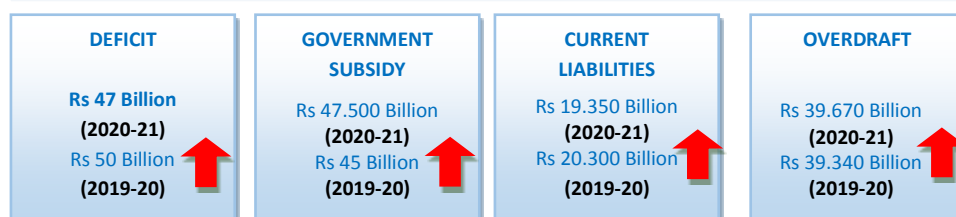
FINANCIAL HEALTH

RESOURCES AND SPENDING

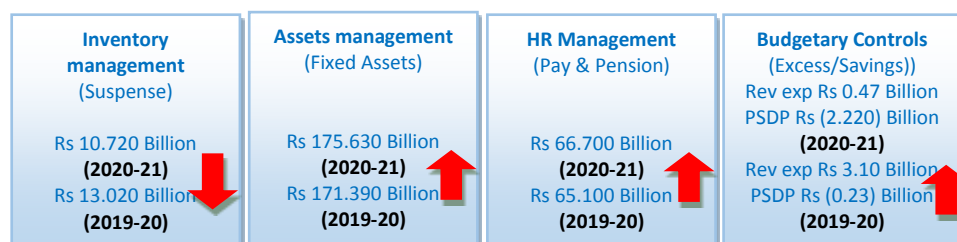
1. PR total resources were Rs 104.75 Billion. Railways earnings were Rs 48.65 Billion. Grant-in-Aid and investments by Federal Govt. were Rs 56.10 Billion.
2. Total Spending were Rs 104.15 Billion. Working Expenditure were Rs 95.45 Billion and Net Loss was Rs 47.23 Billion.

VULNERABLE FINANCIAL POSITION

Salaries and Pension payments **Rs 66.70 Billion** (70% of total working expenditure)



TENDENCY OF EXPENDITURE



Note: Red arrow indicating negative trend

A. Financial Glimpse of Pakistan Railways

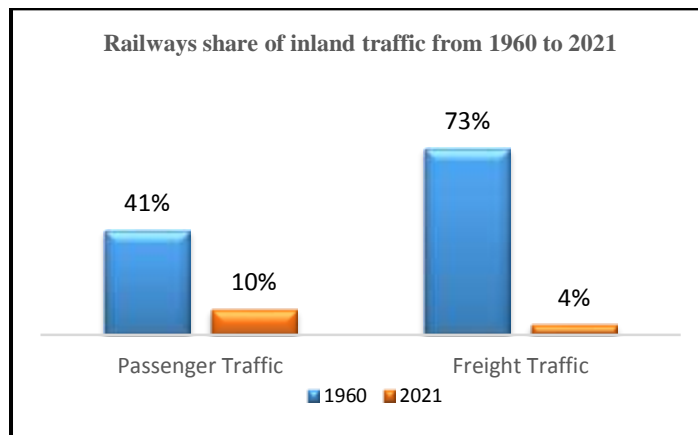
The following Table provides details of resources and spending as well as the overall fiscal position of Pakistan Railways for the financial year 2020-21.

(Rs in Billion)

Composition of Resources			Composition of Spending		
Description	Amount	% age	Description	Amount	% age
Investment by Federal Government	8.600	8	Pay and pension	66.700	64
Grant in Aid	47.500	45	Operating expenses	19.970	19
Railways' own earnings	48.650	47	Grants subsidies and transfers	0.240	0
Passenger earnings	22.220		Loans & advances and physical assets	0.230	0
Goods Earning	20.580		Repair and Maintenance	8.430	8
Parcel & other coaching earnings	1.500		Misc. advances and interest payments	-0.020	0
Sundry other earnings	4.340		PSDP Expenditure	8.600	9
	104.750			104.150	
*Appropriation Accounts and Financial Statements FY 2020-21					

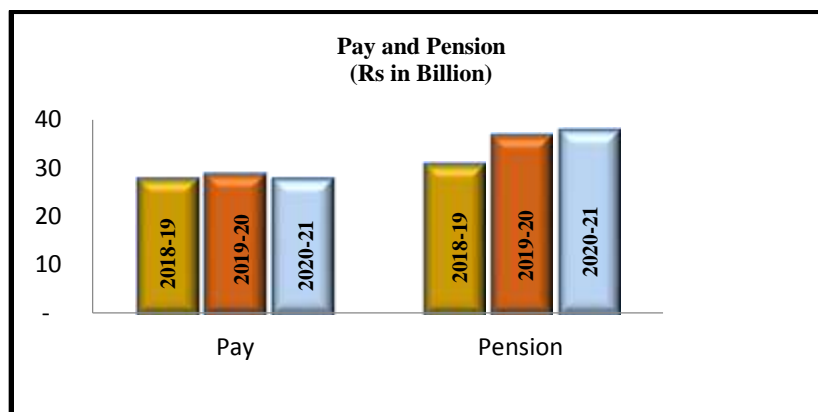
SECTORAL ANALYSIS

- i) In the world of transportation, Railways has a definite edge over roads for long haul and mass scale traffic movement both for passenger and freight, in addition to providing a safe, economical and environment friendly mode of transport. In Pakistan, the transport system broadly consists of roads, railways, air transport and ports & shipping services. Pakistan Railways (PR) is a Federal Government department with the aim to provide a competitive, safe, reliable, market oriented, efficient and environment-friendly mode of transport. Pakistan Railways remained the primary mode of transportation in the country till late nineteen sixties. However, as the road sector flourished and emerged as an alternative, day-to-day transportation sector, the government provided greater attention on expansion of the road network which greatly impacted Railways' share in inland traffic. A comparison of gradual decline of Railways' share in inland traffic is given in following chart.



Source: Study of E&ME, National University of science and technology Islamabad.

- ii) The financial health of Railways is hardly up to the mark. Instead of progressing as a viable commercial organization, Pakistan Railways continues to be dependent on government grant and overdraft. The expenditure on Pay during the year 2020-21 was 28% of total working expenditure that was decreased by 1%. The expenditure on pension had been increased by 1% and was 38% of total working expenditure. The trend analysis of pay and pension expenditure is depicted in following chart.



Source: Financial Statements of PR

- iii) Moreover, Pakistan Railways generates its revenue through operational and non-operational services. The operational services include passengers and goods, and non-operational services includes parcel and sundry other earnings. It is alarming to note that there is decreasing trend in revenue operations except goods earnings as compared to last year as shown below.

(Rs in Billion)

Description	2019-20	2020-21
Passenger	23.180	22.220
Goods	19.210	20.580
Parcel and others	1.310	1.500
Sundry Others	3.890	4.370
Total	47.590	48.670

Source: Financial Statements of PR

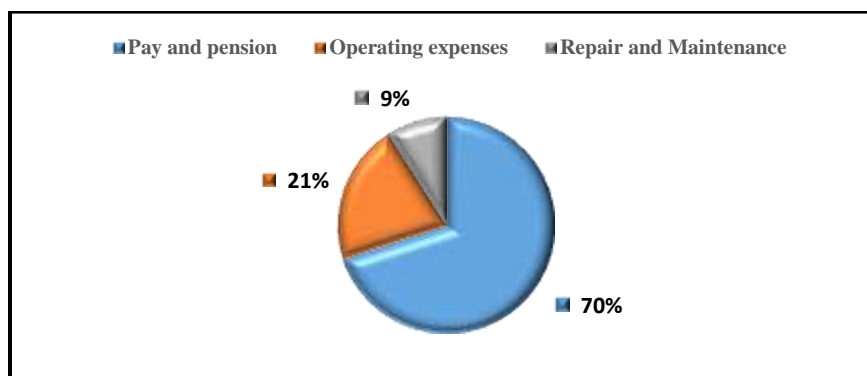
- iv) As stated earlier Pakistan Railways has not been able to emerge as a consistently profit-making organization. The major contributor in Railway revenue is earning from passengers, whereas earnings from goods is placed second. Railway management continues to mobilize its larger chunk of resources on passenger services, which is cost-inefficient, rather than other revenue generation services. The comparatively cost-effective revenue services i.e. goods, land and others sundry earnings are not prioritized by Railway management. Resultantly the gap between increase in revenue and expenses is widening every year, which is alarming for survival and profitability of PR.

- v) The total expenditure of PR was Rs 104.150 Billion including PSDP Expenditure of Rs 8.600 Billion. In contrast the PR's own earning stood at Rs 48.650 Billion which was 47% of total expenditure. The expenditure of pay and pension is increasing gradually which has reached a staggering Rs 66.700 Billion. The revenue of PR was not sufficient even to cater to obligatory payments of pay and pension. Higher administrative costs have also contributed to this financial ailment. In addition to the above, an analysis on the appropriation accounts and commercial accounts of PR for the financial year 2020-21 showing total expenditure for Revenue and PSDP of PR is tabulated below

(Rs in Billion)

Description	Expenditure	%age
Revenue Expenditure	95.550	92
PSDP Expenditure	8.600	8
Total	104.150	100

In continuation of above, the component wise breakup of Revenue Expenditure is given below:



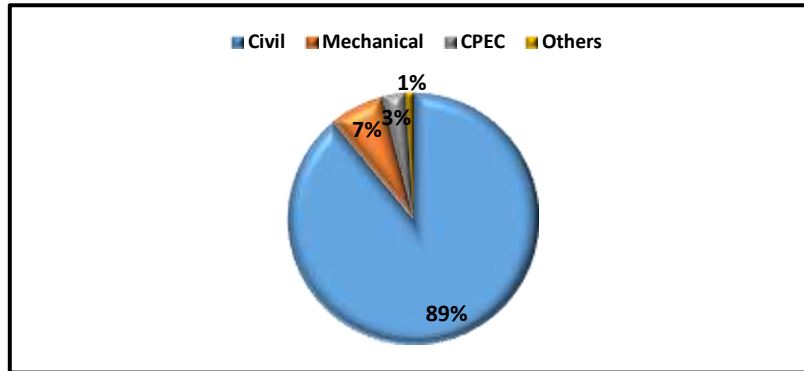
Source: Financial Statements of PR

- vi) During the financial year 2020-21 an expenditure of Rs 8.600 Billion was incurred on the execution of 31 projects. The department wise breakup of PSDP expenditure is tabulated below:

Component wise breakup of PSDP expenditure

(Rs in Billion)

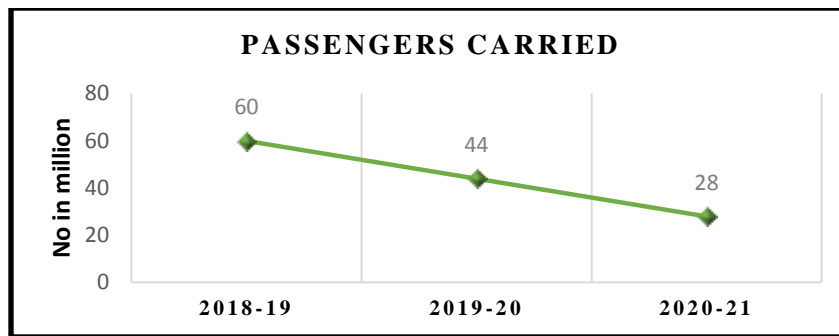
Description	Expenditure	Percentage
Civil	7.65	89
Mechanical	0.63	7
CPEC	0.26	3
Others	0.06	1
Total	8.60	



vii. c

Comparative analysis of principal statistics under some significant areas of Pakistan Railways including infrastructure, human resources, passengers, freight, operation fuel, inventory, land and train safety are discussed below.

- a) The total track length of PR was recorded as 11,881 Kilometers with 7,791 route kilometers along with 458 Railway stations whereas rolling stock consisted of 467 locomotives, 1,375 Coaching Vehicles and 14,448 Freight Wagons as on 30.06.2021. Over the years the infrastructure of Pakistan Railways had become obsolete and being rehabilitated whereas rolling stock showed decreasing trend over the three years.
- b) The passengers carried by PR decreased by 35% from 44.30 million to 28.42 million, as a result of decrease in passenger trains from 36,889 to 24,360 during the year 2019-20 due to spread of Covid-19 in Pakistan as well as in the world.



Source: Year books of PR

- c) Historically, freight transportation had been a major source of earning for PR. Over the years, the share of freight earnings had reduced considerably. With the advent of modern rolling stock related to coal transportation the freight earnings witnessed an upward trend. However, during 2020-21 the freight earnings of PR increased by Rs 1.370 Billion and stood at Rs 21 Billion. This was quite interesting as there has been a reduction in freight trains by 17%. The decrease in freight trains-run is suggestive of inadequate freight business management.
- viii) In Pakistan Railways inventory mismanagement is a chronic issue which is being managed through outdated manual system. Inventory in Pakistan Railways is regulated through suspense account which is increasing day by day. On 30.06.2021 the suspense against inventory of stores stood at Rs 10.720 Billion. This implied that some of the stores were purchased without actual requirement which resulted in blockage of capital.



Source: Financial Statements of PR

ix) It is also alarming to note that during the year 2020-21, total 119 major and minor accidents occurred and 277 casualties/ injuries to the passengers were took place which shook the trust of the general public with regard to safety of train operation. Moreover, loss Rs 274.94 million on account of these train accidents was not given adequate disclosure in the financial statement of Pakistan Railways.

x) Pakistan Railways has no competitor in the country for its railroad services but has not been able to leverage its monopoly. Road transportation is often opted by the general public due to non-availability of desired coaching, faulty freight facilities, often-delayed trains and security concerns. 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.

In order to strengthen the sector, Government of Pakistan introduced Vision 2025 in May 2014 for 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. It was found that a Strategic Plan of Pakistan Railways was drafted in 2015 remained un-finalized and un-approved even after lapse of five years.

- xi) In addition to aforementioned external factors, there are some chronic internal issues which hampered the growth of the organization over the years. These include legacy accounting & financial reporting system; non-rationalization of personnel; violation of Public Procurement Rules; questionable capacity in contract mismanagement; extravagant utility expenses; theft of Railway material due to inefficiency of Police, archaic management practices and mode of business by PR's subsidiaries. Audit for the fiscal year 2020-21 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 Federal Government.

Chapter - 1 Public Financial Management Issues

Financial Advisor & Chief Accounts Officer, Pakistan Railways

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

1.1 Audit Paras

1.1.1 Overvalued Fixed Assets due to non-recording of depreciation expense

Para 377 of Pakistan Government Railways Code for the Accounts Department provides that losses or deficiencies should be recorded in the books of account in accordance with the Chart of Accounts. If any transactions under these categories are recorded under a respective head, the losses relating thereto should be written off under respective head also. Moreover, the objective of IAS 16 is to prescribe the accounting treatment for property, plant, and equipment. The principal issues are the recognition of assets, the determination of their carrying amounts, and the depreciation charges & impairment losses to be recognized in relation to them. As per Para 3.2.7 of Self-Accounting Entities, 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 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/Departments.

During review of the Commercial Accounts of the Pakistan Railways as on 30th June, 2021 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.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC was informed that the audit observation was correct and valid. DAC directed to resolve the issue at appropriate level. Audit recommends that 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.

1.1.2 Non-recording of accrued liability on account of interest and exchange risk premium on foreign loan – Rs 4.11 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. Economic Affairs Division after taking foreign loans from donor agencies re-lends these to Pakistan Railways at 8% interest rate and 6% exchange risk premium. Further, as per Para 5.3.3.3 of Self-Accounting Entities, 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 did not include the amount of interest and exchange risk premium at the rate of 8% and 6% respectively accrued as on 30th June, 2021 amounting to Rs 4.110 Billion as given in table below. Balances were reflected in the accounts using principal amount in Pak rupees instead of foreign currency. This resulted in inadequate disclosure of liability on account of principal amount 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.

Statement showing the calculations of Total Interest and Exchange Risk premium

(Rs in Billion)

Description	Amount of Foreign Loan	Rate of interest/ exchange risk premium	Amount of interest/ exchange risk premium
Foreign loan/credits on Capital Account (A)	26.17	8%	2.35
Foreign loan/credits on Replacement/ Improvement Account (B)	3.17	6%	1.76
Total	29.31		4.11

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC directed Member finance to carry out reconciliation with Economic Affairs Division and submit a detailed report to PAO/DAC at the earliest. It was further directed that tenure of the debt must also be reflected in notes to the financial statements. Audit recommends that to take corrective measures by carrying out reconciliation with the figures appearing in the books of Ministry of Railways and Economic Affairs Division to set-right the financial statements of Pakistan Railways. Besides, disclosure of foreign loans be made in foreign currency to present fair picture of financial statements.

1.1.3 Inadequate disclosure and non-segregation of repayment of foreign loans appearing in balance sheet.

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

During the Certification Audit of Financial Statements, it was observed that an amount of Rs 29.350 Billion was being depicted in balance sheet as on 30th June, 2021 on account of long-term liability of foreign loans. However, nor these loans were segregated into each category/ component neither the presentation of the foreign loan was adequate. Moreover, the information relating to retirement of foreign loans, repayment terms and interest rates was also not presented in account.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC directed the Member finance to carry out reconciliation with Economic Affairs Division and submit a detailed report to the PAO/ DAC at the earliest. It was further directed that the tenure of the debt must also be reflected in the notes to the financial statements.

Audit recommends to carryout prompt reconciliation with Economic Affairs Division with a view to segregate loan-wise liability of Pakistan Railways and allocates budgetary provisions for its re-payment.

1.1.4 Wrong booking and misstatement of interest receivable on Provident Fund not accepted by Finance Division – Rs 15.64 Billion

As per Para 316 of Pakistan Government Railway Code for the Accounts Department, the amounts due to Pakistan Railways for services rendered, supplies made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due, that all receipts are properly brought into account and that all receipts are correctly classified. 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 15.64 Billion was shown as receivable from Federal Government on account of interest charged on Provident Fund on the balance held by Federal Government after separation of account from Federal Government during 1971. This amount was appearing as Current Assets in the Balance Sheet of Pakistan Railways as on 30th June, 2021 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. This issue relates to accounting policy of PR and was being raised since last one decade but the management has not taken any measure for its resolution. Moreover, it was decided in the clearing house meeting held in December, 2017 that an amount of 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 2020-21.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC took serious view for not keeping the amount of Provident Fund deducted from the salaries of employees in a separate head of account.

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

1.1.5 Non-adjustment of Suspense Balances – Rs 10.03 Billion

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

During Certification Audit, it was observed that three suspense accounts were appearing in balance sheet where balances under revenue grant were accumulating unnecessarily and showing increasing trend since 2010-11. The total suspense balance (Revenue) is showing an increasing trend for the last many years. In the year 2010-11 this amount was Rs 3.26 Billion, which rose to Rs 9.08 Billion (178%) in 2020-21. The balance in workshop manufacturing suspense represents unadjusted revenue expenditure which may result in increase of working expenses, if adjusted. Similarly, an amount of Rs 947.89 million was also kept against suspense balances under Capital grant during the year as detailed in **Annexure-A**.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC directed to constitute an inquiry committee comprising Dy.CAO/ Coord & SAO/ Stores for non-adjustment of Suspense Balances and submit report to Ministry of Railways and Audit within two weeks.

Audit recommends providing statement of actual balances of stores in hand at the end of each financial year duly certified by FA&CAO in line with rule 3001 and 3008 of Stores Code.

1.1.6 Accumulation and non-adjustment of suspense balances under utilities on account of revenue and Capital/ PSDP – Rs 6.00 Billion

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

on monthly basis. There is no provision of suspense adjustments/balances in code for Self-Accounting Entities.

During the course of audit, it was observed that advances against local purchases Rs 1.61 Billion were not being adjusted regularly. Similarly, Pakistan Railways paid utilities bills like electricity, Sui gas and others to its service providers and subsequently recover the amount partially from domestic consumer. The amount paid to utility providers was much higher than actually recovered from domestic consumers. Resultantly, PR is suffering losses on account of less recovery/adjustment of advances for local purchase and utility charges. Further, an amount of Rs 4.39 Billion on account of Capital suspense was being shown under the head Purchases remained unadjusted. The amount is shown under prepayments and advances on assets side of balance sheet which has not been adjusted over the years as detailed in **Annexure-B**.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC took serious view of accumulation and non-adjustment of suspense balances under utilities on account of Revenue and Capital/PSDP. DAC directed CEO/Sr. General Manager to constitute an inquiry committee to probe the matter suggesting corrective measures to avoid recurrence of such instances in future and submit report to DAC as well as to Audit within 45 days preferably before next DAC.

Audit recommends that suspense should be reviewed regularly as required under chapter XVI of Pakistan Railways Accounts Code Part-I and meaningful efforts be made for prompt adjustment and recovery of amounts held under the suspense head and to clear this amount on monthly basis and finally at year end.

1.1.7 Overstatement of Assets and Liabilities due to double booking of Federal Government Investment on Replacement Account – Rs 3.40 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.

Review of financial statements as at 30th June, 2021 revealed that Federal Government investment on Replacement Account amounting to Rs 3.40 Billion was being booked under Depreciation Reserve Fund (DRF) on Liability side of Balance Sheet. This amount was first booked under the head “Investment by Government” and then again booked under Depreciation Reserve Fund. Audit disagrees with this practice of double booking because it leads to overstatement of assets and DRF. Accumulative effect of this wrong accounting treatment over a period of more than 30 years had overstated liabilities of PR to Rs. 36.865 Billion. On the other hand, Deferred Assets presented in Balance Sheet was just a contra account and was created to offset the wrong accounting treatment of Federal Government Investment under the head Depreciation Reserve Fund. The amount under this head also increased by Rs 3.40 Billion during the year. Due to wrong accounting treatment the amount has accumulated to Rs 138.65 Billion as at 30th June, 2021. This practice is against the reporting standards.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC directed the P.O to provide proper justification satisfying Audit in support of reply.

Audit recommends in the light of management response that the PSDP grant should not be bifurcated into Capital and DRF. Crediting DRF account with FG investment on replacement account should be dispensed with. Entire PSDP grant should be used for procurement, acquisition, addition and replacement of Railway assets because both Capital and DRF are now part of PSDP grant. Expenditure should be booked to fixed assets under relevant heads of account. However, management may seek formal approval of this treatment from the CGA in line with provisions of section 5(a) of CGA ordinance 2001.

1.1.8 Faulty recording of bills receivables resulting in overstatement of Rs 198 million

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

As per resolution No. 4/2016 dated 22.06.2016 the PAO desired that RAILCOP should pay Rs 300 million as dividend to Pakistan Railways. Based on this proposal an amount of Rs 300 million was booked as receivable on commitment basis unjustifiably. Subsequently the company declared and paid only Rs 102 million to PR on 18.11.2016 and remaining amount of Rs 198 million was not declared by BoD of RAILCOP. Therefore, reflection of Rs 198 million as Receivable in PR accounts was unjustified and incorrect. This resulted in overstatement of Bills receivables for the year 2020-21. Further, no efforts appeared to have been made by PR management for clearance of huge bills receivables valuing Rs 4.93 Billion.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC directed the Railway management to write a letter to MD/RAILCOP for payment of Rs.300 million as dividend to Pakistan Railways and Accounts Department should segregate receivables from WAPDA and effort be expedited for its recovery. DAC further directed to P.O that connecting documentary evidence be provided to Audit.

Audit recommends that the amount was incorrectly shown as “Bills Receivables” on the basis of vague and unspecific commitment of the company. This position is further corroborated from the fact that no liability was created by the company (RAILCOP) in its financial years right from 2015-16 to 2018-19. Further, the statement of recovery of Rs 113 million from RAILCOP on account of dividend is also not correct. In fact, Rs 13 million were recovered on account of service contribution and other liabilities payable by railways as per agreement.

1.1.9 Excess expenditure against allocated budget at accounting unit level - Rs 7.37 Billion

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

During certification audit certain instances of weak budgetary controls were observed at divisional level under the heads Employees Related Expenses, Operating expenses and Repair and Maintenance. The excess expenditure booked in financial review was Rs 7.37 Billion which resulted in net overall excess expenses of Rs 752.06 million were incurred under these objects of accounts over and above the budget allotment for the year 2020-21. This resulted in excess expenditure due to weak budgetary controls as detailed in **Annexure-C**.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC kept the para pending. However, directed PO that detail of expenditure against allocated budget be provided to Audit within two weeks and explanation be sought from the relevant unit for non-segregation of PSDP budget under detailed objects of accounts.

Audit recommends strengthening the financial and budgetary controls.

1.1.10 Unauthorized expenditure without budget allotment – Rs 312.56 million

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

During certification audit of financial statements of Pakistan Railways, it was observed that expenditure of Rs 312.56 million was incurred without budget allotment for the Financial Year 2020-21. The expenditure pertained to different heads of account as detailed in **Annexure-D**.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC directed the P.O that reconciliation of figures in financial statements be made to avoid such anomalies in future and reconciliation statement be shared with Audit within two weeks.

Audit recommends that the expenditure should be incurred from relevant head of accounts. Responsibility for incurring of expenditure without budget allotment in relevant heads of account be fixed under intimation to audit. Moreover, the DAC directive regarding reconciliation of figures be complied with under intimation to Audit.

1.1.11 Misclassification of expenditure under different head of accounts - Rs 165.94 million

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

During the course of Certification Audit at accounting unit level, it was observed that an expenditure of Rs 165.94 million was booked under irrelevant head of accounts in violation of codal provisions. The misclassification of expenditure was made under revenue expenditure from one head to another within the revenue grant as detailed in **Annexure-E**.

The matter was taken up with the management and was also discussed in DAC meeting held on 26.11.2021. DAC directed the P.O that reconciliation of figures in financial statements be made to avoid such anomalies in future and reconciliation statement be shared with Audit within two weeks.

Audit therefore, recommends that the matter be probed for fixing responsibility of misclassification.

Chapter 2 Pakistan Railways

2.1 A) Introduction

Pakistan Railways is a state enterprise with a mission “to provide a competitive, safe, reliable, market oriented, efficient and environment friendly mode of transport”. It is managed by the Railway Board. The Secretary, Ministry of Railways is the Principal Accounting Officer and also ex-officio Chairperson of the Railway Board. The affairs of Pakistan Railways are administered by the CEO/Senior General Manager assisted by the GM/Manufacturing and GM/Welfare and Special Initiatives alongwith other functionaries

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) and Karachi Urban Transport Corporation (KUTC) 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 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.

B) Comments on Budget & Accounts

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

2.1.1 Comparison of Allocated Budget with Actual Expenditure Financial Year 2020-21

(Rs in million)

Items	Original Allocation	Supplementary Allocation (Surrender)	Final Allocation	Actual Expenditure	Variation	
					Excess/ (Saving)	%age
Grant No. 134 Revenue Expenditure						
Voted (Revenue)	99,350.00	4,350.00	95,000.00	95,551.86	551.86	0.58%
Charged	800.00	300.00	500.00	418.56	(81.44)	(16.29)%
Total	100,150.00	4,650.00	95,500.00	95,970.42	470.42	0.49%

Grant No.191 Capital Outlay on Pakistan Railways						
Voted (Capital)	24,000.00	13,179.14	10,820.86	8,599.38	(2,221.48)	(20.53%)
Charged	0	0	0	0	0	
Total	24,000.00	12,630.14	10,820.86	8,599.38	(2,221.48)	(20.53%)
G. Total	124,150.00	17,280.14	106,320.86	104,569.80	(1751.06)	(1.65%)

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 0.58% excess of Rs.551.86 million. The expenditure incurred under “Charged” portion amounting to Rs. 418.56 million and there was 16.29% saving of Rs 81.44 million even though liability on account of interest on overdraft and foreign loans was outstanding. The overall excess under both heads of Revenue Grant was 0.49%.

The actual expenditure of Capital outlay on Pakistan Railways under Capital head was less than the final allocation which resulted in saving of Rs 2.22 Billion i.e. 20.53%. This state of affairs indicates failure on the part of management for not incurring the expenditure according to the allocated budget.

2.1.2 Last 03 Years Comparative Analysis of Accounts of PR

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.

Profit & Loss Account:

(Rs in million)

Particulars	2020-21	2019-20	2018-19	Variation	%
				Increase	
				(Decrease)	
1	2	3	4	5 (2-3)	6
Gross Earnings	48,648.81	47,583.69	54,507.93	1,065.12	2.24%
Total Working Expenses	95,465.23	96,964.96	86,486.77	(1,499.73)	(1.55%)
Operating Surplus/ Loss	(46,816.42)	(49,381.27)	(31,978.84)	2,564.85	(5.19%)
Interest on Debt	(418.56)	(775.44)	(796.43)	356.88	(46.02%)
Miscellaneous Receipts	2.86	4.30	5.99	(1.44)	(33.49%)
Net Profit / (Loss)	(47,232.13)	(50,152.41)	(32,769.28)	2,920.28	(5.82%)

The profit & loss account indicated that:

- i) Total operational working expenses amounting to Rs 95.46 Billion were much higher than the gross earnings of Rs 48.64 Billion. The difference between working expenses and gross earnings was quite high which resulted in operational loss of Rs 46.81 Billion. This indicated that Railway administration could not achieve the target of zero operating deficits.
- ii) Interest on overdraft was paid by the management of Pakistan Railways amounting to Rs. 418.56 million which represents decrease of 46.02% over the previous year.
- iii) Pakistan Railways suffered a net loss of Rs. 47.23 Billion. To cover the loss, Federal Government provided Grant-in-Aid amounting to Rs 47.50 Billion.
- iv) There was a decrease of 5.82% in net loss of Pakistan Railways as compared to the previous Financial Year.

Balance Sheet:*(Rs in million)*

Particulars	2020-21	2019-20	2018-19	Variation	
				Increase/ (Decrease)	%
1	2	3	4	5 (2-3)	6
Liabilities					
Capital & Net Worth	237,916.56	230,110.48	221,094.35	7,806.08	3.39%
Revenue Reserves	58,410.06	59,100.42	64,127.56	(690.36)	(1.17%)
Long Term Liabilities	75,804.81	75,792.35	73,538.23	12.46	0.02%
Current Liabilities	19,349.69	20,301.24	18,724.05	(951.55)	(4.69%)
Total Liabilities & Capital	391,481.12	385,304.49	377,484.19	6,176.63	1.60%
Assets					
Fixed Assets	175,630.74	171,391.45	165,130.47	4,239.29	2.47%
Deferred Assets	142,056.51	138,654.65	135,996.79	3,401.86	2.45%
Current Assets	73,793.87	75,258.39	76,356.93	(1,464.52)	(1.95%)
Total Assets	391,481.12	385,304.49	377,484.19	6,176.63	1.60%

The figures in balance sheet were reflective of the following discrepancies:

- i) Capital & Net Worth increased by Rs 7.806 Billion i.e. 3.39% over the preceding year. The increase was due to booking of investment amount made by the Federal Government through cash release for development programs which was provided in addition to Grant-in-Aid.
- ii) Revenue Reserves decreased by Rs 690.36 million i.e. 1.17% over the preceding year. The decrease was due to booking of excess amount of Grant-in-Aid by Federal Government to meet operational shortfall and increase in net loss.
- iii) Fixed Assets increased by Rs 4.239 Billion i.e. 2.47% over the preceding year. The increase was due to booking of Federal Government Investment on Capital Account.
- iv) Deferred Assets increased by Rs 3.401 Billion i.e. 2.45% over the preceding year. The increase was due to wrong booking of Federal Government Investment on Replacement Account under depreciation reserve fund and under head, "Deferred Assets".

2.1.3 Comments on the Financial Statement of PRACS, KCR, RAILCOP and PRFTC

The annual accounts/Financial Statements of Pakistan Railway Advisory and Consultancy Services Limited, Karachi Circular Railways, Railway Constructions Pakistan Limited and Pakistan Railway Freight Transport Company Limited for the year of 2020-21 have not been audited/ verified by the commercial auditors. Hence accounts for the FY 2020-21 pertaining to these companies were not provided to Audit. Therefore, no comments could be offered.

2.2 Audit Profile of Pakistan Railways

(Rs in million)

Sr. #	Description	Total Nos.	Audited	Expenditure audited FY 2020-21	Revenue/ Receipts audited FY 2021-21
1	Formations	29	*26	75,441	37,989
2	Assignment Accounts SDAs Etc. (excluding FAP)	-	-	-	-
3	Authorities/Autonomous Bodies etc under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

* Audit of remaining 3 formations and 01 special study is under progress of Phase-II and will be completed by May-2022.

2.3 Classified Summary of Audit Observations

Audit observations amounting to Rs 57.71 Billion were raised in this report during the current audit of Pakistan Railways and its subsidiary companies. This amount also includes recoveries of Rs 28.55 million pointed out during 2020-21. Summary of the audit observations classified by nature is as under: -

(Rs in million)

Sr #	Classification	Amount
1.	Fraud / Misappropriation of Government money	464.87
2.	Issues in Land Management	30,121.11
3.	Issues in Civil Works	644.89
4.	Procurement Management Issues	1453.515
5.	Issues in Inventory and Store Management	2,326.14
6.	Governance and Administrative mis-management	8,524.98
7.	Management of Account in commercial banks	50.40
8.	Governance issues in PSDP and Development of Infrastructure	2,660.10
9.	Issues in Railway Track and rolling stock	1,003.88
10.	Financial mismanagement issues	10,148.26
11.	Issues in Revenue Management	313.84
	Total	57,711.985

2.4 Brief Comments on the Status of Compliance with PAC directives

S. #	Audit Year	Total Paras	Total No. of Actionable Points	Compliance received	Compliance not received	%age of Compliance
1	1985-86	34	34	23	11	68
2	1986-87	29	29	25	04	86
3	1987-88	31	31	19	12	61
4	1988-89	19	19	10	09	53
5	1989-90	41	41	28	13	68
6	1990-91	42	42	38	04	90
7	1991-92	36	36	24	12	67
8	1992-93	99	13	04	09	31
9	1993-94	67	67	49	18	73
10	1994-95	123	123	79	44	64
11	1995-96	153	21	13	08	62
12	1996-97	65	05	0	5	0
13	1997-98	56	07	07	0	100
14	1998-99	50	28	03	25	11
15	1999-2000	58	56	33	23	59
16	2000-01	48	48	29	19	60
17	2001-02	28	28	11	17	39
18	2003-04	24	11	03	08	27
19	2004-05	22	22	17	05	77
20	2005-06(A)	46	46	31	15	67
21	2006-07	34	34	16	18	47
22	2007-08	68	29	07	22	24
23	2008-09	101	101	45	56	45
24	2009-10	151	08	01	07	13
25	2010-11	88	11	0	11	0
26	2013-14	59	02	0	02	0
27	2015-16*	84	13	0	13	0
28	2017-18	70	08	0	8	0
29	2018-19	79	4	0	4	0
30	2019-20	114	9	0	9	0

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

2.5 Audit Paras

Fraud and Serious Irregularities

2.5.1 Fraudulent payment without execution of works – Rs 207.61 million

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

During audit of the Project Director, Rehabilitation of Flood Damages in November 2021, it was observed that Railway management paid an amount of Rs 207.61 million to the contractors without execution of work and supply of material as detailed below:

(Rs in million)

Sr. #	DP #	Description	Location	Amount
1	11631	Fabrication and erection of bridge	Sibbi-Khost Section	108.15
2	11632	Non supply of ballast	Sibbi-Hurnai-Khost Section.	75.98
3	11633	Five different types of civil works.	Texila- Peshawar, Sarghoda-Kundian, Kundian-Attock & Khushab-Kundian Sections.	23.48
Total				207.61

This resulted in fraudulent payment of Rs 207.61 million without execution of work and supply of material. The matter of recovery and legal action on account of fraudulent payment was taken up by the PD office but process remained irresolute. This depicts negligence and weak financial management control on the part of Railway management.

The matter was taken up with the management in November 2021. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that the matter be investigated to fix responsibility for fraudulent payment. Action be taken against those responsible besides the recovery of the amount involved or completion of

the work. Audit also recommends that the criminal proceedings against the culprits be perused vigorously under intimation to Audit.

2.5.2 Misappropriation of Miscellaneous Advances – Rs 11.40 million

According to Ministry of Railways letter No. MOR/Payment/Cash Payments/DCP/4/2019 dated 02.05.2019, miscellaneous advances drawn for local purchases shall be got adjusted within three days.

During audit of 06 different formations, it was observed that an amount of Rs 11.40 million was drawn by the executive for local purchases from 2019-20 to 2020-21 but vouchers/cash memos for the said purchases were not furnished to the accounts offices for financial reconciliation and adjustment. The retention of cash and non-adjustment of miscellaneous advances upto 24 months is tantamount to misappropriation of amount drawn as detailed in **Annexure-F**.

The matter was taken up with the management from November 2019 to October 2021. Detailed replies of the management had been incorporated in **Annexure-F**.

Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that the matter be investigated at an appropriate level for fixing responsibility. The amount may be recovered and implementation of Ministry's instructions be ensured in letter and spirit.

2.5.3 Fraud and serious irregularities cases Rs 229.86 million

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

importance to avoid delay in the investigation of any loss due to fraud, negligence and financial irregularity.

During audit of Financial Advisor and Chief Accounts Officer/ Revenue, Lahore in October 2021, it was observed that 79 cases of fraud and serious irregularities committed from July 2019 to February 2021 amounting to Rs 229.86 million and remained recoverable/ outstanding. Moreover, the record (monthly activity reports) for the period March 2021 to June 2021 was not provided to Audit. Railways management did not take concrete efforts for recovery of amount involved and settlement of the cases. This resulted in loss of Rs 229.86 million due to negligence of management.

The matter was taken up with the management in October 2021 and also discussed in DAC meeting held on 28.01.2022. DAC directed the FA&CAO/ Revenue to separate the amount of fraud/ misappropriation/ embezzlement from non-recovery cases and provide the same to audit within 30 days. Compliance of DAC directives was awaited.

Audit recommends that matter be probed to fix responsibility for non-finalization of cases and non-recovery of the embezzled amount and non-production of record to Audit. Action be taken against those held responsible and efforts be made for prompt disposal of cases besides recovery of the amount involved.

DP # 11642

2.5.4 Fraud in online ticketing – Rs 5.50 million

Para 1801 of Pakistan Railways General Code Provided 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 and also for any loss arising from fraud or negligence on the part of any other Railway servant to the extent if may be shown that he contributed to the loss by his own action or negligence.

During audit of Commercial Department, Sukkur Division, in December 2021, it was revealed that 18549 E-Tickets cases were forged

from half to full ticket by altering the soft copy whereas in system it was punched and charged as half. This resulted in loss of Rs 5.50 million to Pakistan Railways due to fraudulent amendments in online booked tickets.

The matter was taken up with the management in December 2021 and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply from the concerned Principal Officer.

Audit recommends that matter may be investigated to ascertain the exact volume of embezzlement and extent of involvement of Railways employees in this fraudulent activity and consequent losses may be recovered from the culprits. Moreover, the scope of investigation should be beyond Sukkur covering entire system of Pakistan Railways.

DP # 11555

2.5.5 Embezzlement of Railway Earnings – Rs 3.75 million

Para 1402 of Pakistan Railways General Code provides that all transactions to which a Railway servant in his official capacity is a party are required to be accounted for and all the money received should be paid in full without undue delay into the Railway treasury for credit to the appropriate Head of Account.

During audit of 03 different formations, cases of embezzling Railway earnings were observed. This resulted in loss to Pakistan Railways amounting to Rs 3.75 million due to weak internal controls in financial management.

(Rs in million)

Sr. #	DP #	Formation	Description	Period	Amount
1	11030	Property & Land Department, Workshops Division Mughalpura, Lahore	Non-depositing of full amount earned on account of adda/wheel barrows in Railway treasury.	July 2019 to May 2021	1.676
2	10740	Property & Land Department, Sukkur Division	Non-depositing of rental charges of shops with Railways treasury by the recipient employee.	January 2001 to December 2009	1.641

3	10586	AEN, Wazirabad	Non-depositing of lease/occupancy charges of Railways land.	June 2019 to July 2019	0.444
Total					3.75

The matter was taken up with the management from March 2020 to May 2021. Against Serial No.1, 02 and 03 management replied that detailed reply would be furnished shortly. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that matter be inquired to fix responsibility for misappropriation and to ascertain reasons behind non-depositing of full amount in Railways treasury. Action may be taken against the responsible(s) besides making the public loss good.

2.5.6 Fraud in Railway Earning – Rs 3.50 million

Para 1402 and 1801 of Pakistan Railways General Code stipulate that all transactions to which a Railway servant in his official capacity is a party, must without any reservation be brought to account and to be credited to the appropriate head of account. Every Railway servant will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

During audit of Property & Land Department, Workshops Division Mughalpura, Lahore in May 2021, it was observed that Railways management received an amount of Rs 6.48 million from the lessee of Railways land at Griffin Institute Mughalpura Lahore in 2010. Out of total amount, Rs 3.50 million was invested for one year at an interest rate of 10.25%, under account type HBL-ADVANTAGE A/Os/IPD, with Habib Bank Limited Panorama Centre Department Lahore on 30.04.2012. The whereabouts of Rs 3.50 million after lapse of investment period of one year i.e. 26.04.2013 (along with interest earned thereon) was not furnished to Audit. This resulted in fraudulent utilization of Railway earnings amounting to Rs 3.50 million. This depicts weak internal controls for financial management.

The matter was taken up with the management in May 2021. Management replied that matter has been referred to Divisional Sports Officer for reply. The remarks were not tenable and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for fraudulent utilization of Railways earnings. Action be taken against those held responsible besides depositing the amount with Railways' treasury under intimation to Audit.

DP# 11024

2.5.7 Theft of HSD oil from under repair locomotives – Rs 3.25 million

Para-1801 of Pakistan Railways General Code provides that every public officer should exercise the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money.

During audit of Mechanical Department, Lahore Division in December 2021, it was observed that 41,100 liters HSD oil was available in fuel tanks of the 12 Locomotives when arrived in shed for repair. Later on 23,250 liters HSD oil valuing Rs 3.25 million was pilfered and found short in fuel tank of locomotives even though Locos remains stabled (as per record of OP-27A). This resulted in theft of 23,250 liters HSD oil (@ 140 per liter) valuing Rs 3.25 million by Railway employees.

The matter was taken up with the management in January 2022 and also discussed in DAC meeting held on 28.01.2022. DAC directed the AGM/ Mechanical to inquire the matter and report within 30 days to DAC. Compliance of DAC directives is awaited.

Audit recommends that matter be investigated to fix responsibility for theft of HSD oil. Action be taken against responsible besides enhancing the scope of investigation over entire system of Pakistan Railways.

DP# 11704

Issues in Land Management

2.5.8 Ineffective management of Railway land – Rs 23.23 Billion

Para 803 of Pakistan Railways Code for the Engineering Department stipulates that it is the duty of Railway Administration to preserve title to all land and to keep it free from encroachment. Further, Para-1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part.

During audit of Property & Land Department, Headquarters office, Lahore in March 2020, it was observed that despite avowed anti-encroachment campaigns, additional 9,982.72 kanals of Railway land went under encroachment. This is evident from the opening balance of encroachment 25749.28 kanals on 1.07.2018 whereas closing balance on 31.01.2020 increased to 35,732 kanals. This showed negligence on the part of management towards asset safety which led to continuous erosion in the form of additional encroachment of 9,982.72 kanals of land valuing Rs 23.23 Billion.

The matter was taken up with the management on 21.02.2020, 28.02.2020 & 06.03.2020 and also discussed in DAC meeting held on 28.01.2022. DAC was informed that opening balance of encroached land was based on the survey of 2011 and most of the sections were missed during survey. However, all missing sites/ sections were taken during new survey and position of encroached land was updated. During last 03 years, 4,584 kanals of Railways land was retrieved. DAC directed the PO to take the matter seriously and make the retrieval process effective and result oriented by establishing the joint committee comprising Railway authorities, Railway Police, District Police and revenue Authorities and progress thereof be furnished to DAC. DAC further directed that the retrieval schedule be shared with Audit. Compliance of DAC directives is awaited.

Audit recommends that a comprehensive, feasible institutional mechanism addressing core issues of land management be devised at DS

level to deal with asset erosion as the existing framework have failed to safeguard valuable assets. Lack of Action has encouraged evasion of responsibility and facilitated personal aggrandizement through malpractices, Audit recommends fixation of responsibility for the blatant omission and making good of public loss.

DP # 10955

2.5.9 Fraudulent mutation of land – Rs 4.75 Billion

Para 803 of Pakistan Railways Code for the Engineering Department provides that it is the duty of Railway administration to preserve unimpaired the title to all land in its occupation and to keep it free from encroachment. Further, Para-1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part.

During audit of Property & Land Department, Karachi Division in March 2020, it was observed that Pakistan Railways leased out 80.408 kanals of Railways land in Latifabad, Hyderabad to Railways Employees Cooperative Housing Society in 1988 for 99 years. The management of Railways Employees Cooperative Housing Society, in connivance with the revenue authorities and Railways staff, fraudulently got the fake mutation of 158.88 kanals instead of 80.408 kanals of land at the prime location of Hyderabad City. This resulted in irregular mutation of 78.472 kanals (@Rs 60,500,000 per kanal) of land valuing Rs 4.75 Billion. Moreover, the lease of Railway land to the cooperative society was in contravention to prime objective of Pakistan Railways.

The matter was taken up with the management in March 2020. Management replied that the Commissioner Hyderabad in Suo moto proceedings ordered to annul 158.88 kanals of Railways land mutated in favor of Railways employees' cooperative housing society Hyderabad. However, 02 appeals against the decision of Commissioner Hyderabad were pending in the court of senior member board of revenue Sind Hyderabad. The last date of hearing was 02.03.2020. The remarks submitted to Board of revenue were an admission of audit observation.

Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be investigated to fix responsibility for mutation of excess land. Action may be taken against those held responsible besides pursuing the court case vigorously. Asset management controls may be strengthened to avoid recurrence.

DP# 10761

2.5.10 Loss due to unauthorized utilization of Railway land by agents of oil companies – Rs 689.12 million

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

During audit of Property & Land Department Lahore, in May 2021, it was observed that land measuring 29,743 Sft (110.08 marlas) after evacuation by oil companies was encroached by agents of oil companies. Audit further observed that the land was still under occupation of encroachers without payment of rent since 2014. Audit was of the view that unabated occupation of land without payment of rent since 2014 was not possible without collaboration of Railways management. This resulted into loss amounting to Rs 689.12 million due to non- payment of rent.

The matter was taken up with the management in June 2021, Management replied that Railways land leased out to M/s Shell & Caltex was vacated and M/s PSO had deposited Rs 7.97 million. The outstanding rental charges had been submitted to DG/Land, P.R, H.Q, Office, Lahore regularly. The disputed outstanding amount between Railways administration and oil companies would be settled after reconciliation. The remarks were irrelevant as the amount recovered was from oil companies and not from agents of the companies/ unauthorized occupants. Further, the sites objected by Audit were under occupation of agents of oil companies after vacation by the oil companies. Para could not be

discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be investigated to fix responsibility for non-retrieval of land and non-recovery of land utilization charges. Action may be taken against those held responsible besides recovery of the amount involved.

DP# 10937

2.5.11 Encroachment of Railway land by private parties – Rs 378.23 million

Para 803 of Pakistan Railways Code for the Engineering Department provides that it is the duty of Railway administration to preserve unimpaired the title to all land in its occupation and to keep it free from encroachment. Further, Para-1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part.

During audit of 10 different formations, it was observed that 222.02 kanals of Railways land valuing Rs 378.23 million from 2000 to 2020 were encroached by private parties for commercial and residential purposes as detailed in **Annexure-G** which deprived PR of valuable assets and potential earnings.

The matters were taken up with the management from August 2019 to May 2021. In most of the cases, management replied that efforts were being made to retrieve the encroached land. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers except Sr. No. 6 and DAC directives of the same had been incorporated in **Annexure-G**.

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

2.5.12 Non retrieval of valuable commercial plot despite Court Decision in favor of Railways – Rs 348.48 million

Para 803 of Pakistan Railways Code for the Engineering Department provides that it is duty of the Railway Administration to preserve un-impaired the title to all Land in its occupation and to keep it free from encroachment.

During audit of Property & Land Department Karachi in March 2020, it was observed that valuable commercial a plot of 08 kanals was leased out to Mr. Asif Jamal on 17.02.2004 for holding Bachat Bazar near Landhi Railways Station on year-to-year basis, initially for a period of 05 years and further extendable for another 05 years. After getting possession, the lessee fraudulently managed fake documents of mutations of plot in the name of another person namely Ghulam Mustafa who filed a civil suit in the court of law and claimed his ownership over the plot. In February, 2019, the court dismissed the false claim and gave verdict in favor of Pakistan Railways, but even after court decision, Pakistan Railways failed to get possession of above said commercial plot worth Rs 348.48 million.

The matter was taken up with the management. Management replied that the land 08 kanals was illegally mutated during year 2006. The case is in court of Commissioner Karachi Division for cancelation of bogus Mutation, who is the authority for cancellation of bogus mutation entry in revenue record of rights. The last date of hearing was 26-02-2020. The audit would be appraised about the progress in due course of time. The reply was an admission of Audit observation. Para could not be discussed in the DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the respective Principal Officer.

Audit recommends that matter may be probed to fix responsibility for non-retrieval of land even after decision of the court, prompt arrangement be made for its retrieval and its commercial exploitation as per policy; and internal controls be strengthened to avoid recurrence.

DP# 10612

2.5.13 Over-riding the decision of executive committee, modification in lease deed and not taking the possession of Railway site – Rs 306.51 million

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

During audit of the Property & Land Department, Workshops Division Mughalpura Lahore in May 2021, it was observed that a piece of land measuring 4.243 kanals at Griffin Institute Mughalpura Lahore was leased out to M/s Usman International Private Limited for 25 years vide agreement dated 09.01.2010. Following irregularities in execution of agreement were observed.

- i. REDAMCO management terminated the agreement of the said property on 22.02.2013 due to default in payment of lease charges by the lessee but Railway management (REDAMCO) failed to take-over the possession of prime land due to which Railway suffered loss of Rs131.53 million (84.86 marla x Rs 1,550,000 market value-2009) as it remained under illegal occupation of defaulted lessee.
- ii. Railway management imposed penalty amounting to Rs 125.76 Billion for the period of delay in payment of annual rental charges in advance ranging from 393 days to 758 days. The REDAMCO management irregularly/unauthorizedly modified the late payment clause of principal lease agreement on the request of lessee by replacing the liquidated damages from 10% per day to 10% per annum with retrospective effect from 29.01.2010 through addendum dated 04.11.2015 without the approval of Executive Committee of Railways Board. Subsequently, the lessee paid an amount of Rs 325,745 on account of penalty against the total outstanding amount of Rs 125.76 million. This resulted in loss of Rs 125.44 million to Pakistan Railways.

- iii. The said land was leased out without ascertaining the value of rental ceiling from Pakistan Banking Association approved valuator in violation of the decision of the Executive Committee. This resulted in irregular leasing of Railways land with total rental consideration amounting to Rs 49.54 million for 25 years without ascertaining the rental value as per decision of the Executive Committee.

The matter was taken up with the management in May 2021. Management replied that matter has been referred to Divisional Sports Officer for obtaining response. The remarks were not tenable as the issue pertained to Property & Land Department and waiting for sports officer's response will only delay the disposal of matter. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that matter be inquired to fix responsibility for irregularities in executing of agreement/unauthorized modification in lease deed and not following the Railway policy. Action may be taken against those held responsible besides taking remedial measures as per the law to avoid recurrence under intimation to Audit.

DP# 11019, 11027 & 11028

2.5.14 Encroachment of Railway land by Government Departments – Rs 179.50 million

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

During audit of 4 different formations, it was observed that 56.736 kanals of Railways land valuing Rs 179.50 million was encroached by different government departments for commercial and residential purposes as detailed in **Annexure - H**. Thus, Railway's land was under encroachment due to negligence of management culminating into deprivation of Pakistan Railways of valuable assets and potential earnings.

The matters were taken up with the management from August 2019 to November 2020. In most of the cases, management replied that the matter had been taken up with concerned departments as detailed replies had been incorporated in **Annexure - H**.

Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

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

2.5.15 Irregular subletting and encroachment of land by Kalsoom Welfare Society Okara – Rs 23.35 million

As per Federal Cabinet decision taken in the Cabinet meeting dated 12.07.2003 and clause 3, 3A, 7 and 8 of agreement dated 05.11.2003, regarding lease of Railway land for establishment of hospital, executed between Pakistan Railways and Kulsoom Welfare Society, Okara Railway employees and their dependants living in the vicinity of Okara City or otherwise would be provided with free medical treatment in the hospital. The lessee will not use the land except establishment of hospital otherwise land would be reverted to PR. Structural plans of hospital would get approved from the Chief Engineer of PR. The lessee will not sublet the property and incase of subletting the income would be shared equally by PR and lessee. As per PR policy for leasing out of Railway land to Government Departments for construction of Health Care and Public Welfare Project the lease period shall be 21 years and 50% of the DC rate of the ongoing year would be recovered as lease charges in advance. In addition, the ground rent would be recovered in advance @ Rs 3 per Sft per annum or respective government department shall provide the land of equivalent value in the same city.

During audit of Property & Land Department, Lahore Division in May 2021, it was observed that as per decision of the Federal Cabinet, Pakistan Railways leased out a piece of land measuring 17 kanals

(92,500 Sft) valuing Rs 33.90 million at Okara to Kalsoom Welfare Society for 99 years for construction and operation of Hospital at nominal rent of Rs 17,000 per annum. Following irregularities, in violation of the decision of Federal Cabinet and agreement, were observed.

- i. The lessee had sublet the land/hospital to Punjab employees Social Security Institute.
- ii. The lessee did not share the rent of the hospital equally with Pakistan Railways.
- iii. The employees of Pakistan Railways and their dependent had not been provided free of cost medical facilities in the hospital.
- iv. The lessee established 17 shops by encroaching 1.4 Kanal of Railways land.
- v. The lessee did not get the approval of structural drawing/plan from PR.

The Railways management did not take any action against the lessee for violations of cabinet decisions, contract agreement and non-payment of 50% share of income generated through subletting of property and construction of infrastructure without prior approval of PR. This resulted in loss to Pakistan Railways amounting to Rs 23.35 million due to poor contract management controls.

The matter was taken up with the management in June 2021, the management replied that response would be furnished after scrutiny of record but no reply was received. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be inquired to fix responsibility for not taking any action against the lessee who violated the decision of Federal Cabinet, major clauses of contract agreement and Railway policies. Action may be taken against those held responsible besides implementation of Federal Cabinet's decision and contract

agreement. Audit further recommends that amount involved be recovered under intimation to Audit.

DP# 10944

2.5.16 Irregular subletting of plot by the KPT– Rs 131.13 million

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

During audit of Property and Land Department Karachi in May 2021, it was observed that two plots # 21-C and 33-C were allotted by KPT to Pakistan Railways as substitute for PR Land used under construction Jinnah Bridge. However, the plot # 33-C never handed over to PR instead KPT authorities leased out to private contractor depriving PR land of Rs 131.13 million alongwith commercial rent of the site from 2010 to the date of audit.

The matter was taken up with the management in May 2021 but no reply was received. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that responsibility may be fixed for the irregularity and action may be taken against the persons held responsible besides retrieval of the land under intimation to audit.

DP# 11047

2.5.17 Non-retrieval of marriage lawn after expiry of lease agreement – Rs 90.686 million

Para 1969 of Pakistan Railways Code for Engineering Department further stipulate those Departmental officers are primarily responsible for the recovery of the rent of rent-returning buildings under their charges.

During audit of Property & Land Department, Lahore Division in March 2020, it was observed that a piece of land measuring 10.80 Kanals was leased out by Railway police against the land policy for marriage lawn to M/s Dewan khaas for five years on 04.06.2014. The initial lease period expired on 04.06.2019, but the Railway property not retrieved. The marriage lawn remained with the contractor without payment of rent charges till 27.11.2019. This resulted in loss of Rs 90.686 million due to

non-recovery of rental charges and non-retrieval of marriage lawn for the period from 04.06.2014 to 27.11.2019.

The matter was taken up with the formation in March 2020. Management replied that detailed reply would be furnished shortly. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be probed to fix responsibility for inability to take possession of marriage lawn. Action may be taken against those held responsible beside recovery of the amount involved under intimation to Audit.

DP# 10507

Issues in Civil Works

2.5.18 Wasteful expenditure on execution of works – Rs 513.82 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 03 different formations, 05 cases of wasteful expenditure were observed. The following works were started without financial prudence, need assessment and a few works were stopped half way by the contractors/local authorities. Further, the completed works were not made operational. This resulted in infructuous expenditure amounting to Rs 513.82 million on execution of works.

(Rs in million)

Sr. #	DP #	Formation	Name of work	Value of work	Remarks	Loss to Railway
1	11236	Mechanical Department, Karachi	Up-gradation of Diesel Shed Marshalling Yard Pipri (MYP)	379.879	The desired result of the shed was not achieved as the work load was shifted to KYC shed	379.879
2	11313	Mechanical	Supply,	99.177	Non-	99.177

		Department, Karachi	installation & commissioning of Turntables (85' Dia) at Diesel Shed Karachi cantt and Marshalling Shed Yard Pipri		functioning of turn table due to multiple defects.	
3	11307	Mechanical Department, Karachi	Fabrication and erection of two steel ground storage oil tanks at Diesel Shed, Marshalling yard, Pipri	17.108	Non-functioning of oil storage tanks due to error in calibrations of tanks	17.108
4	11055	Property and Land Department Karachi	Construction of shops near Pir Bukhari tomb Kala Pul	14.696	Cantonment board KYC stopped the auction of shops and asked to dismantle the structure	14.696
5	11202	PD, DOT (KWL-RND) HQ office Lahore	Renovation of Railways Police Station, Lalamusa	4.594	2.960 (the contractor stopped the work as the project was closed.	2.960
Total						513.82

The matter was taken up with the management from November 2019 to August 2021. Sr. No. 1 was discussed in DAC meeting held on 15.02.2022. DAC was not satisfied with the explanation of PO and directed that efforts be made to put the shed in operation under intimation to DAC. Against Sr. No. 2 management replied that due to multiple defects, the turn tables were not in operation. Against Sr. No. 3, management replied that the supply from PSO was not enough to store considerable quantity in MYP storage. The calibration of storage tank was to be verified from Headquarters and presently the fueling is done through BTO.

The remarks against Sr. No. 02 were not acceptable as the turntable could not be made functional despite incurrence of huge

expenditure. Remarks against Sr. No. 3 were not acceptable because the storage tanks could not be made functional due to errors in calibration and non-execution of additional works. In respect of Sr. No. 4 and 5, no reply was received. Against Sr. No. 01 Compliance of DAC directives was awaited. Paras except Sr. No. 1 could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers.

Audit recommends that matter be investigated to fix responsibility for infructuous expenditure and action be taken against those held responsible. Audit further recommends that incomplete works be re-started and completed works be put to useful operation.

2.5.19 Loss due to substandard execution of works – Rs 28.80 million

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

During audit of 06 different formations, instances of substandard execution of works amounting to Rs 28.80 million were observed as detailed in **Annexure-I**.

The issues were taken up with the management in August 2019 to September 2021. In most of the cases, management replied that civil works were executed as per approved plan. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies by the concerned Principal Officers except Sr. No. 5 and DAC directives of the same had been incorporated in **Annexure-I**.

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

2.5.20 Loss due to non-application of composite schedule of rates – Rs 8.33 million

Para-1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part. Further, Para-929 of Pakistan Railway Code for Engineering Department provides that to facilitate the preparation of estimates, the schedule of rates of each kind of work commonly executed should be maintained in each open line district or division and it will be the duty of Chief Engineer when inspecting district and divisional offices to see that correct schedule of rates at which work is actually being carried out or invariably recorded in a complete and satisfactory manner.

During audit of 05 different formations, it was observed that Railway management awarded the contracts on market rates (through rates) instead of composite schedule of rates. Audit further observed that rates for certain item of CSR-2016 were irregularly/unauthorizedly revised without the approval of competent authority. This resulted in loss/excess payment of Rs 8.33 million due to non-application and revision of CSR-2016 as tabulated below:

(Rs in million)

Sr #	DP #	Formation	Description	Amount
1	11079	PD, Track Rehabilitation on Khanpur-Lodhran	The contract was awarded on market rates instead of CSR	4.744
2	10780	PD, Dry Ports, Lahore	The contract was awarded on market rates instead of CSR	1.909
3	10681	PD, Track Rehabilitation on Khanpur-Lodhran	Incorrect rates	1.217
4	11387	Civil Engineering Department, Peshawar	Incorrect rates	0.258
5	11253	Civil Engineering Department, Quetta	Incorrect rates	0.199
Total				8.33

The matter was taken up with the management from September 2019 to August 2021. Against Sr. No. 4 management replied that correction slips on CSR-2016 had been issued by Railway Headquarters office Lahore. Sr. No. 05 was discussed in DAC meeting held on 15.02.2022. DAC was informed that the rates were revised by Chief Engineer being a competent authority. Audit did not agree with the view

point of the management as AGM/I was competent authority in respect of approval/ revision of composite schedule of rates. DAC directed the PO that the documentary evidence that Chief Engineer was an authority for approval/ revision of CSR be provided to Audit for examination and pended the para till next DAC meeting.

The remarks were not acceptable as correction slips were issued without the approval of competent authority i.e AGM/I. In respect of Sr. No. 1 to 3, no reply was received. Against Sr. No. 05, Compliance of DAC directives was awaited. Paras except Sr. No. 5 could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers.

Audit recommends that matter be inquired to fix responsibility for awarding the contracts at through rates instead of CSR and revision of CSR rates. Action may be taken against those held responsible besides recovery of the amount involved from the person found at fault under intimation to Audit.

2.5.21 Irregular / excess payment – Rs 38.37 million

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

During audit of the 04 formations, it was observed that an amount of Rs 38.37 million was paid to the contractors in excess of the work actually executed. This resulted in fraudulent/ suspicious excess payment of Rs 38.37 million to the contractors. This depicts weak financial and contractual management indicative of lapse of internal controls.

(Rs in million)

Sr #	DP #	Formation	Description	Amount Paid	Actual Work done	Loss to Railway
1	10981	PD, Reconstructions of Assets damaged during Flood,	Recoupment of short embankment, special repair to track embankment and	35.983	14.424	21.559

		2010	special repair to side and catch water drain			
2	11288	PD, Coal Loading Station (PQM-BQM) Karachi	Procurement of stone ballast	14.05	No Supply was made	14.05
3	10590	Bridge Workshop, Jehlum	Repair/overhauling including replacement of parts of 04 radial drill machines	1.97	No work done	1.97
4	10577	Civil Engineering Department Lahore Division	Special repair to Railways Station building Wagah	0.842	0.057	0.79
Total						38.369

The matter was taken up with the management from September 2019 to October 2020. Against Sr. No. 1, the management replied that Deputy Principal Officers' inquiry report had been submitted to higher authorities for approval. The inquiry committee had proposed action against the responsible officials. Against Sr. No. 2, the management replied that the ballast was obtained / supplied at site and measured in stacks and paid accordingly, and was spread on the embankment for laying of track. Against Sr. No. 3 management did not have cogent reply to audit observation. In respect of Sr. No. 4, no reply was received.

The remarks against Sr. No. 1 were an admission of audit observation. The remarks against Sr. No. 2 and 3 were not acceptable because the Railways management evaded the implementation of internal controls. The Accounts also made payments without proper pre-audits of calculations and frequent cutting/over-writing. The contract for repair/overhauling and replacement of parts was awarded for machines installed at Bridge workshop, Jehlum and management of Bridge workshops was responsible for the maintenance of records for the transactions. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers.

Audit recommends that responsibility be fixed for fraudulent/suspicious payment to the contractors without execution of works. Action may be taken against those held responsible besides

recovery of the amount involved. The contracts be rescinded and balance work be got executed on the risk and cost of the defaulting contractors.

2.5.22 Loss due to acceptance of short quantity of ballast – Rs 33.24 million

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

During audit of Civil Engineering Department, Lahore Division in August 2021, it was observed that quantity of 1,174,500 Cft of stone ballast valuing Rs 93.04 million was transferred to the PD, RFD and Railways Transfer Certificate (TC) was issued for the said amount. However, Project Director/RFD accepted the TC only for 730,800 Cft ballast amounting to Rs 59.80 million. No efforts had been made by Railways management to resolve the issue of remaining quantity of ballast amounting to Rs 33.24 million. This resulted in loss of Rs 33.24 million to Pakistan Railways due to acceptance of short quantity of ballast. This depicts slackness on the part of management.

The matter was taken up with the management in September 2021, but para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply from the concerned Principal Officer i.e. Chief Engineer Open Line.

Audit recommends that matter be probed to fix responsibility for short supply of ballast and appropriate action taken as per rules accordingly besides recovery of the amount involved with interest.

DP# 11351

2.5.23 Irregular award of contracts on through/ market rate without approval of AGM/I – Rs 22.34 million

The CSR-2016 Quetta Division disclosed that in case the operation of a non-schedule item is considered unavoidable by any Chief Engineer/Project Director/ Managing Director/ Divisional Superintendent for the execution of a particular civil engineering work under his control,

he will submit the detailed particulars of such item(s) along with the rate analysis and necessary justification, for the approval of Additional General Manager/Infrastructure, through Chief Engineer/Open Line. The sanction if and when accorded shall be notified by Chief Engineer/Open Line in the form a correction slip to the aforesaid documents. Further, the CEN vide letter No. 770-W/O/LHR/ (W.1) dated 17.05.2016 instructed that detailed analysis of non-schedule items will continue to be referred to Headquarter for approval of the competent authority.

During audit of two formations during 2020-21, it was observed that different types of material were procured and works were executed on through /market rates instead of CSR. Neither the rate analysis of material/works was prepared nor approval of the AGM-I for the through rates solicited. This resulted in irregular award of contract and unauthorized expenditure amounting to Rs 22.34 million as tabulated below.

(Rs in million)

Sr. #	DP #	Formation	Amount
1	11327	Civil Engineering Department, Karachi	16.58
2	11383	Civil Engineering Department, Quetta	5.76
Total			22.34

The matter was taken up with the management in August 2021. Sr No 2 was discussed in DAC meeting held on 28.01.2022. DAC was informed that the proposals/ estimates of the works were got approved from the competent authority as per policy. Audit was of the view that approval of rate analysis of through rates was required to be obtained separately before getting the sanction of estimates. DAC directed the PO to provide the documentary evidence that separate sanction/ approval of through rates was obtained before approval of estimates to audit for examination. Against Sr. No. 1, management replied that works were carried out in emergencies. However, the instruction of Headquarters office would be followed in future. The remarks were an admission of audit observation. In respect of Sr. No. 2, compliance of DAC directives was awaited. Para at Sr. No. 01 could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be inquired to fix responsibility for non-preparation of the rate analysis and failure for getting approval of AGM/I for through rates. Action may be taken against those held responsible besides taking remedial measures to regularize the transaction.

Procurement Management Issues

2.5.24 Procurement of defective wooden sleepers – Rs 96.96 million

As per clause 18(1) & (2) of Special condition of the contract “The timber have the following Specifications (1) free from star/ heart shakes, grain defects, knots and all sort of roots (2) have characteristics of firm composition of fiber, hard and compact modular rays, narrow annular rings, uniform texture (straight in fibres and dark in colours), heavy weight, sweet smell hard and shining appearance at freshly cut surface sonorous ring, absence of willingness at a freshly cut surface and free from sap wood, flaws and blemishes of any kind.

During audit of Coal Loading Station between Bin Qasim–Port Qasim stations, Karachi in November 2019, it was observed that Pakistan Railways executed an agreement dated 20.09.2016 with M/s Classic Enterprises, Karachi for supply of 7500 hardwood sleepers with completion period of 105 months. Audit observed that badly damaged and cracked sleepers were laid in the track. This resulted in loss of Rs 96.96 million due to procurement of defective wooden sleepers. The matter was taken up with the management in November 2019. Management replied that payment was made after inspection of wooden sleeper on arrival and was laid in track after creosoting from Haripur band. However, few sleepers were creating problems. The remarks were not acceptable because during the physical verification, Audit found that most of the wooden sleepers laid in the yard/track were damaged. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings by the concerned Principal Officer.

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

**2.5.25 Loss due to procurement of poor quality/sub-standard sleepers
– Rs 1.33 Billion**

Clause 15.1 of the contract agreement dated 18.10.2006 executed between Pakistan Railways and M/s H.I.S industries revealed that the defect liability period will be five years for mono block sleepers and long ties. After the expiry of the defect liability period, the lessor will carry out certain tests/reports to ascertain the satisfactory behavior of supplied sleepers/long ties and their future residual life, as indicated and agreed by the lessor and lessee. Further, clause 15.5 stated that the lessee will bound to replace and provide new sleepers free of cost in accordance with the specifications of this agreement which will declare defective during the defect liability period.

During audit of Concrete Sleeper Factories in October 2021, it was observed that Pakistan Railways purchased 346,502 Mono Block PSC Sleepers valuing Rs 1.33 billion from M/s H.I.S Industries for the period from 2007 to 2020. The MD/Concrete Sleeper Factories rejected the sleepers due to common defects in all the manufactured sleepers arising due to poor quality This resulted in loss of Rs 1.33 billion to Pakistan Railways due to provision of sub standards sleepers.

The matter was taken up with the management in October 2021. Management replied that after joint survey of remaining sections, M/s H.I.S industries would replace all defective /damaged sleepers. The remarks were an admission of audit observation. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings by the concerned Principal Officer.

Audit recommends that matter be inquired to fix responsibility for acceptance of defective sleepers. Action be taken against those found at fault besides replacement of defective sleepers under intimation to Audit.

2.5.26 Loss due to non-deduction of shrinkage charges – Rs 20.04 million

Para-1227 of Railway Code for Engineering Department provides that it is not usually convenient to record in measurement books detailed measurements of work done by contractor in connection with the working of ballast and material trains e.g. loading and un-loading ballast. In such cases ballast train or material train Challans on the form E-1227 should be prepared in triplicate by the subordinate supervising the loading of ballast or material. Deduction of shrinkage for ballast at prescribe percentage i.e. 10% of the quantity for which loading and un-loading charges are to be paid.

During audit of 03 formations, it was observed that Pakistan Railways procured 6,508,679 Cft stone ballast valuing Rs 200.04 million. However, shrinkage charges amounting to Rs 20.04 million were not deducted from the amount paid to the contractors. This resulted in loss to Pakistan Railways on account of extra payment of Rs 20.04 million due to non-deduction of shrinkage charges in violation of rules *ibid*.

(Rs in million)

Sr. #	DP. #	Formation	Quantity of ballast procured (Cft)	Amount paid to contractors	Shrinkage charges
1	11248	Civil Engineering Department, Rawalpindi	2,508,679	94.64	9.46
2	11257	Civil Engineering Department, Quetta	3,000,000	74.27	7.43
3	11305	Civil Engineering Department, Peshawar	1,000,000	31.49	3.15
Total			6,508,679	200.4	20.04

The matter was taken up with the management in August 2021. Sr. No. 2 was discussed in DAC meeting held on 15.02.2022. DAC was informed that there is no rule regarding deduction of shrinkage charges from contractors bills. Audit did not agree with the view point of Railway management and informed the DAC that the shrinkage charges were required to be deducted as per para 1227-E. DAC directed the PO that relevant rules showing that shrinkage charges were not required to be deducted be provided to Audit. In case, Railway management failed to

provide the rules recovery be made from contractors. Compliance of DAC directives was awaited. Against Sr. No.1, management replied that 10% shrinkage on ballast was required to be deducted in case of direct loading into wagons. Since there was no direct loading of ballast into wagons, therefore, 10% shrinkage charges were not deducted. Against Sr. No.3, management replied that supply of ballast was made according to joint engineering, account & operating circular No. 01 of 1979 and circular No. 01 of 1980.

The remarks in respect of Sr. No. 1 and 3 were not acceptable because shrinkage charges were required to be deducted as per Para 1227-E. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be inquired to fix responsibility for non-deduction of shrinkage charges. Action may be taken against those held responsible besides recovery of the amount involved.

2.5.27 Shortage in supply of spare parts – Rs 8.51 million

As per clause 3 of the contract agreement executed between Pakistan Railways and M/s Sampyo E&C Company, Korea dated 18.07.2016 the seller hereby covenants with the purchaser to supply 54 kg Rail turnouts described in Article-1 according to the specifications and drawings. Moreover, Clause 4 provides that purchaser hereby covenants to pay the seller in consideration of the supply of goods described in Para-3 above at the prices as described in Article-2.

During audit of Project Director, Track Rehabilitation on Khanpur-Lodhran Section in September 2019, it was observed that contract valuing € 7,630,425 for procurement of 149 sets of UIC54 KG Rail turnouts along with spare sets for fitting & fastening was executed with M/s Sampyo E&C Company, Korea on 18.07.2016. Later on, the quantity of turnouts was increased from 149 sets to 167 sets at the increased cost of € 8,470,665. Firm supplied the enhanced quantity of 167 sets of turnouts on 13.02.2019 but spare sets for fitting & fastening valuing Rs 8.51 million against the enhanced quantity of 18 turnouts was not supplied by the

supplier. This resulted in loss to Pakistan Railways amounting to Rs 8.51 million due to shortage in supply of spare sets.

(Rs in million)

Sr. #	Agreement No and date	Quantity in sets	Cost in Euro	Cost of spare sets of fitting fastening (Euros)	Amount
1	(Amendment-1) DP/turnouts/2016 19.04.2018	167	8,470,665	632,758	86.13
2	DP/Turnouts/2016 18.07.2016	149	7,630,425	570,225	(77.62)
		18 sets	840,240	62,503	8.51

The matter was taken up with the management in June 2019. Management replied that the detailed reply would be furnished shortly but no reply was received and Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings by the concerned Principal Officer.

Audit recommends that the material be recouped immediately from the supplier and responsibility be fixed for not getting the material recouped in time.

DP# 10799

Issues in Inventory and Store Management

2.5.28 Un-necessary procurement resulting in blockage of capital – Rs 1.30 Billion

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 6 different formations, unnecessary procurement and non-utilization of material was found. The material was not utilized

by the consumer nor was any efforts made to dispose-off the same. This resulted in blockage of capital amounting to Rs 1.30 Billion due to unnecessary procurement, non-utilization and non-disposal of material as detailed in **Annexure-J**. This depicts poor inventory management by Pakistan Railways.

The matters were taken up with the management from September 2019 to August 2021. In most of the cases, management replied that instructions had been issued to keep the balance according to fixed limit. However, detailed replies had been incorporated in **Annexure-J**.

Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

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

2.5.29 Non-disposal of scrap – Rs 582.40 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 16 different formations, cases of accumulation of scrap were observed due to non-disposal of scrap which resulted in blockage of capital amounting to Rs 582.40 million as detailed in **Annexure - K**.

Paras except Sr. No. 05 could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

The matters were taken up with the management in September 2020 to August 2021. In most of the cases, management replied that the process of disposal of scrap was underway and would be completed soon.

Against Sr. No. 05 DAC directives of the same had been incorporated in **Annexure - K**.

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

2.5.30 Loss due to non-replacement of wrong/defective material – Rs 387.38 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 specification. Railways management made payment of defective material valuing Rs 387.38 million as detailed below. Moreover, the wrong/defective material was not replaced due to negligence of PR management.

(Rs in million)

Sr. #	DP. #	Formation	Description	Amount
1.	10669	PD, Rehabilitation/ Procurement of Re- manufactured 300 Traction Motors	Defective Armature Assy and traction motors	147.27
2.	10670	PD, Locomotive Rehabilitation, Workshops Division Mughalpura, Lahore	61 warranty claims of defective locomotives parts were rejected by contractor	220.87
3.	10576	Mechanical Department Workshop Division Mughalpura, Lahore	Defective material (Armature, frame head, Coil as field, plate as brush)	6.73
4.	10735	PD, Rehabilitation/ Procurement of Re- manufactured 300 Traction Motors	Traction motors	3.14
5.	11311	MD, Carriage Factory, Islamabad	Defective material (LED TV, Glass fiber sheet, energy saver, liver hanger support assembly, double	9.37

			glass pain, aluminum covering frame, Hex head bolt, cross-resk wood screw, Plywood sheet etc.)	
Total				387.38

The matter was taken up with the management from September 2019 to October 2020. Sr. No. 03 was discussed in DAC meeting held on 15.02.2022. DAC was informed that the defective material has been replaced. DAC directed the PO that the documentary evidence in support of replacement of all defective material be provided to Audit and get the same verified from Audit. Sr.No.5 was discussed in DAC meeting held on 15.02.2022. DAC was informed that there was no loss to PR as no payment against the rejected items had been made to the firms. DAC directed the PO that documentary evidence in support of non-payment to the firms against rejected items be furnished to Audit for verification and pended the para till next DAC meeting. Against Sr. No.1 management replied that the contractors had been requested for replacement/repair of defective items. Against Sr. No. 2, management did not have cogent reply to audit observation. Against Sr. No. 4, management replied that static running test of failed traction motor was found satisfactory.

The remarks in respect of Sr. No. 1 was an admission of audit observation. In respect of Sr. No. 4, the remarks were not acceptable as the failed traction motor was declared defective but not replaced by the supplier. Further, how a failed traction motor performed satisfactorily without any repair/rehabilitation. Documentary evidence that the traction motor was not defective may be furnished to audit to prove the assertion. Against Sr. No 3 & 5 compliance of DAC directives was awaited. Paras except Sr. No. 03 and 05 could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers.

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

2.5.31 Unauthorized consumption of HSD oil – Rs 39.81 million

In terms of COPS office letter No. 39-FA/0-XV (P) dated 05.12.1991, to achieve economy in use of HSD oil, trip ration of HSD oil for each class of locomotive was fixed. All cases of excess consumption by 10% than the fixed ration be examined on merits, responsibility be fixed and disciplinary action be taken under the rules. Further, Para 807 (1) of Pakistan Railways General Code volume-I provides that every public officer should exercise the same vigilance in respect of expenditure incurred from the Government revenues as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of following formations, it was observed that 393,554 liters of HSD oil valuing Rs 39.81 million was utilized more than fixed quota. This resulted in unauthorized utilization of excess HSD oil of Rs 39.81 million due to negligence of management as detailed below:

(Rs in million)

Sr. #	DP. #	Formation	Fixed Quota	Actual Consumption	Excess Consumption (in liters)	Amount
1	10542	Mechanical Department, Karachi	1,017,919	1,175,490	157,571	19.81
2	11308	Mechanical Department, Karachi	526,360	607,028	65,744	7.15
3	10978	Mechanical Department, Quetta	2,892,174	3,007,831	115,657	6.46
4	10529	Divisional Superintendent, Sukkur Division	84,053	110,623	26,570	3.24
5	11461	Divisional Superintendent, Sukkur Division	127,618	155,640	28,022	3.15
Total					393,554	39.81

The issue was taken up with the management from August 2020 to August 2021. Sr. No. 2 and 3 were discussed in DAC meeting held on 15.02.2022. DAC directed the Chief Internal Auditor to hire an independent consultant to evaluate the excess consumption of HSD oil

and log books of locomotives be maintained in true letter and spirit. The evaluation report of consultant be submitted to DAC and Audit within 60 days. Against Sr No. 4, management replied that excess consumption of fuel was due to engineering restrictions.

The remarks in respect of Sr. No 4 were an admission of audit observation. In respect of Sr. No. 1 and 05, management did not have cogent reply to audit observation. Against Sr. No 02 and 03 compliance of DAC directives was awaited. Paras except Sr. No. 2 and 3 could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers.

Audit recommends that matter be investigated to fix responsibility regarding unauthorized utilization of HSD oil more than quota. Action may be taken against those held responsible besides regularization of the amount involved.

2.5.32 Un-authorized issuance of H.S.D oil – Rs 12.35 million

As per Chief Operating Superintendent letter No.83-FA/50-XXII (Mech) dated 3.9.2019, MOR has directed the COPS to issue fuel only for operational purpose. The COPS also clarified vide his office letter of even No. dated 08.09.2019 that for vehicles relating to the Divisions, the Divisions will arrange HSD from their own source. Further, the DG/Fuel Monitoring P.R. Headquarters office vide letter No.DG/Fuel Monitoring/01/2020 dated 26-4-2021 states that HSD oil requirement for non-operational functions may kindly be arranged from local market by using fleet card chargeable to POL head of relevant departments to avoid any inconvenience and strict monitoring of HSD Oil consumption for non-operational functions.

During of audit of following formations, it was observed that 117,392 liters of HSD oil amounting to Rs 12.35 million were unauthorizedly issued for non- operational functions/ vehicles in violation of the orders of Ministry of Railways as detailed below:

(Rs in million)

Sr #	DP #	Formation	Unauthorized issuance of HSD oil (in liters)	Amount
1	10909	MD, Pakistan Locomotive Factory Risalpur	77,876	7.79
2	11320	Mechanical Department, Karachi	5,970	0.65
3	11386	Mechanical Department, Multan	33,550	3.91
Total			117,396	12.35

The matter was taken up with the management in September 2020 and August 2021. Against Sr. No. 1 management did not have cogent reply to audit observation. Against Sr. No. 2, management replied that the Engineering Department and PRP, Karachi had been requested to get sanction from HQ office Lahore but reply was awaited. Against Sr. No. 3, management replied that instructions had been noted and Divisional officers would be asked to purchase from their own allocated fund.

The remarks in respect of Sr. No.1 were not acceptable because the HSD oil was issued in contravention to the directions of MOR. The remarks in respect of Sr. No. 2 and 3 were an admission of audit observation. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers.

Audit recommends that matter be inquired to fix responsibility for issuance of HSD oil for non-operational functions in violation of MOR directions. Action be taken against those found at fault besides regularization of the amount involved.

Governance and Administrative Mismanagement

2.5.33 Illegal sale of commercial land by lessee – Rs 4.59 Billion

As per Clause 5 & 5A of the lease deed dated 24.05.2004 executed between Pakistan Railways and M/s Aqeel Kareem Deedhi (Pvt) Limited, the Railway land will not be sublet by the lessee in any case to other party or parties without obtaining prior approval of the lessor.

During Audit of Property & Land Department, Karachi in March 2020, it was observed that Pakistan Railways leased out commercial land measuring 10,207 Square Yards valuing Rs 4.59 Billion to M/s Aqeel Kareem Deedhi (Pvt) Limited on 24.05.2004 for ninety-nine (99) years. The lessee without the approval of lessor (Pakistan Railways) sold out the same commercial plot to M/S National Commodity Exchange Limited (NCEL) while entered into an illegal Novation Agreement dated 10.11.2007 in violation to above said contractual clause of the lease deed. The Railway Administration did not take any stern action against the lessee for illegal sale of Railway property valuing Rs 4.59 Billion.

The matter was taken up with the management in March 2020. Management replied that the matter was already in Supreme Court of Pakistan and the case was fixed for 06.03.2020 and the outcome of the same would be apprised to Audit accordingly. The remarks were not acceptable as further progress of the case was not furnished to Audit and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be investigated for illegal sale of commercial land to thirty parties by the lessee. Audit further recommends that the court case be pursued vigorously and outcome of the same be intimated to Audit for examination.

DP# 10655

2.5.34 Non-deduction of taxes from suppliers – Rs 338.51 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 30 different formations, it was observed that an amount of Rs 338.51 million was not deducted from the suppliers/contractors on account of income tax, sales tax, provincial tax, excise duties in complete disregard to FBR instructions as detailed in **Annexure-L**. This resulted in loss of Rs 338.51 million to public exchequers due to slackness and weak internal controls on the part of Railway management.

The matters were taken up with the management from April 2018 to August 2021. In most of the cases, management replied that in future procurements would be made from suppliers registered with FBR. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers except Sr. No. 18 and 23 and DAC directives of the same had been incorporated in **Annexure-L**.

Audit recommends that matter be probed to fix responsibility for non-deduction of taxes Action be taken against those held responsible besides recovery of amount from the concerned.

2.5.35 Loss due to levy of additional tax/default surcharge by FBR – Rs 384.11 million

As per section 205 1A, 1B and 205 (3) of Income Tax Ordinance 2001, A person who fails to pay advance tax under section 147 or the tax so paid is less than ninety per cent of the tax chargeable for the relevant tax year, shall be liable for default surcharge/additional tax. Further, a person who fails to collect or deduct tax, as required under Division II and Division III of Part V of this Chapter or Chapter XII or fails to pay an amount of tax collected or deducted as required under section 160 on or before the due date for payment shall be liable for default surcharge/additional tax. Moreover, Para-1801 of Pakistan Railways General Code provides that every Railway servant will be held personally responsible for any loss sustained through negligence on his part.

During audit of the Chief Commercial Manager, Headquarters Office, Lahore in June 2021, it was observed that an amount of Rs 384.11 million was raised/levied/determined as default surcharge/additional tax

under section 205 of Income Tax Ordinance 2001 by FBR due to the failure of Pakistan Railways/Tax department in collection/depositing of taxes with FBR for the period ranging from 2001 to 2005 and 2012 to 2018. Some errors and discrepancies made by the Tax Department of Pakistan Railways while dealing with tax matters are given below.

1. While preparing Payment Slip IDs, irrelevant sections of payment was mentioned.
2. In many cases, Tax period mentioned was irrelevant.
3. In number of cases, instead of giving the particulars of parties, individual firms and persons were not segregated; instead, agglomeration of Tax payers was provided, which is in clear violation of the principle of disclosure.
4. In certain cases, the Income Tax withheld had been deposited as Sales Tax.
5. In many cases withholding tax was not collected and deposited with FBR.

This resulted in loss to Pakistan Railways amounting to Rs 384.11 million as additional tax/default surcharge was applied by FBR due to the slackness on the part of Railways management. This is very alarming situation for Pakistan Railways as PR is already facing severe financial crunch

The matter was taken up with the management in June 2021. Management replied that the tax collection is the domain of concerned principal officers (agreement executing departments) and its further remittance with FBR falls under the domain of respective FA & CAO's. The office of CCFM acts only as a coordinator among Railways departments and FBR for litigation purposes only. Therefore, the para may be issued to CCM office. The remarks were not tenable because it was the responsibility of the Railways management to strengthen the internal controls to avoid losses. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that responsibility be fixed for above discrepancies and action be taken against those held responsible. Remedial measures be adopted to overcome these problems under intimation to Audit.

DP# 11110

2.5.36 Irregular award of contract agreement due to non-obtaining of performance security – Rs 49.87 million

As per section 39 of PPRA Rules, 2004, where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guaranty which shall not exceed 10% of the contract amount. Further, as per instruction to bidders the successful bidder shall furnish to the employer a performance security in the form and the amount stipulated in the conditions of contract within 14 days after the receipt of acceptance letter. In case of failure, sufficient ground for annulment of the award and forfeiture of bid security exists.

During audit of 10 different formations, it was observed that a number of agreements were executed with different contractors for procurement of materials and execution of works. The contractors were required to furnish performance security within the stipulated time period but failed to do so. Despite the fact that contractors did not furnish performance security/bank guaranty, management executed the contract agreements with them anyway. This resulted in irregular award of contract agreements by extending undue favor to contractors amounting to Rs 49.87 million as detailed in **Annexure-M**.

The matter was taken up with the management from May 2019 to September 2021. In most of the cases, management replied that matter would be inquired. Detailed replies, however, had been incorporated in **Annexure-M**. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that the matter may be investigated for failure to obtain performance security and extension of undue favor to the

contractors. Contract management controls be strengthened to avoid recurrence.

2.5.37 Loss due to misappropriation/theft of material – Rs 837.26 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 10 different formations, it was observed that various types of items valuing Rs 837.26 million were misappropriated/stolen due to negligence and slackness of the management. This resulted in loss of Rs 837.26 million to Pakistan Railways as detailed in **Annexure-N**.

The matters were taken up with the management from September 2020 to September 2021. In most of the cases, management replied that matters were under investigation. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers except Sr. No. 05 and DAC directives of the same had been incorporated in **Annexure-N**.

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

2.5.38 Unjustified payment to employees by extending favor-Rs 156.96 million

Para-807 of Pakistan Railways General Code describes that every public officer should exercise the same vigilance in respect of expenditure incurred from Government Revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Further, Para 723(v) of Personnel Manual states that the staff required for sports

tournaments, training in various sports and athletic events should not ordinarily, be granted special casual leave for more than 15 days at a stretch and if special circumstances warranting exceptional treatment exist, prior approval of the Divisional Superintendent in respect of the division and the respective Deputy Heads of Departments for the extra divisional offices must be obtained but the period involved should in no case exceed 45 days at a time.

During audit, it was observed that an amount of Rs 156.96 million was paid to the employees of Pakistan Railways on account of Pay & Allowances and overtime by extending undue favor. The payment of pay & Allowances, overtime and piece work profit was unjustified as neither the fixed targets were achieved nor extra production was done. The staff remained idle, spared time for sports activities beyond the permissible time as detailed below:

(Rs in million)

Sr. #	DP #	Formation	Description	Amount
1	10506	Mechanical Department, Workshops Division Mughalpura, Lahore	Staff remained idle due to non-availability of hard coke	72.603
2	10540	Divisional Superintendent, Workshops Division Mughalpura, Lahore	Staff was spared for sports activities from 3 to 38 years	47.77
3	10504	WM/Steel shop MGPR	Overtime and piece work were paid without achievement of target	18.02
4	10773	PD/Locomotive Rehabilitation, Workshops Division Mughalpura, Lahore	Overtime was paid for nominal work and also for the month when no locomotive was turned out	3.67
5	11511	Mechanical Department, Sukkur Division	Loss due to unjustified payment of overtime allowance	14.90
Total				156.96

The matter was taken up with the management from September 2019 to December 2020. Sr. No.1 was discussed in DAC meeting held on 15.02.2022. DAC directed the PO that documentary evidence in support of utilization of idle staff at steel shop and other locations be provided to Audit for examination within 15 days. Against Sr. No. 2, management

replied that utmost efforts would be made to justify the piecemeal and overtime allowances.

The remarks in respect of Sr. No. 2 were admission of audit observation. In respect of Sr. No. 3 and 4, 5 no reply was received. Against Sr. No. 01 compliance of DAC directives was awaited. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officers.

Audit recommends that matter be inquired at an appropriate level to fix responsibility for payment of pay & allowances and payment of overtime allowance without achievement of targets, idle staff and sparing the staff for sports activities. Action be taken against those held responsible besides recovery of the amount involved.

2.5.39 Loss due to non-removal of speed restrictions – Rs 1.72 Billion per annum

The Chief Operating Superintendent letter No. 39-FA/0/2 dated March 2020 persuades the Railway management to adopt economy measures for the purpose of minimization of fuel consumption. Furthermore, Para (H) of the said letter also provides that Railway suffers a loss of Rs 2,665 and 2196 for one minute stoppage out of schedule running on main line and loop line respectively.

During audit of the following formations, it was observed that due to poor condition of track, Railways management had imposed speed restrictions for the period from last 02 to 13 years. No efforts had been made by Railways management to remove the speed restrictions. This resulted in loss of Rs 1.72 billion per annum on account of over consumption of fuel due to non-removal of speed restrictions/repair of track.

(Rs in million)

Sr #	DP #	Formation	Period of speed restrictions	Amount
1	10594	Civil Engineering Department, Sukkur Division	Since October 2010 to September 2020	863.61
2	10874	Civil Engineering	Since February 2008 to August	834.00

		Department, Multan Division	2019	
3	11401	Civil Engineering Department, Quetta Division	Since December 2013 to till date	27.28
Total				1724.89

The matter was taken up with the management from August 2019 to September 2021. The Para at Sr No. 2 was discussed in DAC meeting held on 28.01.2022. DAC directed the PO to devise the plan for removal of speed restrictions and report to DAC within one month. Against Sr. No. 1, the management replied that Speed restrictions/ERs were imposed to ensure safety of train operations The remarks in respect of Sr. No. 1 were not acceptable because it was the responsibility of Railways management to maintain the track properly but the track maintenance was overlooked by Railways management in certain cases since 2008. Against Sr. No. 2 compliance of DAC was awaited. Against Sr. No. 3, no reply was received. Paras except Sr No 02 could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 and due to non-presentation of replies in the DAC meetings by the concerned Principal Officers.

Audit recommends that the matter may be taken up at a higher level to remove speed restrictions and repair of track.

2.5.40 Irregular appointment of staff – Rs 75.67 million

As per Finance Division (Regulation Wing) letter No.F.4(9)R-3/2008-499 dated 12.08.2008, the staff for development projects funded from PSDP was required to be recruited from open market on contract basis. Moreover, as per General Manager/Operations letter No. GM.Misc.07/2014 dated 07.07.2014, essential staff against work charged posts of the projects was required to be engaged on contract basis by following the laid down procedure for contract appointments. As per Chief Personnel Office letter dated 15.07.2014 TLA employees should be engaged strictly in accordance with the eligibility criteria for direct recruitment i.e. qualification age and only in those grades where applicable i.e. Grade 1 & 2 against the posts of essential categories. Further, as chapter-III of Railcop employees service rules and regulations amended in 2016, Recruitment committee shall be constituted by the MD

which shall consist of three members and no appointment shall be made without recommendations of recruitment committee and approval of MD in regular time scales. The evaluation sheet mentioning the name of candidate shortlisted by HR will be prepared for each member of recruitment committee. The recruitment committee will submit their recommendations by fixing merit of each candidate on the basis of interview/ test and qualification.

During audit of following formations, it was observed that 110 employees of grade-1 to 16 were recruited/ appointed on TLA basis instead of contract basis and appointment in regular time scales were made without following the prescribed procedure by PD Khanpur-Lodhran and Railcop respectively. This resulted in irregular expenditure on pay and allowance amounting to Rs 75.67 million due to irregular appointment of staff in violation of the policies of Finance Division, Pakistan Railways and Railcop.

(Rs in million)

Sr. #	DP. #	Formation	Amount
1	10626	PD, Track Rehabilitation (KPR-LON)	61.83
2	11002	MD, Railcop	13.84
Total			75.67

The matter was taken up with the Management in December 2020 and June 2021. Against Sr. No. 1, management replied that reply would be furnished within two weeks. Against Sr. No. 2, management replied that observation of the audit has been noted and recommendations of the committee would be taken for hiring of candidates.

The remarks in respect of Sr. No. 2 were an admission of audit observation and against Sr. No. 1 no reply was received. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be inquired to fix responsibility for irregular appointment on TLA basis instead of contract

appointment and against the policies. Action be taken against those held responsible besides strengthening the Human management controls.

2.5.41 Unauthorized extension in contract without approval of secretary establishment – Rs 8.17 million

In terms of SL No. 14.6 (4) (i) of Esta Code 2015, extension of contract appointment beyond 02 years to posts in BPS-17 to 19 shall be subject to approval of Establishment Secretary.

During audit of project 75 DE Locomotives, it was observed that 02 retired Railway employees were re-employed on contract basis as Junior Mechanical Engineer (BPS-17) with the approval of the Secretary/Chairman Railways on 01.12.2016 and 01.12.2017. The contract periods of the employees were extended beyond 02 years without the approval of the Secretary Establishment in contravention of rule *ibid*. This resulted in irregular/unauthorized payment of Rs 8.17 million on account of pay and allowances for the period from 01.12.2018 to 30.11.2021 and 22.08.2019 to 31.07.2021 due to negligence of the Project Director.

The issue was taken up with the management in December 2021. Management replied that the matter had been referred to Establishment Division, Islamabad. The remarks were not acceptable because the approval of secretary establishment was pre-requisite for extension of contract appointments beyond 02 years. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that the matter be probed to fix responsibility for irregular/unauthorized payment to the contract employees. The amount involved may either be got regularized with the sanction of the competent authority or recovered from the persons held responsible.

DP# 11695

2.5.42 Irregular engagement of overage employees–Rs 2.58 million

As per Chief Personnel Officer, PR letter dated 16.07.2014, TLA employees should be engaged strictly in accordance with the eligibility

criteria for direct recruitment i.e. qualification/age etc. Further, as per minutes of the meeting regarding engagement of TLA employees held at MOR on 19.06.2019, TLA staff should be engaged by fulfilling prescribed eligibility criteria for the post. As per Establishment Division OM No.9/2/91-R-5 dated 24.06.2010 maximum age limit for BPS 1-15 was 30 years (25+5).

During audit of Mechanical Department, Sukkur Division in October 2021, it was observed that 18 overage employees were engaged on TLA basis during the period from May 2013 to April 2020. At the time of engagement, the age of these employees was ranging from 30 years to 42 years. This resulted in incurrence of irregular expenditure of Rs 2.58 million on pay and allowances.

The matter was taken up with the management in October 2021. Management responded that reply would be submitted within a week but no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC from the concerned Principal Officer.

Audit recommends that matter be investigated to fix responsibility for engagement of overage employees on TLA basis. Action be taken against those held responsible under intimation to Audit.

DP# 11440

2.5.43 Avoidable loss/expenditure by converting to new Signaling system – Rs 73.36 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 Divisional Signal Engineer, Sukkur in November 2019, it was observed that Railways stations were equipped with new computer-based interlocking (CBI) signaling system. The trains were still running on Paper Line Clear (PLC) both on main and Department lines over Sukkur Division, thus Pakistan Railways sustained a loss of Rs 73.36

million per annum on account of excess consumption of HSD oil due to running of trains on PLC.

The matter was taken up with Management in October 2019 but no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be investigated to fix responsibility for failure to run the trains on CBI signaling system. Action be taken against those held responsible besides adopting measures to put the CBI system in operation to avoid further loss.

DP# 10508

2.5.44 Inappropriate disposal of assets of REDAMCO by Ministry of Railways – Rs 16.78 million

In terms of Sections 358 and 364 of the Companies Ordinance 1984, when a company, on the recommendations of directors, decides that the company be wound up voluntarily and passes a Special Resolution, in general meeting (Annual or Extra Ordinary) appoints a liquidator and fixes his remuneration. On the appointment of liquidator, the Board of Directors cease to exist. It is further provided under Section 370 that as soon as affairs of the company are fully wound up, the liquidator shall make a report and account of winding up, call a final meeting of members, before which the report / accounts shall be placed.

During audit of Ministry of Railways Islamabad in September 2020, it was observed that the Board of Directors of Railways Estate Development & Marketing Company (REDAMCO) decided in its 27th BoD meeting dated 12.09.2019 that (1) Physical Assets of REDAMCO along with record pertaining to Admin & Finance Department be transferred to Ministry of Railways and (2) Liquidator be appointed for winding-up the company. Resultantly, physical assets of REDAMCO having market value of Rs 16.78 million (as per hypothecation stock inspection by M/S International Design Group during July, 2019) were inappropriately taken over by Ministry of Railways prior to appointment of liquidator and completion of winding-up process in violation of above-mentioned provisions of Companies Ordinance. Moreover, the valuable company assets including vehicles, split Air Conditioners, Office equipment and laptops in good working condition were unlawfully distributed among different Railways officers while the liquidation process was not even initiated. This resulted in inappropriate disposal of assets of REDAMCO amounting to Rs 16.78 million in contravention of the provision of Companies Ordinance.

The matter was taken up with the management in September 2020 but no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be investigated to fix responsibility for inappropriate disposal of company's assets before completion of liquidation process. Retrieve the company assets handed over to different officers immediately.

DP # 10515

2.5.45 Irregular payment of honorarium/ cash award to private persons – Rs 2.30 million

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

During audit of the Financial Advisor & Chief Accounts Officer/PR, headquarters office, Lahore in October 2021, it was observed that an amount of Rs 2.30 million was irregularly paid to the SAP consultants of pension module on account of honorarium/ cash award. The SAP consultants being the private persons (other than Railway employees) were not entitled for honorarium/cash award as they were not permanent employees of the Pakistan Railways. This resulted in irregular payment of Rs 2.30 million to the private persons other than the permanent employees of Pakistan Railways. This depicts severe negligence on the part of the management.

The matter was taken up with the management in October 2021 but no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC from the concerned Principal Officer.

Audit recommends that matter may be inquired for irregular payment of honorarium/cash award to private persons. Action be taken against those held responsible besides recovery of the amount involved.

DP# 11414

2.5.46 Irregular payment of deputation allowance – Rs 3.13 million

As per Ministry of Railways (Railway Board) letter dated 07.11.1995, the Railway Board in its meeting held on 01.10.1995 decided

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

During audit of Pakistan Railways Freight Transportation Company (PRFTC) Private Limited in June 2021, it was observed that an amount of Rs 3.13 million on account of transfer/deputation allowance was paid to the employees who were transferred from Pakistan Railways to PRFTC for the period from 01.06.2015 to 30.06.2021. This resulted in irregular/ unjustified payment of transfer pay/allowance of Rs 3.13 million in violation of the decision of Railways Board.

The matter was taken up with the management in September 2020 during Performance Audit vide Para No. 4.1.6 and in June 2021. The issue was also discussed in DAC meeting dated 16th November 2020. The chair considered the reply satisfactory and decided to settle the para but Audit disagreed on the grounds that the similar issue in respect of PRACS had already been referred by the DAC in its meeting held on 8th November 2019 to Member Finance with the directions to examine the issue of vetting and approval of service rules of PRACS and other subsidiaries of PR from Finance Division and pended the para till next DAC. Compliance of DAC directives was awaited.

Audit recommends that responsibility may be fixed for unjustified payment of transfer pay/allowance to the employees of PR against orders of the Ministry of Railways and the amount involved be recovered from the concerned officials under intimation to Audit.

DP# 11139

2.5.47 Recurring loss due to over staffing – Rs 7.34 million

Para-1801 of Railway General Code stipulates 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 WM/Steel shop, MGPR in September 2020, it was observed that out of two Electric Furnaces installed in the Electric Furnace shop (Steel Melting Shop), production of Furnace No. 1 was stopped on 17.10.2004 due to its poor condition and later on it was declared condemned on 26.09.2013. Comparison of direct workers deployed revealed that fifty-nine (59) direct workers were working on two furnaces in 2013. Whereas sixty-one (61) workers were deployed only on one furnace during the Financial Year 2019-20. This indicated that sanctioned strength of the shop was not rationalized/ revised after the condemnation of Furnace No. 1 and almost double number of direct workers was deployed only on one furnace. This resulted in recurring loss of Rs 7.34 million per annum on account of Labour charges due to over staffing.

The matter was taken up with the management in October 2020. Management replied that the matter of overstaffing is based on misunderstanding. The furnace shop was also facing shortage of staff when the two furnaces were operational. It was baseless to assume that deployed staff is exclusive for each furnace. Instead, two furnaces were working side by side and the same labor was deployed in both the furnaces in spite of the shortage of the staff. The remarks were not acceptable because operation of two furnaces side by side could not be possible without separate staff. Further, the remarks of executives were admission of audit observation. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be inquired to fix responsibility for non-shifting of surplus staff. Sanctioned strength of Electric Furnace shop be revised to avoid recurring loss under intimation to Audit.

DP# 11212

2.5.48 Loss due to late clearance of consignments – Rs 2.047 million

As per clauses of different purchase orders issued by the chief Controller of Purchase, Lahore and agreements executed by the Director Procurement, Islamabad. The shipping documents should be reached at the office of the DCOS/ Shipping/KC ten days advance to assess the custom duties and other allied charges and readily made available from the arrival of ship. Further, Para 1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part.

During audit of Chief Controller of Stores, Lahore in November 2021, it was observed that an amount of Rs 2.047 million was paid to the KPT on account of demurrage, storage, godown rent and other charges for the period from 2018 to 2021 due to late clearance of the consignments from Sea & Airports. The delay in clearance of consignments was due to late receipt of shipping documents from the firms and late clearance on the part of Railway management. Railway management did not take any efforts for the recovery of above said amount from the firm or the person responsible. This resulted in loss of Rs 2.047 million due the slackness on the part of Railway management.

The matter was taken up with the management in November 2021 but no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be probed to fix responsibility for late clearance of consignments and non-recovery of the amount from the firm or person at fault. Action be taken against those held responsible besides recovery of the amount involved under intimation to Audit.

DP# 11622

2.5.49 Loss due to wrong fixation of base rate against the policy – Rs 12.62 million

Item No 10 of the policy for Car/Motor Cycle Parking on PR land on entire network stipulates that the bids shall be invited on annual rental basis by fixing the base price @ 6% for Category (C) as per DC rate of the

area (per Marla) as circulated by Directorate of property and land vide letter dated 03.01.2017. Rule 4 of the PPRA stipulates that, Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of the Divisional Commercial Officer, Multan in May 2020, it was observed that allotment of Car/Taxi Stand at Multan Cantt. Station was awarded to Muhammad Shabbir @ Rs 2,305,000/- per annum through auction held on 11th November 2017. Audit observed that the base rate of rent for Parking Stand was erroneously fixed as 2.00 million per annum instead of Rs 7.71 million per annum by the Divisional Assessment Committee (DAC). Further, the approval of above auction from Director, Property and Land, Lahore was obtained by showing less than actual size of area of the site as 35.13 marlas instead of 112.04 marlas. This resulted in loss of Rs 12.62 million due to wrong fixation of base rent for parking stand.

The matter was taken up with the management in May 2020. Management replied that after scrutiny of relevant record, comprehensive reply would be sent shortly with allied documents. The remarks were not acceptable as no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be probed to fix responsibility for award of contract at lower rates. Action be taken against those found at fault besides recovery of the loss under intimation to audit.

DP# 10511

2.5.50 Loss due to transporting/ shipment of material by air instead of by sea – Rs 11.49 million

As per clause (1) of purchase order no. 19/0015/01-0/2-2019 dated 23.09.2019, “freight charges are payable at actual to M/S PNSC Ltd. Karachi at destination in Pak: currency by DCOS/Shipping /KC on arrival of vessel in Karachi Port.

During audit of Chief Controller of Purchase, Pakistan Railways, Lahore in November 2020, it was observed that tender for procurement of 8000 brake shoes for locomotive was awarded to M/s Afham Associates Lahore at a total cost of FOB Euro 123,600 including freight charges vide Purchase order dated 23.09.2019. Instead of booking the material through PNSC, Railways management booked the material by PIA and an amount of Rs 11,683,643 was paid to PIA in violation of agreement. Where, as per purchase order the freight charges for shipping through sea were Rs 192,240 (640,800/8000x2400). Moreover, the supplier was given extension of 06 months period in supplying items which proved non urgency. This resulted in loss due to excess payment of Rs 11.49 due to shipment of material by changing mode of transportation.

The matter was pointed out to the management in December 2020 but no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC from the concerned Principal Officer.

Audit recommends that matter may be inquired to fix responsibility for shipment of goods by air instead of by sea. Action be taken against those held responsible besides recovery of the amount involved under intimation to Audit.

DP# 10538

2.5.51 Irregular unloading of ballast without revision of estimate and approval of authority – Rs 33.16 million

In terms of the Chief Engineer's vide letter No. 89 -W/0/1/Pt-I (W-1) dated 14.11.2009, sectional PWIs were strictly instructed to utilize the ballast of sanctioned Category-D Program at the KMs mentioned in program. However, if it is needed to utilize the ballast in emergency on the KM other than sanctioned Category-D Program, prior approval of the competent authority was required and the estimate must get revised accordingly to avoid any audit objection in future".

During audit of Civil Engineering Department Sukkur in September 2020, it was observed that huge quantity of ballast (i.e. 796,986 Cft) valuing Rs 33.16 was supplied to different PWIs of Sukkur Division and

unloaded at kilometers/sites other than those provided in the sanctioned Category-D ballast program without the approval of competent authority and revision of estimate. This resulted in irregular unloading of ballast amounting to Rs 33.16 million due to the slackness on the part of management.

The matter was taken up with the management in September 2020. Management replied that ballast was issued due to various emergent reasons arising from time to time to keep the track safe for train movement. However, the details would be checked and if required transaction would be regularized. The remarks were an admittance of audit observation. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be probed to fix responsibility for unloading of ballast at KMs other than those provided in the sanctioned category-D program. Action be taken against those found at fault besides taken remedial measures to regularize the amount.

DP# 10547

2.5.52 Non-production of record – Rs 153.93 million

In terms of Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan read with the Auditor General's Ordinance 2001 and orders of the Supreme Court of Pakistan passed in CMA's 3330, 3471, 3594/13 in constitutional petition No. 105-12, audit is the constitutionally mandated process and after 18th Amendment in the constitution there is no room for denial of disclosure and withholding of accounts from Auditor General for audit. Further, under section-14(3) of above Ordinance, any person or authority hindering the auditoria functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Disciplinary Rules, applicable to such person.

During audit of eight different formations, the auditable record amounting to Rs 153.93 million was not provided to Audit for scrutiny as

detailed in **Annexure-O**. In most of the cases, no reply was received and detailed reply had been incorporated in said annexure.

Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

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

2.5.53 Unjustified/ irregular late payment surcharge on electricity/ Sui gas bills – Rs 26.26 million

In terms of Clause 4 of Agreement executed between DISCOs and Pakistan Railways, no late payment surcharge will be levied on the A/C numbers relating to the Railways Department in case of advance Payment. Further, Para 1801 of Pakistan Railways General Code states that means should be devised to ensure that every Railway servant realizes fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence.

During audit of six formations, it was observed that an amount of Rs 26.26 million was paid to DISCOs and SNGPL on account of unjustified/irregular late payment surcharge on electricity and sui gas bills in violation of the agreement and due to slackness on the part of PR management as detailed in **Annexure-P**.

In most of the cases, management replied that bills were not paid in time due to late release of cash. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers except Sr. No. 05 and DAC directives of the same had been incorporated in **Annexure-P**.

Audit recommends that matter be inquired to fix responsibility for making late payment surcharge and not making the payment in time to DISCOs and SNGPL respectively. Action be taken against those held

responsible besides taking corrective actions for adjustment of the amount involved.

2.5.54 Non-recovery of Quarterly Tariff Adjustment in electricity bills – Rs 11.39 million

The National Electric Power Regulatory Authority (NEPRA) notified the quarterly adjustment in tariff vide notifications No.NEPRA/R/TRF-100/XWDISCOs/25610-25612 dated 26.11.2019 and No.NEPRA/R/ADG(Tariff)/TRF-100/XWDISCOs/31509-31511 dated 24.07.2020. According to notifications the quarterly tariff adjustments would be recovered in twelve months period, starting from the date of notification.

During audit of the Electrical Department, Sukkur Division in October 2021, it was observed that Pakistan Railways purchased electricity in bulk from DISCOs during the year 2020-21 for consumption in service and residential buildings. DISCOs charged quarterly tariff adjustments at the rate of Rs 2.89 per unit during the period from July 2020 to June 2021 in the bulk supply bills of Railways but this adjustment in tariff was not passed on to the consumers. Thus, due to non-recovery of quarterly tariff adjustments from residents of Railways colonies, PR suffered loss of Rs 11.39 million during the financial year 2020-21.

The matter was taken up with the management in October 2021. The management replied that all Zonal in-charges had been directed to recover quarterly tariff adjustments at the rate of Rs 2.89 per unit from the residential colonies. The remarks were an admission of audit observation. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that outstanding quarterly tariff adjustments may be recovered from the residents of Railways colonies under intimation to Audit.

DP# 11526

Management of Accounts in Commercial Banks

2.5.55 Unauthorized depositing of Railways earnings into private bank accounts – Rs 50.40 million

Para 1402 of Pakistan Railways General Code provides that all money received by or tendered to Government Officers on account of revenues should be deposited in full in the treasury or bank specified by the Ministry of Finance in consultation with the State Bank of Pakistan without any delay.

During audit of following formations of Pakistan Railways, it was observed that Railways earnings were unauthorizedly deposited into private accounts instead of Government treasury as detailed below:

(Rs in million)

Sr #	DP #	Formation	Earnings From	Period	Account No.	Amount
1.	10837	Property & Land	Wassas Marriage Hall (Kashmir	2019-20	4039982713, 4039982633	16.68
2.	11026	Department, Workshops Division Mughalpura, Lahore	Marque), Mughalpura Institute (4 Grounds) & Griffin Institute	2020-21	& 3039920147 NBP, MGPR	27.32
3.	11067	DG, Pakistan Railway Academy, Walton	Wedding ground	2019-20	4070100400 NBP, Walton	3.99
4.	11627			2020-21		2.41
Total						50.40

The matter was taken up with the management from March 2020 to October 2021. Management replied against Sr. No. 1 and 2 that matter pertained to the Divisional Sports Officer. Against sr No. 03 and 04 management replied that the detailed reply would be submitted shortly.

The remarks were not acceptable as the issue pertained to Property & Land Department. Further, it was the responsibility of management to deposit all Railway revenue with Railway treasury in compliance of DAC directives dated 25.01.2019 against Audit Para No. 2.4.3/2016-17. Against Sr. No. 03 and 04 no reply was received. The para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-

presentation of reply in the DAC meetings from the concerned Principal Officers.

Audit recommends that the deposit of Railways' earnings into private account should be stopped immediately and disciplinary action be initiated against responsible officers. The amount be transferred to Government treasury forthwith under intimation to Audit.

Governance Issues in PSDP and Development of Infrastructure

2.5.56 Faulty Procurement process resulting unjustified revision of PC-I – Rs 1.79 Billion

Rule 4 of Public Procurement Rules, 2004 stipulates that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and procurement process is efficient and economical. Further Rule 32 provides that discrimination and difficult conditions should not be introduced, which discriminates between the bidders and or that is considered to be met in difficulty.

During audit of, Rehabilitation/ Procurement of Re-manufactured 300 Traction Motors a PSDP Project in November 2019, it was observed that PC-I for the said work was approved for Rs 1.65 Billion. As per PC-I, four types of traction motors were required to be rehabilitated in Railways workshops by procuring their spare parts. As the Pakistan Railways owned full-fledged in house facility for rehabilitation of traction motors in Railway workshops. Accordingly, Railways management invited tenders for procurement of spare parts of four types of traction motors on 30.07.2015. As per bidding documents, Railways management invited offers from original manufacturers, approved manufacturers and unapproved suppliers, and created discrimination by giving different evaluation marks ranging from 300, 250 to 230 respectively. Out of 16 bidders, only two bidders offered their bids. One bid was received from original manufacturer i.e. General Electric only for two traction motors and second bid from Chinese Company i.e. M/s Yongji Electric

Equipment Co. for all traction motors. Railway management irregularly disqualified the Chinese firm on evasive grounds that the company had not agreed and zero marks were given in technical evaluation. The Chinese company clarified that they fully agree with scope of work. Later on, the tender was filed by self-suiting justification of poor response from bidders on 29.03.2016. Subsequently, Railways management submitted a revised PC-I and changed the scope of the work from rehabilitation to procurement of re-manufactured traction motors for Rs 1.79 Billion on 02.03.2017 by ignoring the in house facility. This resulted in unjustified revision of PC-I for procurement of remanufactured tractions motors instead of rehabilitation of the same in its own workshops.

The matter was taken up with the management in November 2019 and also discussed in DAC meeting held on 15.02.2022. DAC was not satisfied with the explanation of the PO and directed the PO that a detailed and comprehensive reply along with documentary evidence be provided to Audit within 45 days and pended the para till next DAC meeting. Compliance of DAC directives was awaited.

Audit recommends that matter may be investigated to fix responsibility for failure to devise transparent evaluation criteria, unjustified disqualification of bidder and unjustified revision of PC-I. Action be taken against those held responsible besides referring the case to investigation agencies to probe the matter.

DP# 10599

2.5.57 Unauthorized expenditure on additional works without provision in PC-I – Rs 418.17 million

Para 806 of Government of Pakistan Railways General Code provides that the lump sum grants voted by the legislative assembly in response to the demands for grants presented to them, may be spent only on the objects and for the purpose specified in the PC-I/detailed statements. No expenditure may be incurred by any authority on a new service/work not contemplated in the original demand, without obtaining a supplementary grant from the legislature.

During audit of following formations, it was observed that an amount of Rs 418.17 million was incurred on additional works that were not provided in respective PC-Is. This resulted in unauthorized expenditure of Rs 418.17 million in violation of approved PC-I.

(Rs in million)

Sr. #	DP #	Formation	Amount
1	10683	PD, Track Rehabilitation (KPR-LON)	399.18
2	10755	PD, DOT (KWL-RND) HQ office, Lahore	18.99
Total			418.17

The matter was taken up with the management in November 2019 and December 2020, but no reply was received and paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be inquired to fix responsibility for unauthorized incurrence of expenditure on additional works without any provision in PC-I and action be taken against those held responsible.

2.5.58 Irregular utilization of PSDP funds for revenue works and revenue funds for PSDP works – Rs 291.20 million

Para 8 (a) of Finance Division O.M.No.F.3(2) Exp-III/2006 dated 13.09.2006 stipulates that without prior consent of Finance Division, no appropriation be made from development to current expenditure and vice versa.

During audit of five formations, it was observed that PSDP and revenue funds valuing Rs 267.59 million and Rs 23.61 million were utilized for revenue works and PSDP works respectively. This resulted in irregular utilization of PSDP and revenue funds amounting to Rs 291.20 million without approval of Finance Division as detailed in **Annexure-Q**. This depicts weakness of financial and internal controls.

In most of the cases, management replied that detailed reply would be furnished shortly. Replies, so far received, however have been incorporated in **Annexure-Q**.

Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that matter may be investigated at an appropriate level to fix responsibility for utilizing PSDP funds for Revenue work and vice versa. Expenditure involved be got regularized from Finance Division. Financial and internal controls be strengthened to avoid recurrence.

2.5.59 Non-supply of Speed Sensor – Rs 12.94 million

Clause 13.11 of the contract agreement No. DP/RTM/GE761/2017 dated 23.06.2017 provides that “any other work which is essentially required to remanufacture the traction motor to bring up to the OEM Standard”

During audit of, Rehabilitation/Procurement of Re-manufactured 300 Traction Motors (Revised) a PSDP Project in October 2020, it was observed that Pakistan Railways executed an agreement valuing \$1,194,000 for procurement of GE 761 A23 remanufactured traction motors with M/s CRRC YONGJI ELECTRIC Co., China vide agreement dated 23.06.2017. It was observed that 60 Speed sensors valuing \$103,042, which were an integral part of the traction motor, were not supplied to Pakistan Railways. Pakistan Railways did not take up the matter with supplier for supply of requisite material. This resulted in loss to Pakistan Railways amounting to Rs 12.94 million due to shortage in supply of essential parts.

The matter was taken up with the management in October 2020 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that sensors of CAT No. 41B537105GI were not an integral part of traction motors. Audit did not agree with the view point of the Railway management and informed the DAC that as per clause 13.11 of the contract agreement dated 23-06-2017 any other work which is essentially required to remanufacture the traction motor to bring up to the OEM Standard. DAC directed the PO that a fact-finding inquiry be conducted and report of the same be shared with Audit and DAC within 30 days. Compliance of DAC directives was awaited.

Audit recommends that the matter be inquired to fix responsibility for failure to take up the matter with supplier. Action be taken against those held responsible besides recoupment of the material or amount involved.

DP# 10548

2.5.60 Irregular transfer of funds without receipt of material – Rs 79.53 million

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

During audit of Up-gradation of Terminal Facilities and Dry Ports a PSDP project, in November 2021, it was observed that an amount of Rs 93.670 million was transferred to Track Rehabilitation (TR) project for supply of Rails and Sleepers etc, for execution of Complete Track Renewal (CTR) at Badami Bagh Station and Mughalpura Dry port, in June 2017. However, TR management only supplied material valuing Rs 14.144 million and remaining material valuing Rs 79.53 million had not been supplied despite lapse of more than 04 years. This resulted in irregular transfer of funds amounting to Rs 79.53 million without receipt of material. This depicts negligence and slackness on the part of both projects.

The matter was taken up with the management in November 2021 but no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be investigated to fix responsibility for transfer of amount and non-supply of material. Action be taken against those held responsible besides taking remedial measures under intimation to audit.

DP# 11628

2.5.61 Irregular payment of consultancy and design charges before approval of reports-Rs 30.71 million

Clause 6.3 of contract agreement for consultancy services between Pakistan Railways and joint venture of consultants dated January 2021 provides that the payment will be made after the submission and subsequent approval of each deliverable. However, on the request of the

consultant, 20% of the deliverable payment will be released upon submission of invoice. Clause 11.1 request for Proposal regarding deliverables provides that the consultant shall provide ten (10) copies of each with an editable soft copy on CD/DVD.

During audit of Karachi Circular Railway, a PSDP Project in October 2021, it was observed that the joint venture of consultants submitted 11 deliverables after feasibility study to Railways management in June 2021 including inception report in April 2021 along with invoices amounting to Rs 38.39 million for release of payment against the job. These 11 reports on feasibility studies were communicated to AGM Infrastructure for vetting from relevant forum in July 2021. As per agreement, only 20% of the invoiced amount was required to be paid to the consultants before final approval of the reports. Whereas, the project management made full payment of Rs 38.39 million to consultants irregularly before completing the process of vetting and obtaining of final approval for reports. Audit further observed that Secretary Railways issued note of displeasure on the quality of reports during progress review committee meeting. Moreover, the Environment Protection Agency, Government of Sindh also pointed out certain deficiencies in environmental report. This resulted in irregular payment of Rs 30.71 million to the consultants on account of consultancy and design charges before approval of reports in violation of terms and conditions of contract agreement.

The matter was taken up with the management in October 2021. The management replied that the payments were made after approval of the reports. The draft feasibility study and financial model has been submitted to Public Private Partnership Board (P3A) for approval. The remarks were not acceptable because payment was made to consultants while the deliverables were under vetting process at headquarters office. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be inquired to fix responsibility for irregular payment before final approval of reports. Action be taken against those found at fault besides strengthening internal controls for financial and contract management.

DP# 11482

2.5.62 Irregular adjustment without transfer of cash – Rs 36.18 million

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

During audit of PSDP Projects for the Financial Year 2020-21, it was observed that management of different PSDP projects and deposit works utilized Railways freight wagons and Railways materials valuing Rs 36.18 million for their projects. The recipients of Railways freight services and Railways materials had not deposited/transferred the cash in Railways account-III. Instead of depositing the cash with Pakistan Railways, the amount on account of freight charges and the cost of the material was adjusted through book adjustments only. This resulted in loss to Pakistan Railways amounting to Rs 36.18 million due to irregular and incorrect adjustments without transfer of cash.

The matter was taken up with the management in October 2021. The management replied that book adjustment was made by Project management. However, the actual transfer of funds into relevant account pertains to Headquarters Office. The remarks were not acceptable because adjustment in cash were required instead of adjustment through TCs as three separate bank accounts and three separate accounting entities were involved. Further, the remarks were an admission of audit observation. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that matter may be taken up at an appropriate level to devise a policy for actual transfer of funds in Revenue account.

Amount involved be deposited with Pakistan Railways forthwith under intimation to Audit.

DP# 11426 & 11525

Issues in Railway Track and Rolling Stock

2.5.63 Loss due to defective agreement with NLC – Rs 863.15 million

According to clause 5.1.1, 5.1.2 and 5.1.4 of agreement dated 14.11.2014 executed between Pakistan Railways and M/s NLC for operating lease of locomotives for operation of freight trains, monthly rental for 10 locomotives was fixed as “Rs.187000 (with 6.5% increase per annum) per locomotive per day for 365 (366 days in leap year) days per year against availability of locomotives for 300 working days in a lease year.

During audit, of Mechanical Department Karachi in September 2020, it was observed that Pakistan Railways executed an agreement with National Logistic Cell to obtain 10 locomotives on rental basis to be used in freight trains during the year 2014-15. As per agreement, rental charges were to be paid at the rate of Rs 187,000 per day per locomotive for 365 days against the availability of locomotive for 300 working days. Thus, Pakistan Railways had to pay the rental charges for the days when the locomotives were not in operation with Pakistan Railways due to loopholes and weak contract management. This resulted in loss of Rs 863.15 million due to faulty agreement without availing any benefits during the idle working days of locomotives for the period from 2014-15 to 2019-20. Moreover, the idle fleet of PR locomotives necessitate no leased/rental locos.

The matter was taken up with the management in August 2020 but no reply was received and para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be investigated to fix responsibility for making defective agreement with NLC and against interest of Pakistan Railways. Action be taken against those held responsible besides recovery of the amount involved. Audit further

recommends that measures be taken to avoid further loss under intimation to Audit.

DP# 10631

2.5.64 Suspected bogus repair of locomotives – Rs 31.69 million

Para-1801 of Pakistan Railways General Code provides that every Railway servant will be held personally responsible for any loss sustained through fraud or negligence on his part. Further, as per Maintenance Regulation No. ME/DE-1011 REV(VI)2013 issued vide No.494-W/367/45-B/Pt-II(M-4), the periodicity and time for carrying out C-I repair is 06 years or 1,200,000 KMs whichever is earlier.

During audit of Central Diesel Locomotive Workshop Rawalpindi in September 2020, it was observed that Locomotive No. 4930 GMCU-15 (KDA) after carrying out C-I repair at cost of Rs 17,019,931 was dispatched from CDL Shop on 17.03.2018. The locomotive was again returned to CDL workshop on 20.07.2018 for nominated repair which again cost Rs 1,312,784 just after 04 months of C-I repair and turned out on 11.08.2018. Despite incurrence of heavy expenditure of Rs 18.33 million (Rs 17.02 million + Rs 1.31 million) on C-I , the locomotive could hardly work for a period of less than two months and again received back in CDL workshop for C-I repair on 01-10-2018 against 06 years scheduled C-1. It is worth mentioning that the C-I repair of in-question locomotive was due on 17-03-2021. The locomotive remained at CDL workshop for 23 months and turned out on 31-07-2020 after C-I repair at cost of Rs. 13.36 million. This resulted in suspected bogus expenditure of Rs 31.69 million (Rs 17.02 million + Rs 1.31 million+13.36 million) on account of C-1 repair as the expenditure was booked but locomotives were not repaired. This also caused financial loss on account of potential earnings due to detention of locomotive for 23 months in CDL workshop.

The matter was taken up with the management in November 2020. Management replied that detailed reply would be submitted after checking the record from concerned offices but no reply was received. The para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022

due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that the matter may be investigated to fix responsibility for turning out the locomotive without repair and booking of bogus expenditure. Amount involved be recovered from those held responsible along with initiation of disciplinary action.

DP# 10501

2.5.65 Irregular expenditure on staff in excess of sanctioned strength – Rs 79.58 million

Para 111 of Pakistan Railways 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, different categories of staff were found working in excess of the sanctioned strength as detailed in **Annexure-R**. This resulted in irregular expenditure of Rs 79.58 million on account of pay and allowances of staff working in excess to the sanctioned strength.

In most of the cases no reply was received. Detailed replies, however, had been incorporated in **Annexure-R**.

Paras could not be discussed in the DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers.

Audit recommends that responsibility for irregular expenditure be fixed and necessary corrective actions be taken to lay off excessive human resource.

2.5.66 Loss due to deficiencies in Coaching and Goods Stock – Rs 29.46 million

Revised Standard Operating Procedures (SOP) regarding prevention of theft of Railway material as communicated vide Deputy Inspector General/Operations, Pakistan Railways Police letter No. M-

504/8-PRP/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.

During audit of five formations, it was observed that deficiencies of fittings in coaching and goods stocks valuing Rs 29.46 million were noticed due to weak internal controls meant to prevent theft, as detailed in **Annexure-S**. This resulted in loss to PR Rs 29.46 million due to management's slackness.

In most of the cases, management replied that efforts were made to minimize the theft resulting in deficiencies. However, detailed replies were incorporated in **Annexure-S**.

Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that Railways 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.

Financial Mis-management Issues

2.5.67 Loss due to non-recovery of damages on account of non-production of sleepers and long ties - Rs 6.29 Billion

As per clause 20 of the terms and conditions of agreement dated 18.10.2006 executed between M/s H.I.S Industries and Pakistan Railways regarding leasing of Concrete Sleeper Factory Kotri, if the lessor fails to purchase 150,000 Mono Block sleepers and 30,000 meters Long Ties per year starting from the date of production then the lessor will be bound to pay an amount of Rs 500/- per sleeper and Rs 500/- per meter Long Ties to the lessee for the balance quantity and vice and versa.

During audit of Managing Director, Concrete Sleeper Factories in October 2021, it was observed that M/s H.I.S Industries failed to provide the requisite quantity of sleepers and long ties during the entire lease period ranging from 2006 to 2021 in violation of said agreement.

However, Railways management did not make any strenuous effort to recover the damages. This resulted in loss due to non-recovery of Rs 6.29 Billion due to slackness on the part of Railways management.

The matter was taken up with the management in October 2021. The management replied that the production of CSF/Kotri was stopped due to quality dispute between PR and H.I.S Industries. The matter proceeded to arbitration and interim award had been issued regarding settlement of claims of both the parties. All the claims of PR were under consideration as per interim award and agreement. The remarks were an admission of audit observation. Further, the progress of the case was not furnished to Audit. The para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter may be probed to fix responsibility for non-recovery of dues. Action be taken against those held responsible besides settlement of the issue as per rules/regulation under intimation to Audit.

DP# 11449

2.5.68 Loss due to non-recovery of Railway dues from Government Departments – Rs 2.23 Billion

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 15 different formations of Pakistan Railways, it was observed that an amount of Rs 2.23 Billion was recoverable from various Government Departments and Authorities such as Foods Department, National Bank of Pakistan, Heavy Mechanical Complex, PSO, Defense Department, Islamabad Dry Port and NLC etc. as detailed in **Annexure-T**. 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 September 2019 to August 2021. In most of the cases, management replied that efforts were being made to recover the outstanding amount. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC by the concerned Principal Officers except Sr. No. 01, 03 and 11 and DAC directives of the same had been incorporated in **Annexure-T**.

Audit recommends that action may be taken against those held responsible besides ensuring recovery of the amount involved under intimation to Audit.

2.5.69 Non-recovery of dues from lessees – Rs 1.02 Billion

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 44 different formations, it was observed that an amount of Rs 1.02 Billion was recoverable from various private parties on account of rental charges, penalty and escalation charges etc. as detailed in **Annexure-U**. Railways management failed to realize the same and resultantly faced acute shortage of cash flow in managing financial transactions.

The matter was reported to the management from March 2018 to November 2021. In most of the cases, management replied that efforts were being made to recover the outstanding dues. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings by the concerned Principal Officers except Sr. No.09, 33 and 51 and DAC directives of the same had been incorporated in **Annexure-U**.

Audit recommends that action may be taken against those held responsible besides ensuring recovery of amount under intimation to Audit.

2.5.70 Loss due to non-recovery from Railway employees – Rs 234.69 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 10 different formations, it was observed that an amount of Rs 234.69 million was recoverable from Railways employees on account of overpayment, cash awards, loans & advances, utility charges, conservancy charges and rest house charges etc. as detailed in **Annexure-V**. Railways management failed to realize the same and as a result faced acute shortage of cash flow in managing financial transactions.

The matter was taken up with the management from October 2019 to August 2021. In most of the cases, management replied that matter had been taken up with concerned authorities for recovery. Detailed replies, however, had been incorporated in **Annexure-V**. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that action be taken against those held responsible besides ensuring recovery of the amount involved under intimation to Audit.

2.5.71 Loss due to non-recovery of liquidated damages charges – Rs 217.22 million

As per article 15.1 of contract agreement for Rehabilitation of 27 Nos. HGMU-30 D.E Locomotives dated 19.07.2012, if the seller fails to deliver the complete and final rehabilitation of each locomotive in accordance with the article-6 of the agreement, the purchaser may collect liquidated damages at the rate of 1/2 % of the FOB price of each consignment of material so delayed for each week subject to maximum of 5%. Further, sub clause 27.1 of tender documents for provision of ballast states that LD charges shall be 0.1% per week. Moreover, in terms of Para

7.4 of contract data of agreement of construction of bridge No. 215-A of RBOD, the amount payable due to failure to complete shall be @ 0.05% per day up to a maximum of 10% of sum stated in the letter of acceptance.

During audit of five (05) different formations, cases of non-recovery of liquidated damages charges amounting to Rs 217.22 million were observed as detailed in **Annexure-W**.

The matter was taken up with the management from November 2019 to December 2020. In most of the cases, management agreed with the view point of Audit. Detailed replies, however, had been incorporated in **Annexure-W**. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

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

2.5.72 Irregular/unauthorized waiver off rental charges – Rs 138.73 million

As per Rule 8 of System of financial control and budgeting– 2006 (up dated up to October 2018), the powers to write off of irrecoverable value of stores or public money due to losses on account of fraud, theft, etc have been delegated to the administrative Ministries/Divisions and head of the department upto Rs 10,000,000 in each case and Rs 200,000 respectively. Further, as per para-8.2.4.1of Accounting Policies and Procedures Manual, subject to the limits and conditions specified in the Delegation of Financial Powers, a delegated officer may approve the write-off or waiver of irrecoverable public money.

During the audit of following formations, it was observed that an amount of Rs 138.73 million on account of rental charges of luggage van, brake van, exclusive selling rights, aerated water, dining cars and storage/demurrage charges was irregularly/unauthorizedly waived off by SGM/CEO of Pakistan Railways. This resulted in irregular /unauthorized waiver off Rs138.73 million which was beyond the competency of SGM/CEO as per above rules.

(Rs in millions)

Sr. #	DP #	Formation	Amount
1	10962	Chief Commercial Manager, H.Q. Lahore	106.25
2	11621	Chief Controller of Stores, H.Q. Lahore	32.48
Total			138.73

The matter was taken up with the management in June 2021 and November 2021. Against Sr. No. 1, management replied that the amount was waived off by the CEO/Senior General Manager on the recommendation of Senior Management Committee comprising of CCM, CMM, & FA & CAO/Rev as well as legal opinion of DLA.

The remarks were not acceptable as waiver of amount beyond Rs 200,000 was within the competency of Ministry of Railways and not within the competency of CEO/Sr. GM. Against Sr. No. 2 no reply was received. Paras could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of replies in the DAC meetings from the concerned Principal Officers.

Audit recommends that matter be investigated to fix responsibility for non-compliance of Finance Division directives and waived off such a huge amount without the approval of Railway Ministry. Action be taken against those held responsible besides regularization of the amount involved.

2.5.73 Defective contract agreement by excluding the liquidated damages clause from agreements – Rs 7.02 million

As per clause H (5) of Instructions for Bidder of Standard Bidding Documents of Pakistan Engineering Council, the Conditions of Contract contain no overall limit on the Contractor's liability. The number of liquidated damages per day of delay shall be entered by the Engineer/Employer in Contract Data. Usually, the liquidated damages are set between 0.05 percent and 0.10 percent per day and the maximum limit as 10 percent.

During audit of Signal Engineering Department, Rawalpindi Division in October 2021, it was observed that undue favour was extended to the contractors by excluding the liquidated damages clause from the agreements amounting Rs 7.02 million in violations of the instructions of

Pakistan Engineering Council. Audit was of the view that by excluding the LD clause from agreements, the interest of Pakistan Railways was compromised and resulted in defective contract agreements amounting to Rs 7.02 million.

The matter was taken up with management in October 2021. Management replied that the instructions have been noted and the clause of LD charge would be mentioned in the contract agreement. The remarks were an admission of audit observation. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC from the concerned Principal Officer.

Audit recommends that matter be inquired to fix responsibility for excluding the LD clause from contract agreements. Action be taken against those held responsible besides ensuring adherence to rules and regulations.

DP# 11483

2.5.74 Unauthorized expenditure on account of repair and maintenance from Deposit Misc. – Rs 10.81 million

As per Para 18 of instructions of Chief Engineer/OL vide letter dated 08.07.2008, the completion reports of deposit works shall be drawn within six months of physical completion of works and the balance amount payable to the sponsors on account of savings (due to lesser tender rates or otherwise) refunded. The tendency of utilizing the savings of deposit works towards other irrelevant works for which no provision exists in the sanctioned estimate will be avoided. Further, Para 958 of Pakistan Railways Code for the Engineering Department stipulates that the sanction granted by authority to an estimate should on all occasions be looked upon as strictly limited to precise objects for which the estimate was intended to provide.

During audit of Civil Engineering Department Lahore Division in September 2019, it was observed that 07 no. of works of special repair and maintenance amounting to Rs 10.81 million at different sites over Lahore Division were irregularly executed from the funds of deposit Misc. The estimates of these works were prepared by giving incorrect justifications,

showing these works were related/ included in Orange Line Train project being in connection with construction of fly over bridge in Railways station yard. The execution was unauthorized and occurred due to mismanagement and weak internal controls.

The matter was taken up with the management in October 2019. The management replied that the said 07 no. of works of Lahore Division were executed from Deposit works in the best interest of department / infrastructure of Lahore Division. The remarks were an admission of audit observation. Further, the works were required to be carried out from the head of revenue instead of Deposit Misc of Orange Line Train project. The DAC in its meetings held on 28.01.2022 show its displeasure that the poor financial controls be corrected and streamlined and amount involved be got regularized from appropriate forum.

Audit recommends that matter may be inquired to fix responsibility for unauthorized execution of repair works from Deposit Misc. Action be taken against those held responsible besides regularization of unauthorized expenditure from the competent forum.

DP# 10668

2.5.75 Fraudulent drawal of pension – Rs 0.36 million

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

During audit of Financial Advisor & Chief Accounts Officer, Pakistan Railways, Headquarters office, Lahore in September 2019, it was observed that family pension amounting to Rs 0.36 million was fraudulently drawn by miss Ghazala Kausar D/o deceased sub-inspector Ghulam Rasool for 13 months after her marriage. Railways management did not make any efforts to recover the amount involved. This resulted in non-recovery pension amount drawn fraudulently valuing Rs 0.36 million.

The matter was taken up with the management in September 2019. Management replied that the matter pertained to Pakistan Railways police

Department. The FA & CAO office dealt in disciplinary cases with respect to government employees. Ms. Ghazala Kausar was a civilian who drew pension of her mother fraudulently by concealing the facts. The remarks were not acceptable because it was the responsibility of the Accounts department to verify the facts before sanction of pensionary benefits. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that matter be inquired to fix responsibility for payment of Pension without proper verification. Amount of loss be recovered besides taking legal action against the person at fault under intimation to Audit.

DP# 10556

Issues in Revenue Management

2.5.76 Loss due to un-authorized electric overhead crossings – Rs 286.80 million

As per instruction issued by General Manager Operation headquarter Office Lahore vide letter No. Elect/1337/OH/UG/XING/Pt-IV dated 15-11-2017, all unauthorized Electric crossings were required to be regularized by concerned DISCO's, after observing necessary formalities and depositing of crossing charges as per 2013 rate.

During audit of Electrical Department, Sukkur in September 2020, it was observed that Sukkur Electric Supply Company (SEPCO) unauthorizedly erected/ installed 174 electric overhead crossings in Sukkur Division without execution of agreements with Railways management since 2014. Railways management did not initiate any action for execution of agreement and recovery of the lease/rental charges from SEPCO despite lapse of about 07 years. This resulted in loss of Rs 286.80 million due to non-execution of agreements and recovery of lease/rental charges amounting to Rs 286.80 million for the period from 2014 to date of Audit.

The matter was taken up with the management in September 2020. The management replied that matter had already been taken up at Headquarters level and detailed reply would be furnished shortly but no reply was received. The Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC from the concerned Principal Officer.

Audit recommends that matter be probed to fix responsibility for allowing the SEPCO to erect overhead crossing without agreements and payment of dues. Action be taken against those held responsible besides taking the remedial measures for regularization of the crossing and recovery of the amount involved.

DP# 10567

2.5.77 Loss due to recovery of withholding tax by attaching Railway bank accounts by FBR – Rs 20.60 million

As per clause-6.1 of agreement dated 29.07.2016 executed between Pakistan Railways and M/s PRACS for commercial management of Khushhal Khan Khattak Express (19 UP/ 20DN), the PRACS will deposit seven days round trip advance payment along with 10% withholding/advance tax with CCT, Lahore.

During audit of the Chief Commercial and Facilitation Manager, Headquarters Office, Lahore in June 2021, it was observed that above said agreement lasted only for 89 days i.e. from 01.08.2016 to 28.10.2016. M/s PRACS had deposited Rs 206.020 million on account of freight fare with Pakistan Railways. Whereas, 10% advance tax on these payments, under section 236A of Income Tax Ordinance 2001, amounting to Rs 20.60 million was not paid to Pakistan Railways. The PRACS management on its own/directly deposited the withholding/advance tax with FBR under section 147 of Income Tax Ordinance 2001 instead of section 236A. This did not absolve Pakistan Railways of its legal obligation to collect and deposit the withholding/advance tax under section 236A of Income Tax Ordinance 2001 being a tax withholding/collecting agent of M/s PRACS. Due to above mentioned anomaly, FBR had recovered the withholding tax amounting to Rs 20.60 million by

attaching Railways bank accounts. This resulted in loss of Rs 20.60 million to Pakistan Railways due to payment of withholding tax from Railways earning instead of recovering/collecting from M/s PRACS.

The matter was taken up with the management in June 2021. Management replied that the agreement is between PRACS & CCM Office. It would be most appropriate that the matter be taken up with the Two Offices. The remarks were not acceptable as it is the responsibility of CCFM office to deal with all tax matters with FBR and in Courts. Further, it was the responsibility of the Railways management to strengthen the internal controls to avoid losses. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that responsibility be fixed for non-recovery of withholding tax from M/s PRACS. Action be taken against those held responsible besides recovery of the amount involved from M/s PRACS/employees at fault under intimation to Audit.

DP# 10926

2.5.78 Misappropriation of Railway earning – Rs 6.44 million

Para-1405 of Pakistan Railways General Code provides that the appropriation of departmental receipts to departmental expenditure or any other purpose is strictly prohibited, except to a limited extent for the payment of expenditure of Pakistan Railways (e.g. payment of claims for compensation of goods lost or damaged, disbursement of pay and travelling allowances with a view to accelerate payment of such charges, payment of wages in certain specified cases under the Payment of Wages Act) and in any other case, with the prior approval, general or special, of the Federal Government.

During audit of the Property & Land Department, Workshops Division Mughalpura, Lahore in May 2021, it was observed that Railways management received an amount of Rs 6.44 million from M/s Usman International Private Limited on account of license fee, annual rental charges and charges for up gradation of play ground against the leasing of Railways land at Griffin Institute Mughalpura Lahore in 2010 and misappropriated the same.

The matter was taken up with the management in May 2021. The management replied that matter had been referred to Divisional Sports Officer for reply but no reply was received. Para could not be discussed in DAC meetings dated 28.01.2022 and 15.02.2022 due to non-presentation of reply in the DAC meetings from the concerned Principal Officer.

Audit recommends that responsibility be fixed for misappropriation of Railway earnings. Action be taken against those held responsible besides recovery of the amount involved under intimation to Audit.

DP# 11023

Chapter 3

Thematic Audits

THEMATIC AUDIT REPORT
ON
LAND UTILIZATION FOR
REVENUE GENERATION
AUDIT YEAR 2021-22

TABLE OF CONTENTS

	Page #	
3.1.1	Introduction	100
3.1.2	Background	100
3.1.3	Establishing the Audit Theme	101
	3.1.3.1 Reasons and Purpose	101
	3.1.3.2 Scope of Audit	102
3.1.4	Legal Framework Governing the Theme	103
3.1.5	Stakeholders	103
3.1.6	Audit Methodology	103
	3.1.6.1 Desk Audit	104
	3.1.6.2 Field Audit Activity	104
	3.1.6.3 Critical Analysis	104
3.1.7	Key Audit Findings	106
	3.1.7.1 Weak Contract Management	106
	3.1.7.2 Poor Asset Management	108
	3.1.7.3 Defective HR Policies	110
	3.1.7.4 Lack of Vigilance	112
	3.1.7.5 Under Assessment of Revenue Potential	113
	3.1.7.6 Encroachment and Leasing of Land in Connivance with PR Employees	115
	3.1.7.7 Concealment	117
	3.1.7.8 Accounts Receivables	117
3.1.8	Recommendations	118
3.1.9	Conclusion	120

3.1 Thematic Audit of Revenue Generation from Pakistan Railways Lands

3.1.1 Introduction

Pakistan Railways owns approximately 1,68,500 acres of Land, spread across breadth and width of Pakistan, which includes commercial, high commercial, agricultural and barren lands. A large chunk of this land is reserved for operational uses covering railways tracks and adjacent areas up to 100 feet on both sides of the track, railway stations, marshalling yards, carriage factory, workshops, official residential quarters, sleeper factories etc. The land which is not required for operational purposes in foreseeable future has been designated as surplus land and it has been exploited for revenue generation by leasing out land for agricultural, commercial and high commercial purposes on short, medium and long terms. The process of leasing of railways lands is governed by leasing policies issued by Ministry of railways from time to time and for the purpose of implementation of these policies, there is a separate directorate of property and land headed by a Director General and aided by deputy directors at divisional level. The Thematic Audit of revenue generation by Pakistan Railways lands was planned and conducted on the directions of worthy Auditor General of Pakistan to assess the potential of revenue which can be generated from available surplus lands, to evaluate whether land assets were being managed in a proper way and to see whether revenue records were in proper form and readily accessible, to gauge the health of internal controls in preventing asset erosion through encroachments and title disputes, to ascertain the extent, nature and impact of leakages in revenue generation and to comment upon the nature of avowed revenue targets and compare them with revenue potential of land resources to report gaps and suggest remedial measures in boosting revenues.

3.1.2 Background

Pakistan Railways is a state owned enterprise which runs into heavy losses each year and Federal Government has to inject billions of rupees to sustain the department. In an environment of scarcity and

dwindling economy that is on the verge of collapse, it is very important to make state owned enterprises self-sustaining to divert resources for other pressing needs of the ever-growing population. Land is currently a minor source of revenue for Pakistan Railways as a target of Rs.1750 million was set to be achieved from this source in year 2020-21. The audit exercise was conducted to assess revenue generation capacity of PR lands so that leakages can be detected, potential can be gauged and pragmatic recommendations can be made to boost revenues from land resources to make up for losses from operations and add value to the process of leasing. Land is the prime asset of Pakistan Railways and the revenue generated from this source is less than the break-even of private sector, this remains sufficient reason to believe that a lot can be done to improve revenue generation from this important source.

3.1.3 Establishing the Audit Theme

3.1.3.1 Reasons and purpose for Selection

The following points having pivotal importance were considered by Directorate General of Pakistan Railways in developing revenue generation from Pakistan Railways lands as audit theme for current audit assignment:

- The resource of land is a direct contributor to revenues of Pakistan Railways and given the volume of land, it can contribute a significant share.
- The issue of misappropriation in Pakistan Railways lands has been taken up at highest levels, more often than not, by Supreme Court of Pakistan.
- Surplus land, not being strictly operational domain of PR, has a vulnerable position of being neglected in conventional supervisory and monitoring framework.
- A significant Audit impact is expected from the activity.
- A project of computerisation of land record by Pakistan Railways has been completed, the activity can be useful in assessing effectiveness of technology driven initiatives.
- Pakistan Railways lands have been used for the welfare of PR employees, especially for providing housing facilities, the

issue, thus, is directly related to sustainable development goal of affordable housing and better infrastructure.

Incidences of asset erosion by encroachment of PR lands have kept on making news in national media continuously and remain a recurring phenomenon. Slums have sprung up all over Pakistan over Pakistan Railways lands, not only depriving Pakistan Railways of valuable assets but also creating humanitarian crisis of poor housing and infrastructure leading to widespread incidence of premature death and disease. The issue is more complex in its various contours than it seems to be on the surface, its hydra-headed nature makes it a daunting task to link one crisis with another and everything goes into oblivion under aura of Pakistan Railways, primarily, being a transportation entity and, seldom, being understood as a title holder of large swathes of highly valuable real estate, perhaps more important than all other domains of the entity in terms of financial value. The selection of current theme, therefore, is an endeavour to understand, segregate, evaluate and report on issues of potential significance with a recommendatory approach to add value to existing policy framework governing the regulation of Pakistan Railways Lands emanating from third party analysis and disinterested viewpoint of Audit.

To segregate audit findings and shed light on individual aspects of the main theme, Audit has developed following sub-themes to make the report reader friendly and more revealing:

- a. Weak contract management
- b. Poor Asset management
- c. Defective HR policies
- d. Lack of Vigilance
- e. Under-assessment of Revenue potential
- f. Encroachment and leasing of land in connivance with PR employees
- g. Concealment
- h. Accounts Receivable

3.1.3.1 Scope of Audit

Scope of Audit was limited to assess the effectiveness of rules, procedures and policies governing leasing of land in Pakistan Railways, removal of encroachments, regularisation of kachi abadis, to studying of by-laws and agreements, to comment on responsibilities involved in provision of housing facilities to PR employees through cooperative housing societies, critical analysis of health of internal controls, analysis organisational structure of directorate of property and land in achieving avowed goals. Audit team had to keep the scope very narrow and objective for want of HR, financial resources and time constraints. The findings given in this report represent tip of an ice-berg in terms of actual volume of irregularities.

3.1.4 Legal Framework governing the Theme:

Sr. #	Theme	Sub-Themes	Governance Framework and Policies	Revenue Impact
1.	Revenue Generation from PR Lands	<ul style="list-style-type: none"> • Weak contract management • Poor Asset management • Defective HR policies • Lack of Vigilance • Under-assessment of Revenue potential • Unreliable Revenue Records • Concealment 	<ol style="list-style-type: none"> 1. Land leasing policies-2019 2. Legal framework of DG/P&L 3. Responsibilities of I.O.W 4. Assessment procedures 5. Computerization of land records 6. Auditor General's functions and powers 	Revenue Loss <ul style="list-style-type: none"> • Asset erosion • Non-implementation of policies • Under-realization of revenue • Asset erosion • Suspicious financial statements

3.1.5 Stakeholders

The following stakeholders are involved in this assignment.

1. Ministry of Railways
2. Chairman Pakistan Railways Board
3. Director General Property and Land
4. Divisional Superintendents
5. Tenants of Pakistan Railways Lands
6. Residents of PR cooperative Housing Societies
7. General Public

3.1.6 Audit Methodology

Thematic Audit is an emerging field in auditing, the assignment was divided into distinct phases of planning, Desk Audit, Field activity and reporting. The audit assignment was planned keeping in view the financial and HR constraints in view, the number of man days allocated were kept optimum as per minimum requirements of the assignment.

3.1.6.1 Desk Audit

The desk audit activity involved developing comprehensive understanding of rules, procedures and policies governing management of Pakistan Railways lands and compiling a master file of the legal framework for ready referencing, Desk audit also took advantage of the outcomes of recently generated data by computerization of land records of PR lands, desk audit segregated the issues of potential significance from the ones with low materiality so that the resources could be invested for maximum value addition.

3.1.6.2 Field Audit activity

Field Audit activity was conducted on the basis of segregation from desk audit activity and record was requisitioned from concerned divisional deputy directors on sample basis. 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.

3.1.6.3 Critical Analysis

Since Pakistan Railways is an organisation primarily meant for transportation of passengers and goods. Land, being a secondary concern, is vulnerable to mismanagement, leakages, financial erosion and neglect.

Land, nevertheless, has a potential to bridge the gap between revenue and expenditure of PR which has brought the organisation close to a halt. A major chunk of PR lands has been categorised as barren, the categorisation has no systematic basis as PR has no system in place to identify the sites having potential for agriculture, industry or commercial activities. Although new sites are always leased out for various purposes but reliance of identification is on applicants themselves or occasional visits by senior management. Audit observed that there should be a proper institutional mechanism for identification of sites for exploitation for revenue generation, a policy framework in this context will add much value to this process. The mechanism will be expanding the revenue base itself and safeguarding the assets from unwanted encroachments. One particular dimension of this issue is the closed sections, sections where Train operations have been suspended since long for a variety of reasons. Property and land was least maintained and monitored in closed sections of all divisions. These sections, though closed for operations, have valuable land assets in them. No survey of closed sections was conducted to assess the extent of encroachment and to identify potential sites for commercial exploitation. Audit recommends refocusing the forgotten parts of Railways properties. Examination of policies revealed to Audit team that the problem was not with the policies but their implementation at field level. The remedy against default and late payments is provided in the form of penalties such as fine and cancellation as extreme measure. The implementation, though, remains poor at section level which is reflected in accounts receivables and becomes an encouragement for encroachers. The properties auctioned must be leased to successful bidders within fifteen days of date of auction, Audit observed that years passed between auctioning and signing of agreements, documents remain silent about the fate of such gaps. The act of abolishing the office of Director Vigilance in 2019 gave free hand to field staff to have their way in renewing the leases and retrieving properties from defaulters. The Department remained unable to safeguard its real estate assets for the want of field staff. The responsibility matrix is not well framed; staff having authority without responsibility manages most of the affairs of PR properties. Encroachment of high value properties is a recurring

phenomenon; Audit observed that the Department could not stitch in time by constructing boundary walls around high value properties. Audit also found that connivance of PR employees cannot be ruled out in encouraging encroachers. Audit found plethora of applications and dozens of whistle blowers from civil societies intimating Divisional higher-ups about encroachments, even with pictorial evidences, but the Department failed to take any action against either the employees or the encroachers.

Supreme Court of Pakistan took suo moto notices against encroachment on PR properties but they remained limited to individual cases and could not bring any policy changes in the existing framework. Supreme Court of Pakistan put a limit of five years for leasing of PR properties which is an important development. Leases for long periods of time, such as done by REDEMCO, invited title disputes and given unenthusiastic approach of PR in perusing court cases, assets are often lost to previous tenants. The honourable Supreme Court of Pakistan has banned all leases of PR lands recently but the decision remained silent about on-going leases which are going to expire very soon. The decision gave an excuse to the field staff for keeping the rents from escalating and rents are being received on occupancy basis without obtaining handsome amount of premium. No policy change can be implemented without deployment of adequate field staff which is responsible for PR properties and answerable to DG/P&L. At the moment, DG/P&L has no field staff of its own and by virtue of being an inverted pyramid; the organisation is unable to fulfill its avowed functions. Audit recommends framing of a robust watch and ward system against encroachments and a mechanism for rewards and punishments for field staff who fail to fulfill their responsibilities.

3.1.7 Key Audit Findings

3.1.7.1 Weak contract management

Contract management can be defined as efficient and effective drafting of terms and conditions and strict adherence to those terms and conditions, contained as contract clauses, by both parties. In the context of Pakistan Railways lands, contract agreements have been developed and

executed for all agricultural, commercial and high commercial leases of PR lands executed with private persons, government entities and private companies, whereby, PR is denoted as lessor and the other party is denoted as lessee in all contract agreements. Pakistan Railways has developed a template for signing contract agreements which has been carefully crafted to reserve the rights of revision and annulment in Pakistan Railways' favour. The language of the contract agreement is legal and binding which is appreciable in a sense that violations can be dealt with easily.

The Contract agreement used in Pakistan Railways has following salient feature:

1. It states exact measurement of land in question, purpose of the lease, lessee's details, date of commencement and expiry.
2. The rights of revision and annulment have been reserved for the lessor and no addition/alteration/modification can be made without prior approval of the lessor.
3. Nature and quantum of penalties has been outlined and a threshold for cancellation has been given in case of default in payments.

Although, the contract agreement is a very sound agreement, strict adherence to the terms and conditions, contained therein, can only be made possible with vigilance of Pakistan Railways officials. Audit found out following weaknesses in contract management by Pakistan Railways.

1. Though Director General Property and Land is the administrator of property and land belonging to Pakistan Railways, the contracts are signed by respective Divisional Superintendents who are not a part of the organisational structure of Directorate of Property and Land. This indicates that there is duality of control in contract management and division of responsibility makes the situation confusing. The purpose for creation of a separate Directorate for land has been missed and no value addition has been done, it has rather added to the complexity.

2. The Directorate of property and land has no field staff of its own at divisional level and relies on engineering staff, i-e I.O.W (Inspector of Works), for enforcement of contracts. The I.O.W is also not a part of the organisation of Directorate of Property and Land, hence, he is not answerable to DG/P&L. In a nutshell, DG/P&L has no mechanism of its own for enforcement of contracts.
3. The contract agreements have to be executed right after the successful bid has been received, Audit found out that years of idle period preceded execution of contracts even after the bidding process had been completed. The idle period meant loss of substantial revenue. Same trend followed after expiry of contract agreements.
4. In most of the cases, penalties were not imposed on defaulters and leases were not cancelled. Taking into consideration, time value of money, huge revenue losses have been incurred. Court matters were not pursued vigorously which encouraged encroachers.

More specifically following audit observations can provide an insight into revenue losses by weak contract management.

(Rs in million)

Sr#	Audit observation	Amount	Remarks
1	Less receipt of cost of land against Katchi Abadi Changarabad Peshawar	417.333	Under-assessment with connivance
2	Loss due to non-recovery of Railway dues from private individuals	2765.153	Failure to realize receivables
3	Loss due to non-recovery of Railway dues from Government Departments.	249.379	Failure to implement rules and regulations
4	Loss due to non-recovery of cost of land from Government of the Sindh	488.05	Inefficiency
5	Non realization of value of land leased out to Govt of Baluchistan for establishment of Women University at Quetta	1072.257	Inefficiency

3.1.7.2 Poor Asset Management

Land is most valuable asset held by Pakistan Railways, the management requires proper vigilance and a befitting Human resource. It is a well-known fact that a number of high value properties belonging to Pakistan Railways have been encroached. Audit assignment tried to dig out reasons behind this recurrent phenomenon so that policy level recommendation can be made to halt this continuous erosion of assets.

The issue of encroachment of PR property and land was studied in depth as this is the most vulnerable area with regards to asset erosion. Audit studied loads of documents to trace the actual genesis of large scale encroachments and tried to find actual lapses and omissions which were taken as tacit approvals by the encroachers. Audit observed following themes prevalent in almost all kinds of encroachments throughout the country;

1. Audit observed that in all cases of encroachments, Pakistan Railways employees presented non-cooperation of district administration and police, as an excuse for failure to remove encroachments. In presenting this excuse, the presence of PR police was ignored and F.I.Rs were registered selectively. Audit observed that PR administration turned a blind eye to the growth of encroachments until it became strong enough to resist anti-encroachment campaigns, particularly in Karachi division. Although whistles were blown regularly by civil society about connivance of PR employees in facilitating encroachers but no action was taken against such employees.
2. PR administration kept it to the Katchi Abadi authorities to construct boundary walls around katchi abadis which could never be materialised and katchi abadis kept on expanding. PR administration even termed some encroachments as katchi abadis to evade responsibilities of removing encroachments. PR administration could not conduct regular surveys of encroached lands and unregulated katchi abadis to evaluate the pace of expansion and halt the trend.
3. Although, all lands provided to the PR employees cooperative housing societies was on lease for a period of 99 years but PR administration

left everything to administration of cooperative societies to distribute land among employees. Most of these lands have been sold out to private persons who are not PR employees and retrieval of such properties at the expiry of lease periods will be a daunting task.

4. PR administration swapped high value properties with ones having low value on the directions of provincial authorities without realizing the difference in value from receiving Provincial institutions. The case of Pipri marshalling yard in Karachi and Hyatabad Nurseries are classic examples of such omissions where difference of value comes to billions of rupees.

Some of the specific instances of poor asset management as observed by Audit have been listed below;

(Rs in million)

Sr. #	Audit Observation	Land (Acres)	Amount	Remarks
1	Encroachment of railway land by third parties	2680.066	6049.16	Asset erosion
2	Non retrieval of 602 Railway quarters from illegal occupants at Sukkur	602 Quarters	-	Asset Depletion
3	Non-returning of 25 items of assets taken out of the Club for repair & maintenance	25 items	-	Asset retrieval failure

3.1.7.3 Defective HR policies

An efficient Human resource policy envisions that optimum quantum and quality of human resource at each level of organisation is a pre-requisite for achievement of organisation's goals and targets. The organisation of Directorate General of property and land Pakistan Railways is mainly responsible not only for management and safety of land assets but also for maximum revenue generation through commercial exploitation of these lands and properties. The organisation is headed by a Director General at headquarters level, assisted by a joint director and directors. The organisation has field offices in all divisions of Pakistan Railways, each headed by a Deputy Director who is then assisted by clerical staff of 5-6 people of land Department including a contract

employee by the designation of GIS supervisor. The divisions are further divided into sections covering a significant length of track and various stations including properties and lands falling under surplus category. Section is the basic unit for land management and revenue generation.

Following issues were observed during Thematic Audit of PR lands for revenue generation in organisational structure of Directorate General of property and land.

1. There is no field staff of DG/P&L at section level and this fact incapacitates the organisation from performing its functions at basic field level.
2. Non-deployment of field staff has shifted the responsibilities of land management and revenue generation on already over-burdened office of Inspector of ways (I.O.W) and Permanent Inspector of ways (P.W.I). Both of these offices are not under administrative control of DG/P&L but rather from a part of engineering staff. Any evasion of responsibility cannot be dealt with by the organisation.
3. The I.O.W and P.W.I are not equipped with requisite knowledge and expertise to manage revenue matters. The capacity vacuum has been filled by inefficiency and revenue leakages. Authority without responsibility is a free ticket for corrupt practices and money minting.
4. Audit observed that no uniform system of record keeping was established throughout various divisions. Property and land Departments had revenue records that of cumulative and summary nature while individual case files were with I.O.Ws. An interesting fact of the matter is that some of the leases were not even in the notice of divisional Departments. It can be asserted with caution that the organisation of DG/P&L provided a façade behind which PR property and land was being managed by engineering department with I.O.Ws serving as field officers and custodians of record and Divisional Superintendents being authority and final signatory of contract agreements related to commercial leases.

Some specific instances of poor HR management, as observed during field audit activity are given below;

Sr. #	Audit Observation	Amount	Remarks
1	Non-production of record of several sections, worth billions of rupees, by Multan Division, record being kept by respective I.O.Ws.	-	
2	Unrecorded shops at Multan division.	-	
3	Non-availability of record of leases inside station yard with land Departments of all divisions	-	

3.1.7.4 Lack of Vigilance

Vigilance is an important key to ensure asset safety, revenue generation and optimum utilization of land resources owned by PR. As Pakistan Railways is continuously facing losses, a proactive rather than reactive approach is needed to enhance revenue generation from available resources. Vigilance in this context refers to keeping watch against encroachments, addition/alteration, change in purpose of leases and identification of potential sites for revenue generation. The Directorate General had an in-built vigilance system headed by Director Vigilance to perform these functions. This office, though being under resource stress, had a potential to keep an eye on the activities of field staff through inspections and surprise visits. The office of Director Vigilance was abolished in year 2019 for inexplicable reasons to bulldoze the final hindrance in the way of malpractices being conducted by section staff. In the absence of any vigilance mechanism, engineering staff is all in all in managing the PR estates to the ignorance of DG/P&L. Audit observed following lapses due to improper vigilance which resulted in significant losses;

1. In a large percentage of fresh commercial leases, a mobilization period is provided for construction of structures, Audit observed that the mobilization period was extended many times beyond what was actually permissible under terms and conditions of contract agreement, resulting in revenue losses. A robust vigilance mechanism could have reported factual position and such losses would have been avoided.

2. Change of purpose in violation of contract agreement resulted in revenue losses, Audit observed that properties were leased on low commercial values for low commercial purposes but the purpose was changed and properties were used for high commercial activities without enhancement of revenues and rents.
3. PR had no systematic way for identification of potential sites for revenue generation, usually such an activity is started after a private party applies for tenancy rights. Audit is of the view that PR should have an internal mechanism for regular identification of such sites. This proactive approach can boost revenues significantly.

During field Audit activity, some specific issues related to revenue losses due to lack of vigilance are given below;

(Rs in million)

Sr. #	Audit Observations	Amount	Remarks
1	Unauthorized change in ownerships of Railway land by District Government Mianwali	12,965.453	Un-authentic land records
2	Unauthorized construction of shops on Railway land at Multan	15.519	Lack of vigilance and connivance
3	Loss due to non-achievement of revenue targets.	612.114	Inefficiency
4	Loss of potential earning due to non-utilization of available/surplus land	3590.064	Absence of identification system
5	Unauthorized leasing of Railways land after encroachment by PDA at Peshawar	11,111.474	Lack of vigilance
6	Loss due to non/incorrect/irrational fixation of benchmark	140.82	Under-assessment
7	Irregular leasing of shops and loss due to non re-auction of shop	29.934	Lack of oversight
8	Loss of potential earning due to non-execution of lease agreement	100.637	Under-utilization of resources
9	Loss of potential earning due to non-re-auction/leased out the land under unauthorized occupation of M/s Shape at Karachi Division	1156.818	Lack of vigilance from head office

3.1.7.5 Under-assessment of Revenue potential

Assessment of revenue potential of available resources (property and land) not only defines the volume of revenue being generated in a

given period of time but also sets the revenue targets for a given year. As per land leasing policies, the value and rent assessment of a property/land is to be made by Divisional Assessment committee on the basis of prevalent DC rates of the area, for high value commercial properties an independent evaluator (SBP Registered) is to be hired for evaluation. In case, difference of evaluation between Divisional assessment committee and external/independent evaluator is less than 30 per cent, the average of both assessments can be taken and if the difference is more than 30 per cent, revaluation will be done to ascertain the right value of property. It is pertinent to note here that whenever a property is leased for commercial purpose, the successful bidder has to submit at least 25 per cent of the DC value of that property as non-refundable premium plus one year rents in advance. Audit found out that Divisional assessment committees could assess the value of fraction of total PR leased out properties and external evaluators were employed rarely, leaving everything to the whims of section officers (I.O.W). Under-assessment of value as well as rental charges is very common practice in all divisions which leads to setting of low revenue targets for future and loss of substantial volume of revenue each year. Given the time and resource limitations, Audit could not dig out whether the trend was due to connivance, negligence or lack of capacity in revenue matters. Audit observed following issues in value and rental assessments in various Divisions.

1. Audit observed that most of the leases were just equal to DC rates of the area which is the aggregate of lowest and highest values of that area, while PR properties were located in prime commercial areas. Audit is of the view that market value instead of DC rates should have been taken which are usually twice the DC rates of the area.
2. While auctioning commercial properties, competitive bidding should be invited on premium, which is a significant non-refundable amount, rather than monthly rents which are much lower than premium amount. Audit found that divisional offices preferred to fix premium themselves and allowed competitive bidding for monthly/annual rents depriving the PR of potential revenues.

3. Audit found that measurement of properties did not remain same over the years, some properties were shown less in measurements than what was depicted in previous auctions. The change in measurements decreased number of marlas/ Sft/ Kanals and value was changed as a consequence.

Some specific instances of under-assessment as observed during field activity are given below;

(Rs in million)

Sr. #	Audit Observation	Amount	Remarks
1	Loss due to leasing of shops/land at lower rates	51.698	Under-assessment of potential
2	Loss due to wrong/incorrect/lesser fixation of benchmark	113.962	Under-assessment of revenue potential
3	Loss on account of premium due non re-auction of shops	24.785	Negligence
4	Loss due to non-finalization of lease dead	49.307	Inefficiency
5	Loss due to less assessment of rent and non-auction of shops at Peshawar	51.814	Connivance of PR employees
6	Fraudulently re-assessed the value of land to favor the lessees	268.69	Connivance

3.1.7.8 Encroachment and leasing of land in connivance with PR employees

It is the responsibility of the concerned Inspector of ways (I.O.W) to report any encroachment on PR properties well in time so that the encroachment can be removed to safeguard PR assets from erosion. After receiving report of encroachment from the field staff, it is the responsibility of divisional management to initiate action against encroachers with the help of PR police and local authorities. Audit observed that instead of reporting and removing encroachments, PR employees remained silent over encroachment of prime properties belonging to PR. Audit found out that civil societies and private persons kept on acting as whistle blowers to point out instances of connivance and encroachment to divisional management but no action was taken against the concerned employees or encroachers. Audit observed that field staff remained posted for longer than necessary periods of time in same places which facilitated in development of ties between PR field staff and land

mafias coupled with lack of oversight and unwilling attitude of management to take action against deviant employees. Karachi Division, in particular, lost properties worth billions of rupees due to connivance. The bottle neck in this type of asset erosion is that the encroachment remains unreported by field staff until it becomes a mammoth growth which is difficult to be tackled by existing manpower and resources available at the disposal of PR. Long periods of inaction builds public trust in the bogus credentials of the encroachers and properties are mutated to non-encroaching bona fide buyers on slightly lesser rates than prevailing market rates through various stamp papers without involving the revenue records. The retrieval in such cases becomes difficult as the bona fide buyer approaches courts to assert property rights on the basis of payment proofs, this practice, thus, creates a humanitarian crisis where everybody loses except for conniving employees and encroachers.

1. Audit found out that little or no action was taken against field staff where PR properties had been encroached. The lack of disciplinary action encouraged lower staff to expand their domain of connivance activities to extremely valuable properties. The case of Gillani Station is a classic example of such activities.
2. It is interesting to note here that the application sent by private whistle blowers were neither responded to nor any inquiry was initiated against the employees blamed for being hand in glove with land mafias. This inaction on part of divisional management discouraged whistle blowers from reporting the cases of connivance. The harassment of the whistle blowers cannot be ruled out in such cases.
3. Audit observed that connivance was not limited to under reporting and under assessment, it rather extended to under realization of revenue even after correct assessment of revenues which is blatant enough to showcase that PR employees feel themselves shielded from any punitive action.
4. The incidence of connivance in changing the purpose of lease from high value to low value is quite common, the practice deprives PR of revenues and adds to profits of tenants. The connivance is suspected due to the fact that no disciplinary action has been taken even after the incidence has been reported by auditors as well as media.

Some specific observations in relation to suspected connivance of PR employees are given below;

(Rs in million)

Sr. #	Audit Observation	Amount	Remarks
1	Loss due to leased out stacking plot against the policy in vogue	33.584	Connivance
2	Irrational decision resulted into loss on account of lease out Railway land at lower rate	89.78	Under-realisation of revenue with connivance
3	Encroachment of Railway land and illegal allotment to private parties by PRECHS at Gilani Railway Station, Karachi-	4395.87	Connivance and lack of oversight

3.1.7.9 Concealment

The Auditor-General of Pakistan conducts audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Thematic Audit of revenue generation from PR lands was conducted by Director General Pakistan Railways Audit under the authority of worthy Auditor General of Pakistan. Pakistan Railways administration had a constitutional obligation to facilitate the process of audit by providing requisite record to Audit team. Audit observed with grave concern that the administration did not produce 80 per cent of the record placed at divisional levels for audit scrutiny. A significant chunk of time allotted for audit scrutiny was wasted by divisional offices through numerous delaying tactics including non-availability of relevant staff, internal meetings and non-availability of record. Audit took a proactive approach in communicating to the concerned division during desk audit to keep the record available during field visits but no response was given by divisional headquarters.

Some specific instances of non-production and concealment are given below;

Sr. #	Audit Observation	Remarks
1	Non production of record regarding Railway quarters at Sukkur	Suspicion of fraud
2	Non production of record at Karachi	-do-
3	Non-available/production of record at Quetta	-do-
4	Non Production/Partial of Record at Peshawar	-do-
5	Non production of record at Rawalpindi Division	-do-

3.1.7.10 Accounts Receivables

Divisional Accounts officer has the mandate and responsibility for reconciliation of accounts and report any deviation, thereof, to the senior management. As revenue realization is recorded by the Divisional Accounts officers, the unrealized revenues are presented as Accounts receivables in the financial statements of a division. The bills receivables are then converted to official communications to the leases asking them to deposit the outstanding amount by respective Deputy Director/P&L. If the lessee fails to submit the dues in time, fine is imposed as initial penalty which may lead to cancellation of lease agreement in extreme cases of non-compliance. During Thematic Audit of Railways lands for revenue generation, it was observed that the accounts receivables amounting to billions of rupees could not be materialized due to inefficiency on the part of Railways administration at divisional level. Audit observed following instances of slackness and inefficiency leading to under realization of accounts receivables.

1. Monthly rents, as per policy in vogue, have to be submitted by the lessees on 10th of every month. Audit found out that the tenants preferred to pay rents on annual basis retrospectively and in significant number of cases, the rents were submitted for more than one year. This trend leads to poor presentation of financial statements and given the depreciation of money and increasing inflation with passage of time, the real income of PR is way less than nominal income as presented in PR financial statements.
2. At the time of auction of a property 50 per cent bid money has to be submitted on spot and remaining 50 per cent bid money has to be submitted within fifteen days of the successful bidding process along with advance rent for one year. Audit observed that the bid money and advance rents could not be obtained in time and considerable time elapsed between the due date and date of actual realization. The lack of vigilance added to the burden of accounts receivables.
3. While leasing PR properties to various government departments especially Food department, the assessment of rents was not made realistically by PR administration which culminated into dispute over assessment. Due to disputed assessments, the Departments declined to

pay the assessed revenues which lead to escalation of figures for accounts receivables amounting to Rs 1,905 million as on 30.06.2021.

3.1.8 Recommendations

1. Audit recommended restructuring of organizational framework of Director General Property and Land to make it wider at the base by recruiting field staff equipped with requisite knowledge to deal with revenue matters. Audit also recommends that all matters related to land may be handed over to DG property and land for efficient management.
2. Currently, there is no policy in place to identify sites having revenue generation potential. Audit recommends that current system of haphazard identification and knee jerk reactions be replaced with institutional mechanisms for identification of potential sites for revenue generation and their consequent development. This may include bi-annual surveys and time barred activities for exploitation.
3. Although encroachment has been most potent factor behind asset erosion in PR, the record for anti-encroachment activities is maintained on day to day basis, Audit recommends framing of policies for removal of encroachments on national level. The task may include phasing of anti-encroachment campaigns and constitution of special teams for the purpose.
4. Although Land record of PR has been avowedly computerized but a lot remains to be done in terms of reconciliation of revenue records with provincial authorities and PR own field staff. A joint exercise in collaboration with provincial boards of revenue may help in inter-departmental reconciliation and actual land surveys may depict a clearer picture of ground realities at sectional level. The abolition of the office of director vigilance is counter-productive as it served the purpose of watch dog against encroachments and anomalies. Audit recommends making this office robust again.

5. Revenue Assessment has been most vulnerable domain where most of the leakages have been found, Audit recommends Headquarters' oversight in monitoring auction activities and inclusion of representatives from audit department for third party validation. Dealing such matters while involving only divisional authorities increases the chances of connivance.
6. A system of reward and punishment may be put in place to expedite the process recoveries by inculcating the principle of time value of money, currently there is no such system in place.
7. High Value commercial properties may be segregated from ordinary commercial leases so that level of responsibility may be increased accordingly.
8. Audit recommends framing of policies and constitution of institutional frameworks to monitor the activities of committees managing PR employees cooperative housing societies as most of them have been hijacked by land mafias. Audit is of the view that these societies can, if properly managed, can bring Pakistan closer to her commitment for provision of affordable housing under sustainable development agenda.

3.1.9 Conclusion

Audit found that field staff maintaining PR properties at section level was poorly equipped with any knowledge or skills related to revenue matters. All of the field staff comprised of engineers who had engineering job descriptions and were answerable to engineering management for the discharge of their duties. The façade of Directorate of property and land had no roots at the ground level and ironically the Directorate is too headed by an officer from engineering field. The capacity issue is most significant issue when it comes to grading the risks involved in mismanagement of PR lands and properties. Audit recommends setting up of a revenue Department to look after the affairs of lands with dedicated staff so that engineers could focus on their main functional area. Audit found out that comprehensive land surveys could not be conducted by PR administration for decades which makes the revenue records unreliable. A

project for computerisation of land record was completed by DG/P&L which was expected to be of great help to Audit. Unfortunately, Audit observed that the revenue records kept with headquarters differed significantly from the ones maintained at Divisional levels and both of the earlier mentioned records differed with the ones maintained at section level. A comprehensive re-survey of PR properties can serve as a foundation stone for reformation of land management in PR.

Another important issue with leasing of PR lands is that of value assessment of assets being put to auction. PR has developed a procedure for assessment which is done through Divisional Assessment Committee and independent evaluators keeping in view the DC rates of the area. Audit observed that domain was too large to be managed by a single committee of three officers who had other operational jobs to handle. Moreover, DC rates are the average of highest and lowest rates of a considerably large area and PR, being a very old organisation had properties mostly in the hearts of old commercial areas. DC rates, being basis for valuation and assessment, are disadvantageous to PR. The Department should have market survey of its own to re-assess the rates and then a robust application mechanism for implementation of those rates, the activity may involve rent assessment of sister markets owned by private persons etc. Audit found out instances of leasing at rates lower than even the DC rates.

The process of auction should be competitive and transparent. If there is a delay in signing of lease agreement more than the stipulated period of time, formal inquiry should be initiated. The lack of vigilance is paving way for financial leakages throughout the PR properties. Audit recommends fixation of responsibility for delay in signing of agreements. Audit also observed that many of the lease agreements were not even signed by the competent authority which has never called for any disciplinary action. The mechanism for reward and punishment must be upgraded.

Audit observed that the revenue targets set by PR administration were very low as compared to the actual revenue potential of PR

properties. These low targets were not met in many cases, Audit recommends thorough scrutiny of the process which enables the PR administration for setting targets which will also include earlier mentioned re-assessment of existing resources and adding new resources by fresh surveys of properties.

Encroachment of PR properties has cost the Department billions of rupees, Audit recommends that this rapid asset erosion can be checked by insignificant expense of constructing boundary walls around PR properties. PR handed over large swathes of land to Directorate Generals of various provinces with a commitment to construct boundary walls around such slum dwellings but the Directorates never kept their commitments paving way for expansion of slums. Audit recommends construction of boundary walls at the expense of PR because it is the Department's assets that at stake.

THEMATIC AUDIT REPORT
ON
CUSTOMER SATISFACTION AND
RETENTION IN PAKISTAN
RAILWAYS
(AUDIT YEAR 2021-22)

TABLE OF CONTENTS

	Page No.	
3.2.1	Introduction	123
3.2.2	Background	123
3.2.3	Establishing the Audit theme	125
	3.2.3.1 Reasons for selection	125
	3.2.3.2 Purpose/ objective	125
	3.2.3.3 Scope of Audit	127
3.2.4	Legal Framework governing the theme	127
3.2.5	Stakeholders and Governmental Organizations identified as directly/ indirectly involved	128
3.2.6	Role of important organisations	129
3.2.7	Financial Management	131
3.2.8	Field Audit Activity	132
	3.2.8.1 Audit Methodology	132
	3.2.8.2 Audit Analysis	133
	3.2.8.3 Review of Internal Controls	133
	3.2.8.4 Critical Review	134
	3.2.8.5 Significant Audit observations	154
	3.2.8.6 High Value Paras	160
3.2.9	Departmental Response	172
3.2.10	Recommendations	172
3.2.11	Conclusion	176
3.2.12	Reference	177

3.2 Thematic audit on customer satisfaction and retention in Pakistan Railways

3.2.1 Introduction

Pakistan Railways is a state-owned enterprise, owned and operated by the Ministry of Railways and has always been considered the cheapest, comfortable, and reliable mode of transportation. But the factors like absence of good service, poor marketing, rapid increase in alternative transportation options, safety issues, outdated and insipid system has seriously damaged its reputation as well as resulted in decreased clientele over the years.

The thematic audit of customer retention and satisfaction in Pakistan Railways is much diversified and is related to different key departments of Pakistan Railways. These departments are interlinked and play vital role for provision of public services to the passengers and freight customers.

The concept of customer satisfaction is measured through the outcome constituted through the service and how a customer perceives it. The focus of every service is its customers' satisfaction and how the service provider retains its customer through the quality of service it is providing. The services provided through Pakistan Railways are the passengers facilities and freight services. The focus of this audit is to measure the quality of service through various audit techniques and give recommendations to the Railways administration to improve service provision.

Thematic audit on customer satisfaction and retention in Pakistan Railways is a forward-looking approach for assessment of satisfaction level among the passengers of PR and the policy framework at work for retention of passengers. This audit aims at getting direct feedback from PR services consumers and reports the prospects for provision of better facilities in service provision.

3.2.2 Background

To measure the performance of a department, one needs to analyze the quality of service that the department is providing to its customers. Provision of quality service is one of the main determinants to earn customer satisfaction and retention. Quality service delivery is the main priority of private sector as it not only maximizes the profits but also helps the organization to earn customers satisfaction, loyalty, and retention.

An effective railway system of a country is like the backbone of economy as it facilitates the commerce and trade, decreases transportation cost, promotes rural development and national integration. Unfortunately, over the last decade, the factors like lack of attention, poor policies, increased expenditures, misappropriation of funds, obsolete technology, poor infrastructure, managerial incapability, declining market share have made Pakistan Railways a liability for the already ailing economy of Pakistan. Not only this, PR is striving for its survival in the age of advanced and efficient alternate transportation system. The statistics of Pakistan Railways show that during the FY 2019-20 more than 44 million passengers travelled through Pakistan Railways which were more than 52 million during 2015-16. In comparison with the statistics of 2018-19 there was a decrease of 16 million passengers. The earning of Pakistan Railways during the FY 2019-20 has declined by 7 Billion as compared to the earnings of 2018-19.

Pakistan Railways is one of the oldest railways systems in the world with the history of 157 years. Right from creation of Pakistan, it has been the main transportation system in Pakistan which not only connects all the major cities of Pakistan but also to its neighboring countries Iran, India, Afghanistan, and China. Passenger and freight are the two services provided by Pakistan Railways. According to the year book of Pakistan Railways Pakistan Railways carried 44.304 million passengers during the year 2019-20 while the number of passengers carried during the year 2018-19 was 60.387 million. The highest number of passengers carried by Pakistan Railways was during the period of 1975-1980, when it carried 147.710 million passengers on average and it has been declining since then. The Passengers earnings of Pakistan Railways for the year 2019-20 were 23.178 Billion which was 29.188 Billion during the year 2018-19.

Pakistan Railways owned 473 locomotives during the year 2019-20. Total number of coaching vehicles owned by Pakistan Railways at the end of year 2019-20 was 1645. This includes 1375 vehicles meant for the conveyance of passengers and 270 vehicles for the conveyance of luggage, parcel, mails etc. Pakistan Railways carried 7,412,709 tons freight during the year 2019-20 with 14,448 freight wagons. And this figure for the year 2018-19 was 8,376,827 tons while the number of freight wagons owned by PR was 14,327.

3.2.3 Establishing the Audit Theme

3.2.3.1 Reasons for Selection

- i. Improvement in Public Service
- ii. Consumer perception will be included
- iii. Issue of public concern
- iv. Being a current issue for recent frequent accidents in PR
- v. Pakistan Railways needs a major policy shift for its survival
- vi. Issue has relevance with SDGs

On 16th February 2016, Pakistan adopted the Sustainable Development Goals (SDGs) as the National Development Agenda through a unanimous National assembly Resolution. In 2018, the Government of Pakistan signed the UN Sustainable Development Framework (UNSDGF), also known as the Pakistan One United Nations Programme III (OP III) 2018-2022.* The thematic audit on customer satisfaction and retention is directly related to SDGs Goal 9 and 11(9.1 & 9.a, 11.2).

3.2.3.2 Purpose / Objectives

The purpose/objectives of this study are manifold and some are listed below:

- i. The PAC can use this theme to inform Parliament about the weaknesses of systems that may require legislative changes.
- ii. The Ministry of railways can consider the findings of this theme for policy formulation and modification in the existing system.

- iii. The Board of Railways can investigate to determine how well their entities are performing and how will they address the risks identified in the theme.
- iv. The Divisional Offices can improve their internal control systems and train operations according to the weaknesses identified.
- v. The internal and external audit can use this theme to choose operational areas for audit in future.

The following audit objectives have also been developed: -

- i. To assess the existing facilities/amenities in Pakistan Railways for rail passengers and freight customers, keeping passengers' point of view on board.
- ii. To assess the facilitates for passengers and customers in place at railway stations and in trains directly from passengers' feedback and analysis of PR official data.
- iii. To review the Passenger and Freight customer satisfaction and retention plan/model/policy set by Ministry of Railways and its implementation.
- iv. To assess the complaint cell system/ strategy and its resolving mechanism
- v. To examine the safety and security mechanism for passengers and freight and its impact on goodwill of PR.
- vi. To review the significant PSDPs related to Infrastructure, tracks and rolling stock.
- vii. To review the Contract Management of Pakistan Railways with vendors and clients e.g., PSO.
- viii. To assess the compliance of applicable rules, regulations and policies regarding the performance targets and physical inspection of their implementation.

These audit objectives will help in measuring different quality attributes essential in operations and to study the overall satisfaction level of customers in PR. Level of satisfaction was found to be significantly influenced by these attributes.

3.2.3.3 Scope of Audit

Scope of audit extends to analyze the need for policy framework for customer satisfaction and the implementation of the existing policy by Railways administration. It also aims to evaluate the efforts made and steps taken by the Ministry of Railways and Railway Headquarter.

- i. Review of the quality of services provided by PR
- ii. Review of the policies regarding service provision in both Passenger & Freight facility.
- iii. Evaluating agreements and contracts carried out with lessees or public entities.
- iv. Review of Acts, Codes and Manuals that are being followed.
- v. Review the functions of Ministry, Headquarter, Divisional Offices and different Departments of PR.
- vi. Examination of policy and regulation for service improvement.

The major departments involved in provision of quality services to Pakistan Railways customers are as under: -

- i. Transportation Department
- ii. Commercial Department
- iii. Mechanical Department
- iv. Safety Department
- v. Marketing Department
- vi. Personnel Department
- vii. Ministry of Railways
- viii. Divisional Offices

This audit assignment covers the audit period starting from 1st July, 2020 to 30th June, 2021.

3.2.4 Legal Framework governing the theme

The existing enactment regulating the operations of Railways in Pakistan is the Railway Act, 1890 as amended from time to time. Subject to the provisions of this act, the executive authority in connection with the

administration of Railways, vets with the Ministry of Railways (Railway Board). The Railway Ministry makes regulations regarding the affairs related to passengers and goods being transported by it, within the parameters of Railway Act 1890. Pakistan Railways has predefined and well-established business processes and has its own set of Accounts Codes, General Codes, and Manuals. These codes and manuals are used as criteria, moreover the policies and directives of the MoR and Federal Government are also kept in view while conducting the audit.

The list of directives, codes, manuals and other references are given hereunder: -

- i. Railway Board/Ministry of Railways directives
- ii. Railway Accounts Code Vol-II
- iii. Pakistan Railways General Code
- iv. Pakistan Railways Commercial Manual for goods and Tariff
- v. Coaching and Goods Tariff
- vi. Freight Agreements, Passenger Life Insurance, Postal Contracts, Army/Rangers contracts etc.
- vii. Outsourced train agreements
- viii. Vending and parking contracts at different stations
- ix. Sales Tax Act
- x. General Financial Rules

3.2.5 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 Governmental Organizations and stockholders are involved in this assignment: -

- i. Ministry of Railways, Islamabad.
- ii. Railways Headquarter, Lahore.

- iii. Pakistan Railways Advisory and Consultancy Services (PRACS), a subsidiary of Pakistan Railways
- iv. Pakistan Railways Freight Transportation Company (PRFTC), a subsidiary of Pakistan Railways.
- v. Railway Construction Company (RAILCOP), a subsidiary of Pakistan Railways.
- vi. Divisional Offices and Stations
- vii. General Public/Passengers.
- viii. Clients of PR

3.2.6 Role of Important Organizations

Pakistan Railways is a Federal Government Department that works under Ministry of Railways, Islamabad. 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 are 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 Workshops Division at Mughalpura Lahore. Each division is administered by a Divisional Superintendent (DS). The Divisional Superintendent is assisted by Divisional Officers in their respective fields which 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 Railways 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.

Railway Constructions Pakistan (RAILCOP) Limited was created in August 1980. RAILCOP was incorporated as a public limited company, albeit as a subsidiary of Pakistan Railways, to commercially venture, and leverage, into the engineering services industry with a special focus on railways construction industry in Pakistan. The idea, it seems, was to make RAILCOP a commercially viable organization that could create its own client-base, exhibit consistent growth, and expand its business operations both locally and internationally.

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.

As Pakistan Railways is itself a public sector largest organization and bears mission statement to provide a competitive, safe, reliable, market oriented, efficient and environment-friendly transport. Therefore, Pakistan Railways always aims to develop its infrastructure facilities, procurement of coaches and locomotives, rehabilitation of track, civil works and IT based expansions through long term public sector developmental projects. These projects eventually strengthen and streamline the working of PR and ultimately the end user i.e. the public.

3.2.7 Financial Management

Appropriation Accounts were prepared by the FA&CAO/Pakistan Railways in respect of budgetary provisions and expenditure charged to Revenue / non-development and Capital / Development for the FY 2020-21 keeping in view the requirement of Government accounting. It was certified that a systematic record of all incomings (receipts) and outgoings (expenditure) classified under certain appropriate headings has been maintained. The summary of grants and expenditure is given hereunder;

Revenue and Capital Grants of Pakistan Railways for the year 2020-21 are as under: -

(Rupees in millions)

Items	Original Allocation	Supplementary Allocation (Surrender)	Final Allocation	Actual Expenditure
Grant No 134 Revenue Expenditure				
Voted	99,350	(4350)	95,000	95,552
Charged	800	(300)	500	418
Total	100,150	(4,650)	95,500	95,970
Grant No 191 Capital Outlay on Pakistan Railways				
Voted (Capital)	24,000	(13,179)	10,821	8,599
Charged	--	--	--	--
Total	24,000	(13,179)	10,821	8,599
Grand Total	124,150	(17,829)	106,321	104,569

The detail of the Earning Target and actual earnings areas under:

Head of Account	Budget 2020-21	Actual Earnings	Variation	%
Passenger Earnings	22,969,554,000	22,223,883,078	745,670,922	3.24
Other than Passenger	1,332,975,000	1,504,812,947	171,837,947	12.89

Earnings				
Goods Earnings	19,697,471,000	20,579,022,068	881,551,068	4.47
Sundry Earnings	4,000,000,000	4,341,093,621	341,093,621	8.52

3.2.8 Field Audit Activity

3.2.8.1 Methodology

This directorate planned to adopt both qualitative and quantitative techniques. In Qualitative approach the questionnaires were developed and filled up from rail passengers, parcel/freight customers and vendors, apart from that it was also planned to check the in-place facilities available at different stations and in-transit train through physical checking. Four types of questionnaires were developed:

- i. Questionnaire from passengers related to station facilities,
- ii. Questionnaire from passengers related to in-transit train facilities,
- iii. Questionnaire from vending Contractors and
- iv. Questionnaire from parcel/freight Customers.

These questionnaires were filled up by interviewing the passenger, vendors and parcel/freight customers. The audit depends upon the primary data collected through these well-framed and structured questionnaires to obtain direct feedback from customers. The questionnaires were filled out from passengers from 7 Divisions: Lahore, Karachi, Multan, Quetta, Sukkur, Rawalpindi and Peshawar. A sample of 175 passengers was selected keeping in view the human resource and time constraints. Similarly, 70 questionnaires are filled out from freight customers. The prime objective was to extract a sample from the representative population availing PR transport services regarding several variables such as reliability, responsiveness, assurance, empathy, network quality, ticketing, punctuality etc. that have direct influence on the quality of service. Apart from the questionnaires the evidence was also collected through interviews/inquiries from management and station staff and review of policy documents and their implementation.

On the basis of below information it can be said that the sample offers a valid base for analysis and a detailed differentiation. It is a realistic sample of the overall population.

Sr #	Gender		Profession			Age			
	Male	Female	Student	Employees	Business	18-30	30-50	Above 50	Not shared
1	150	25	60	90	25	83	36	15	41

Sr. No	Gender		Type of Journey		Qualification				
	Male	Female	Single	With family	Matric	FA/F.S.C	BA	Master	Not shared
1	150	25	130	45	40	25	30	20	60

On the other hand, quantitative approach was used to inquire/check the implementation of policies related to customer & passenger amenities and services. Moreover, physical audit of books of accounts regarding train composition, detention of trains, receivables, rate comparison, comparison of revenue targets verses actuals, complaints, accidents and losses to PR due to various reasons was performed to analyze the downward performance trend of Pakistan Railways. The quantitative issues were directly taken under high value/significant audit observations. This audit was taken up with intensive desk audit techniques as well. The audit also includes examining of permanent files, online/PCP complaints of passengers, official accounts, online ticketing system, online applications for passengers, record maintained by station master and other relevant data.

There was one limitation that the audit faced was the reluctance of passengers in sharing their booking details and tickets with team as

3.2.8.2 Audit Analysis

3.2.8.3 Review of Internal Controls

The internal controls were studied and analyzed to get an understanding of internal control system in PR. PR has its own Internal Audit Wing headed by Chief Internal Auditor, but the findings of this audit are not followed in PR to improve internal controls. The specific

instances of internal control weaknesses found through observation and evaluation of internal control system in PR are as follow:

- i. There is intermixing of job responsibilities in Divisional Offices as it was observed that on several Divisional offices the key posts like ACOs/DCOs, ATOs/DTOs were vacant, or they were designated on look after basis or additional charge basis which not only increase the workload for officers but also the key responsibilities of the posts are compromised.
- ii. There were weaknesses in maintenance of accounts, as mentioned in high value paras, therefore, the reconciliation mechanism is obsolete and redundant.
- iii. There exists weak monitoring and supervision mechanism in PR. Audit observed poor coordination between the Headquarter and Divisional Offices which results in slow and poor decision making.
- iv. Due to obsolete data maintenance and poor record keeping mechanism the monitoring system is compromised.
- v. The stations staff was being utilized at other stations on verbal orders of officers.
- vi. The contracts of luggage vans and brake vans were not available with divisional offices, and the railway staff was not in position to keep check on private operators.
- vii. There is excessive reliance on manual working which is a burdensome and it lacks management review, there is a dire need of automation.

3.2.8.4 Critical Review

The different audit analysis based on questionnaires, no of passengers, expenditure and earnings have been performed, which will not only highlight the present image of PR in public but will also address the weaknesses, deficiencies and gaps over the entire system. The analysis is divided into three categorize: -

- i. Analysis based on pre-defined questionnaires and data available with PR
- ii. Audit observations based on physical audit of stations record and
- iii. High value observations

The following analyses are made on the basis of data collected from questionnaires that were filled out from PR customers. The questions from questionnaires are divided in categories that are inter-related in nature for a clear understanding. As mentioned earlier, a total of 175 questionnaires were filled out with an average of 25 questionnaires per station.

3.2.8.4.1 Analysis of Station Facilities provided to passengers at Divisional Railway Stations

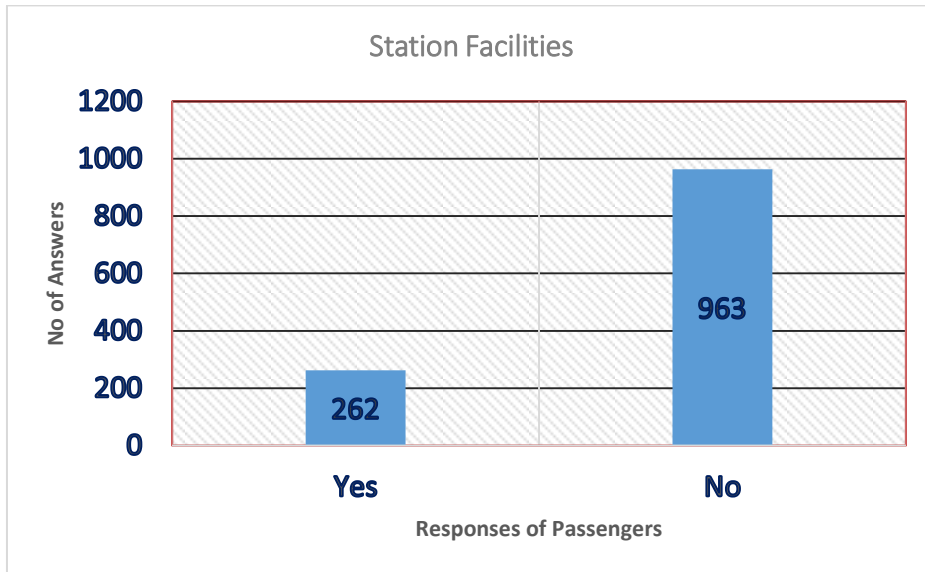
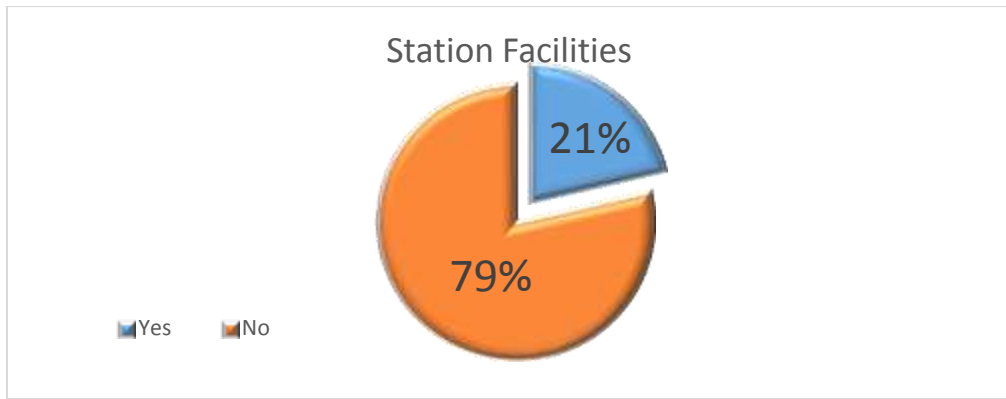
The analysis of existing customer facilities and the view of passengers in this regard is given below:

a) Station Facilities: -

Station Facilities namely **availability of proper sitting area, availability of trash bins, public toilets, car/bike parking facility, Wi-Fi facility, LED sign boards and security mechanism** was performed through Yes and No interview technique.

Analysis of Station Facilities

Seven (07) questions related to station facilities (as mentioned in previous paragraph) were asked from 175 passengers. As a result, 1225 answers of passengers were received, and it was found that majority of questions were responded with a negative feedback and only 262 were positive as depicted in below chart.



b) Other Station Services: -

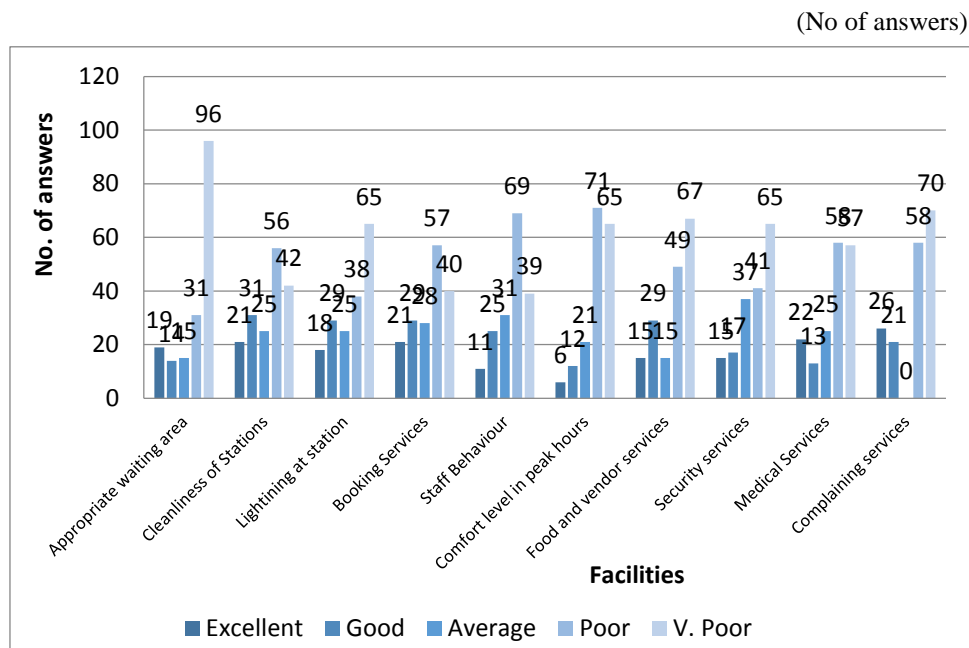
Questions were asked about other services like **waiting areas, cleanliness of station, lightning at station, booking services, staff behavior, comfort level, food and vendor services, security services, medical services, and complaints services.**

The analysis of above-mentioned facilities and services is given hereunder:-

Ten (10) questions related to other station services were asked from 175 passengers and as a result 1750 answers were analyzed through gradation of excellent to very poor. The result is presented hereunder in tabulated form: -

Description	Excellent	Good	Average	Poor	V. Poor	Total
Other Services	174	220	222	528	606	1750
Percentage	10%	13%	13%	30%	35%	100

The question wise result of each question is present below through bar graph: -



3.2.8.4.2 Analysis of en-route train Facilities provided to passengers

During thematic audit of Customer satisfaction and retention in Pakistan Railways, passengers of different classes were physically approached at Railway Stations and in en-route train to take their feedback regarding quality of food, comfort level and cleanliness in coaches, hygiene toilets, complaining & medical services, staff behavior and other

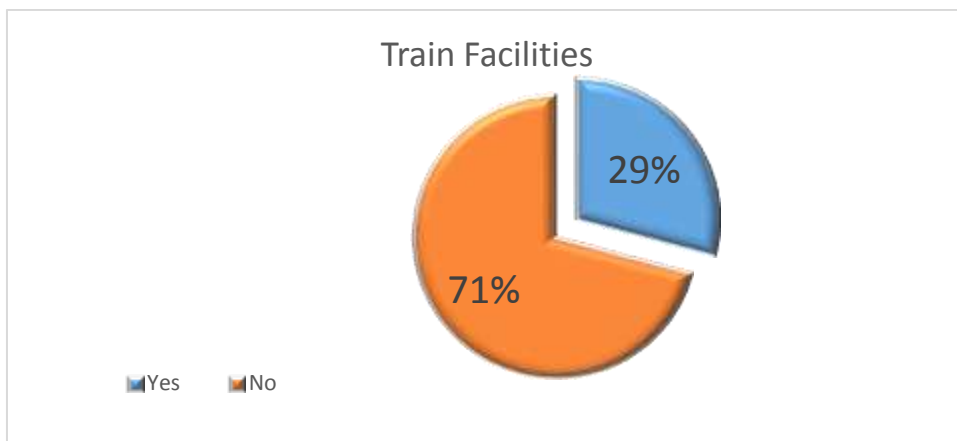
services. In this regard 175 passengers were interviewed at divisional stations. The format of some questionnaires was outlined in Yes and No whereas some questions were assigned gradation. The questions from passenger related to train facilities were sub divided into following two broads categorize: -

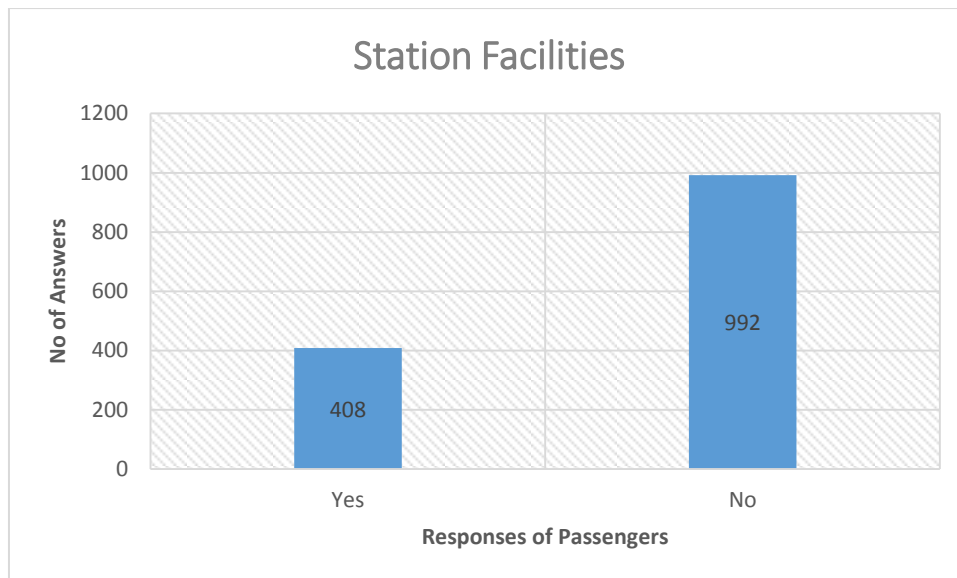
a) En-route Train Facilities

The train Facilities regarding **fare charged, punctuality of trains, ample space of luggage, corona SOPs and other services** were examined through questionnaires over and done with mode of Yes and No interview technique.

2(a) Analysis of en-route train facilities

The interview-based questionnaire in en-route trains and at railway stations revealed the fact that out of 1400 answers based on 08 question from 175 passengers with regard to en-route train facilities and the results are as follow:





b) En-route Coach Facilities

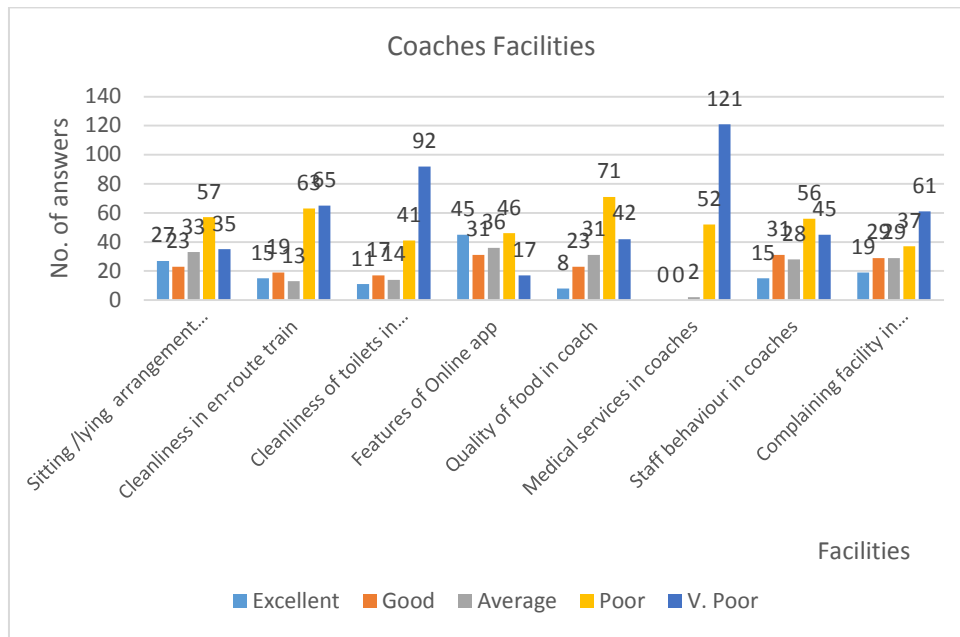
The train facilities with regard to sitting and lying arrangements in coach, overall cleanliness of coaches, quality and rate of food items, medical and complaining services in coach, and other services were graded from excellent to very poor.

Analysis of en-route Coaching Facilities

The coaching facilities in en-route train were physically examined and the answers in response to the questions were assigned gradation from excellent to very poor. A combined position in respect of answered question has been given hereunder in total and in percentage.

Description	Excellent	Good	Average	Poor	V. poor	Total
Coaching Facilities	140	173	186	423	478	1400
Percentage	10%	12%	13%	30%	34%	100%

The individual state of each question has been shown through bar graph as given below.



3.2.8.4.3. Analysis of Freight Services in Pakistan Railways

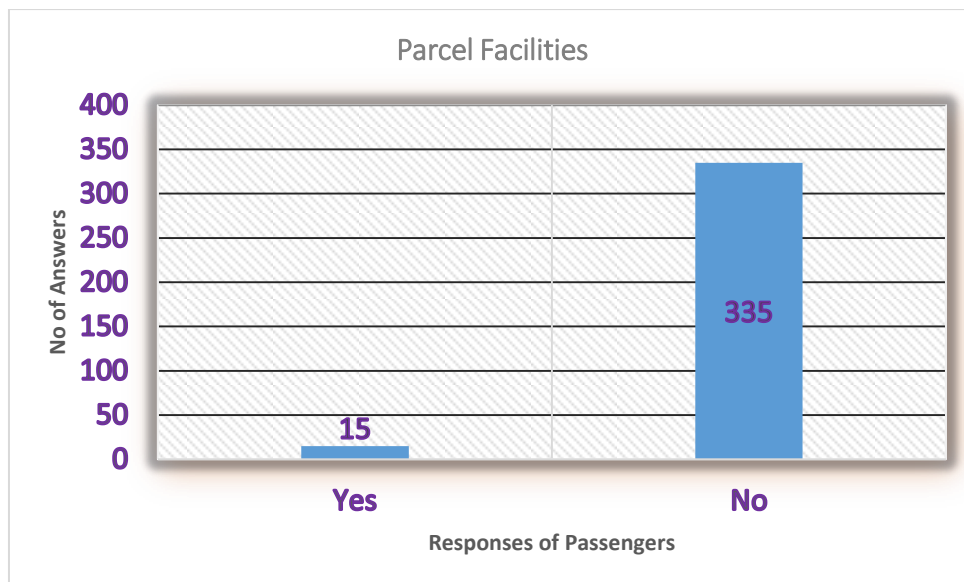
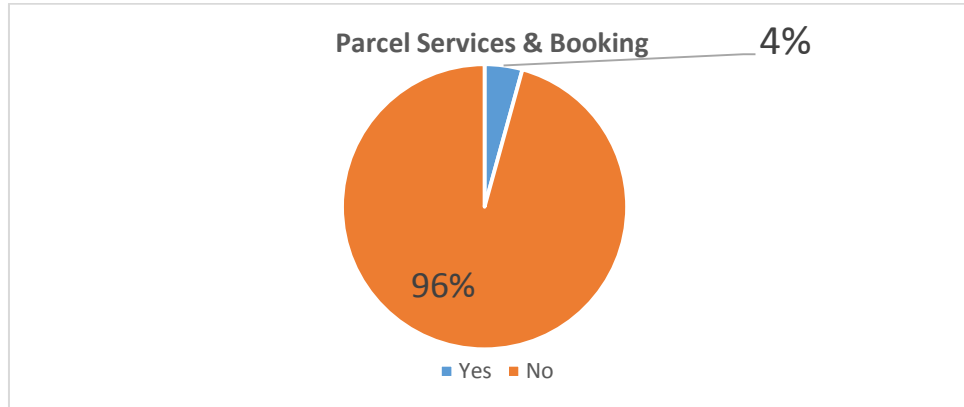
The analysis of freight services of Pakistan Railways was performed in the light of the questionnaires, interviews and physical inspection of parcel offices of Pakistan Railways and private cargos. Keeping in view the seven divisions of Pakistan Railways (10) to (15) freight/parcel customers were targeted to analyze the facilities and services provided by Pakistan Railways. The format of some questionnaires was outlined in Yes or No, whereas some questions were assigned gradation i.e Excellent, Good, Average, Poor & very Poor. Therefore, the questions from customers related to parcel/freight facilities were sub divided into following two broad categorize; -

a) Analysis of booking system in Parcel Services:

The parcel services/ facilities regarding flexible rates & concessional offers, picking & delivering services, insurance services, online booking were examined through Yes or No interview technique.

3 (i) Analysis of Parcel facilities booking in Pakistan Railways

The customers were found very dissatisfied/ unhappy with freight services of Pakistan Railway. As per the result of the analysis 335 (96%) answers were given in “NO and only 15 (4%) answers in respect of five questions were acknowledged as “YES”.



b) Parcel facilities regarding handling & processing

The other facilities with regard to ease of booking, reasonable delivery time, easy navigation, handling of goods, go down premises,

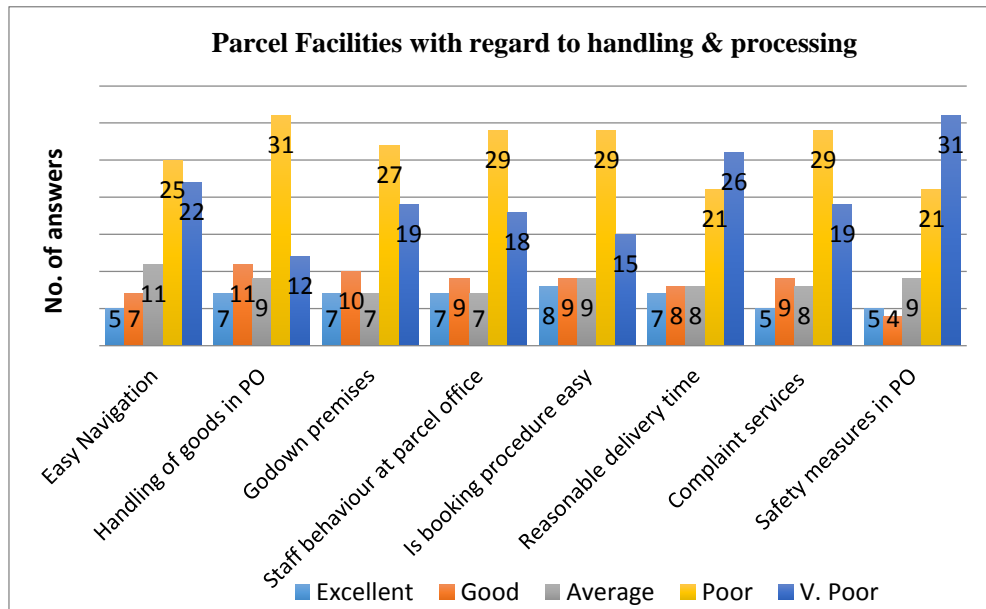
safety measures and staff behavior were assigned gradation from excellent to very poor.

3 (ii) Analysis of direct & indirect freight services in Pakistan Railways

Eight (08) areas/questions were selected to analyze the quality of freight services of Pakistan Railways. A sample of 10 customers was chosen at divisional level to take their feedback with regard to the predefined questions. The cumulative results of the interviews/survey are presented below in tabulated form through gradation of excellent to very poor:-

Parcel Facilities	Excellent	Good	Average	Poor	V. Poor	Total
	51	67	68	212	162	560
Percentage	9%	12%	12%	38%	29%	100%

The individual state of each question is also presented hereunder through bar graph to give a clear understanding of each class of gradation.



3.2.8.4.4. Analysis of short Coaches in Pakistan Railways

During physical inspection at divisional level it was observed that the train operations were affected by short coaches and it creates huge

discomfort for the passengers. The audit team physically witnessed such problems occurring on daily basis and the customers were highly displeased by the issue. It creates uncertainty among the passengers and results in rift between Station staff and passengers. Moreover, plenty of complaints were filed on Pakistan Citizen Portal regarding the problem of short coaches. It is worthwhile to mention here that the audit team had to suffer as well regarding availability of coaches while travelling.

The following observations are highlighted in this regard.

- i. The customers complained about the issue of non-availability of coach despite the fact that the ticket in that coach was booked one month/fifteen days in advance. The customers also added PR has no facility of informing about the issue to the passengers before time. When the customers reach at station with their families and luggage they are informed about unavailability of coaches which is highly dis-satisfactory and troublesome for passengers and they have to look for alternate services despite booking seats in advance. Some of the time they are adjusted in other coaches but most of the time they are refunded.
- ii. The customers also complained that they were adjusted in other coaches which were not required/preferred by the customers.
- iii. The customers were adjusted on seats which had been kept vacant due to Covid-19 SOPs, this state of affair shows that Covid-19 SOPs are not being followed in letter & spirit as well.

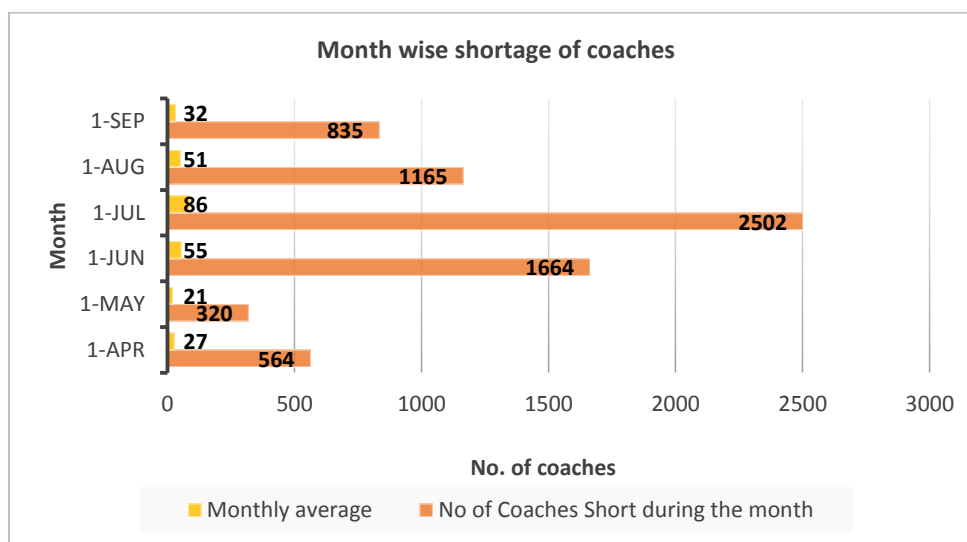
The problem of short coaches was found in each division, the official data obtained from the whole network is hereunder: -

Month	No of days when coaches were missing	No of Coaches Short during the month	Average short coaches per day
Apr-21	21	564	27
May-21	15	320	21
Jun-21	30	1664	55
Jul-21	29	2502	86

Aug-21	23	1165	51
Sep-21	26	835	32

Data of short coaches for the month of May, 21 was not given in full by management.

This position of short coaches has also been depicted through bar graph and it is evident that the month of July, 21 was the highest month on account of short coaches, during this month 2502 coaches were short over the entire network and averagely 86 coaches were short on daily basis. The lowest month on account of short coaches was May, 21 with 320 shortage of coaches overall and 21 coaches short on daily basis. An average analysis over a period of six month showed that, there are 50 coaches short on daily basis in Pakistan Railways.



3.2.8.4.5. Analysis of Complaints received on (PCP) Pakistan Citizen Portal

Pakistan Citizen Portal (PCP) is an integrated citizen's grievances redressing system connecting all government organizations both at Federal and Provincial level. The system will serve as carrier of complaints to their respective offices across Pakistan. The purpose of this reorganization is to facilitate the general public, overseas Pakistanis and the foreigners to ensure prompt redressing.

Keeping in view the above the complaint dashboard of Pakistan Railways was attained in soft form so that customer/passengers complaints and their grievances with regard to lack of station and en-route train amenities/facilities/services in Pakistan Railways could be analyzed. Based on the data it is out of place to mention here that 28,772 complaints were received at the citizen portal from 11.02.2018 to 17.08.2021 out of which 8760 complaints were related to services problems in PR. These complaints are broadly classified into the followings: -

- i. Non-availability of coaches on the day of Journey
- ii. Non-Punctuality
- iii. Non-cleanliness in economy coaches
- iv. High fares of Parking facility
- v. Poor quality of food in en-route trains
- vi. Non availability of essentials in en-route train toilets
- vii. High rates of food in in-transit train
- viii. Overall cleanliness issues
- ix. Non-restoration of temporary suspended train routes
- x. Non-restoration of passenger's train
- xi. Closed waiting lounge at various stations
- xii. Complaints regarding Staff behavior

The year wise analysis of online complaints at citizen portal is given here under: -

An analysis of data revealed that 2019 was the year in which maximum no of complaints 4191 were received and the least year was 2018 in which only 427 complaints were placed on citizen portal. Averagely PR is receiving 07 complaints on daily basis regarding customer and passenger

Year	No of complaints	Per Month Average of complaints	Average Daily complaints
2018	427*	42.70	1.42
2019	4191	349.25	11.48
2020	2287	190.58	6.27

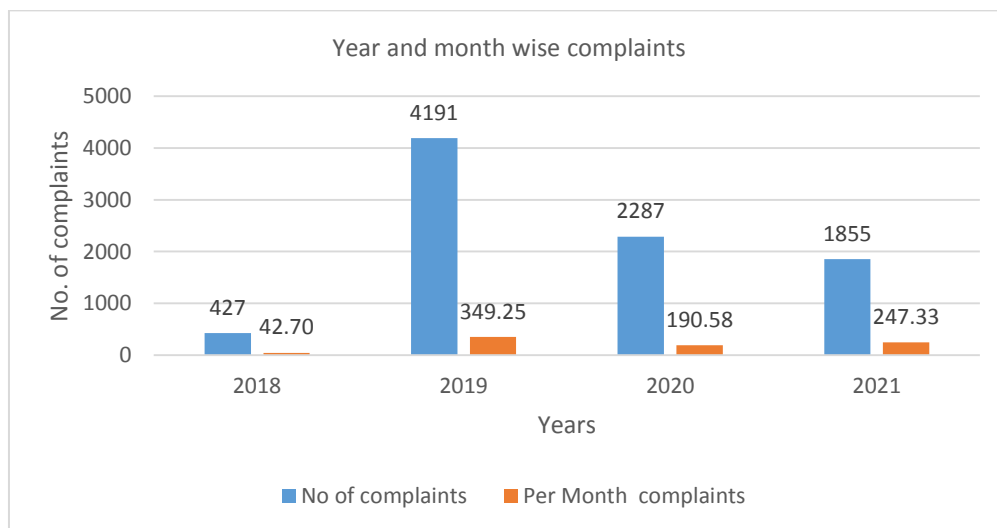
2021	1855**	247.30	8.13
Total	8760	208.57	6.86
	Facility type	No of Complaints	

facilitation.

Year wise position of complaints on PCP

*From Feb, 2018 to Dec, 2018 **Complaints are up to the month of Aug, 2021.

The year and month wise position of complaints have also been depicted through bar graph.

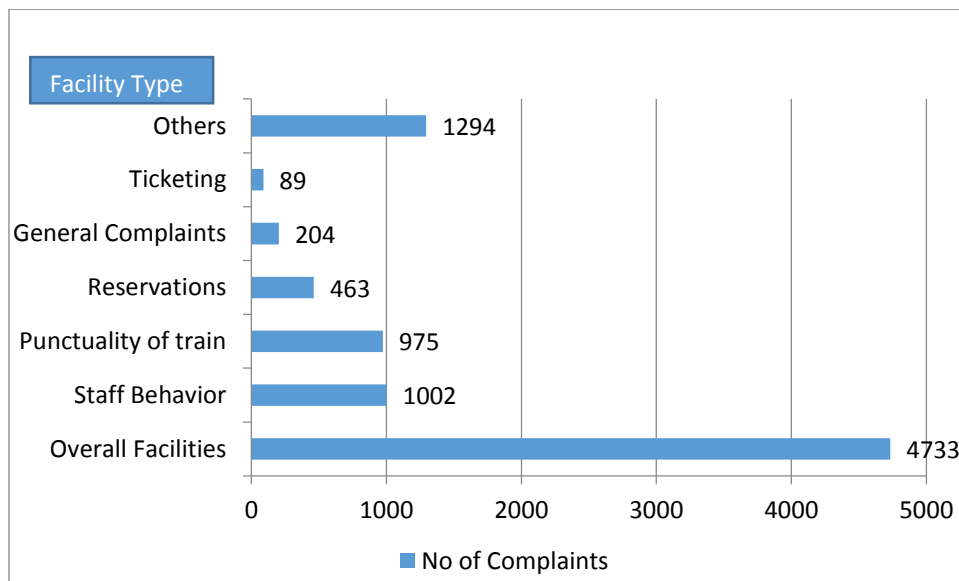


A facility wise analysis of the complaints received at Pakistan Citizen Portal (PCP) has also been performed which is given here under: -

Facilities	4733
Staff Behavior	1002
Punctuality of train	975
Reservations	463
General Complaints	204
Ticketing	89
Others	1294
Total	8760

It was observed that total 8760 complaints were received on Pakistan Citizen Portal regarding lack of facilities and services. As per the table, complaints were related to overall provision of facilities at stations and in en-route trains. Complaints regarding staff behavior and schedule were at the 2nd and 3rd respectively. The customers also complained with regard to reservations, general nature complaints and ticketing.

The status of complaints has been shown in bar graph which shows that the most of the complaints were related to facilities, staff behavior and schedule of trains.



3.2.8.4.6 Analysis of train accidents/ derailments/ collisions during last five years in Pakistan Railways

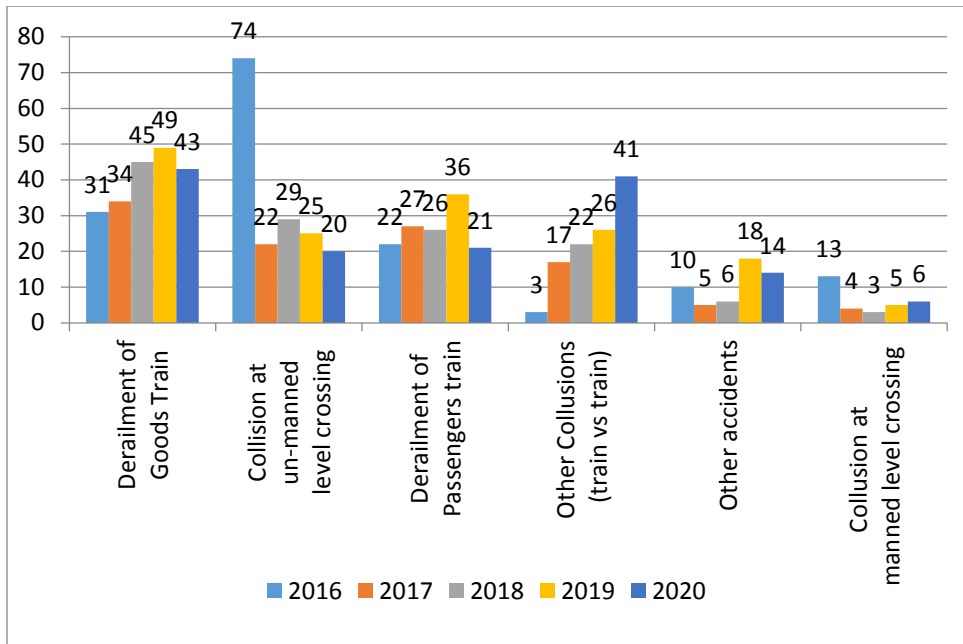
Safe journey from any transport service is considered the most essential feature because it develops reliability, trust and loyalty of customers. Public is always anxious about safe and secured journey by all means. During audit, it was noticed that the passengers were very dissatisfied and unhappy with regard to derailments and collisions of passenger and goods trains in Pakistan Railways. Therefore, an analysis of derailments/ collisions of trains in Pakistan Railways over the period of five years have been performed.

During thematic audit of customer satisfaction and retention in Pakistan Railways it was noticed that during the last five years six hundred and ninety-seven (697) accidents/ derailments/ collisions occurred over the entire network of Pakistan Railways. The record showed that it has increasing trend since 2017 (109 accidents) to 2019 (159 accidents). PR administration always search for a scapegoat to be blamed but the matter remains unattended as the unfortunate incidents of accidents keep on occurring time and again.

As per the available record, the self-explanatory record for these accidents and derailments are given hereunder and has also been presented through bar graph: -

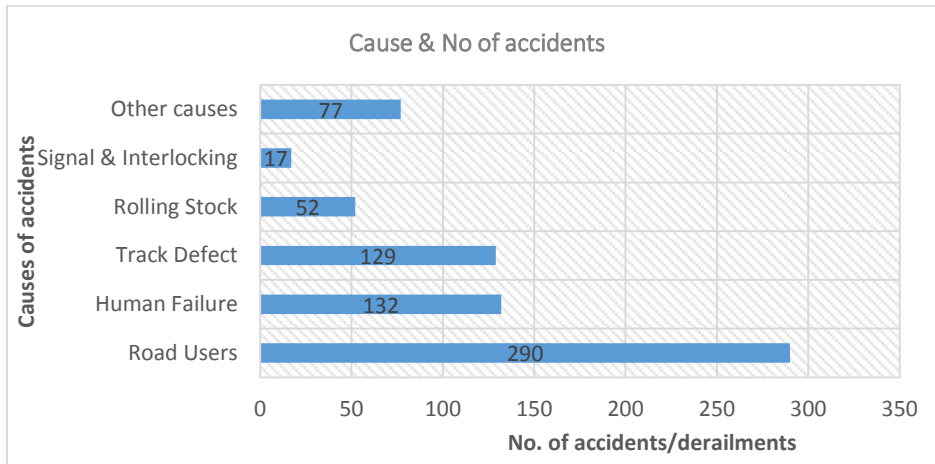
Detail of accidents/derailments/collisions during last five years

Accident type	2016	2017	2018	2019	2020	Total
Derailment of Goods Train	31	34	45	49	43	202
Collision at un-manned level crossing	74	22	29	25	20	170
Derailment of Passengers train	22	27	26	36	21	132
Other Collisions (train vs train)	3	17	22	26	41	109
Other accidents	10	5	6	18	14	53
Collusion at manned level crossing	13	4	3	5	6	31
Total	153	109	131	159	145	697



Detail of causes of accidents:

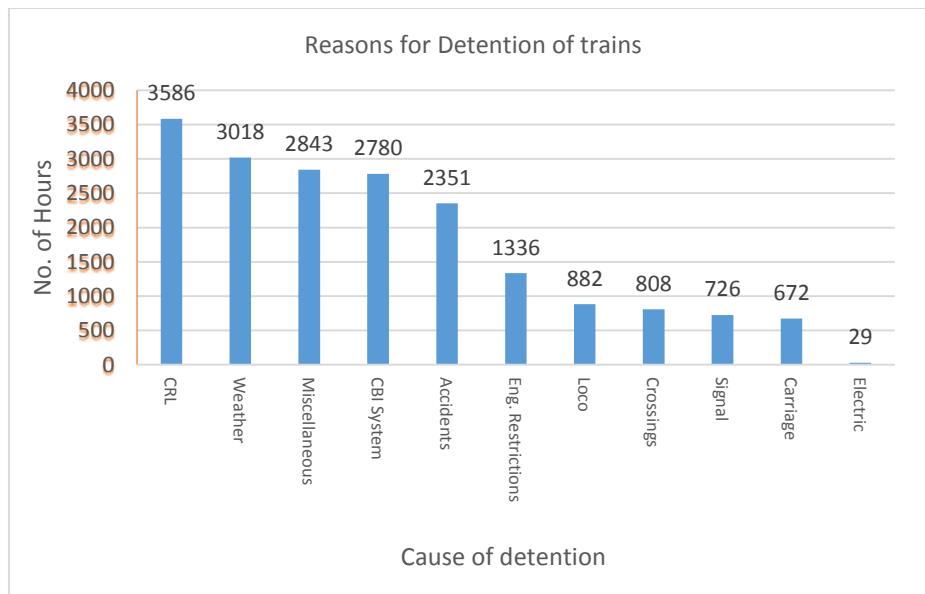
It was observed that majority of these accidents occurred due to road users, human failure, track defect, rolling stock etc. The cause wise position of these accidents has been depicted below. The PR management failed to upgrade track, rolling stock, un-manned level crossings as per standards and the resources were not utilized economically and efficiently.



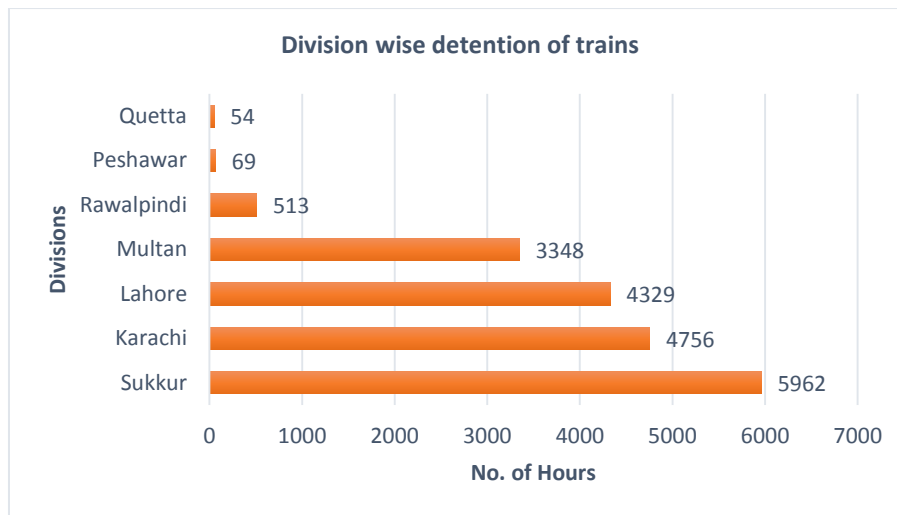
3.2.8.4.7 Analysis of Detention of Trains over entire network of Pakistan Railways for the FY 2020-21

Punctuality is considered one of the main determinants of customers' satisfaction in PR. However, detention of trains over different section and stations due to various reasons is a very common cause of delay of trains and it eventually affects the arrival and departure of other trains too. During thematic audit of customer satisfaction and retention in Pakistan Railways, it was observed that trains were detained over different section and stations for more than 19000 hours during the FY 2020-21 all over Pakistan. The main factors for this detention were engineering restrictions, loco and carriage defects, signal and electric defects, computer base interlocking, accidents, bad weather etc. Due to this detention PR has to bear excess consumption of HSD oil. The detail is as under: -

Connecting Rail Links was the highest factor for train detention which consumed 3586 hours. Weather, CBI system, accidents, engineering restrictions, loco, crossings and signal were other factors, cause-wise detention in hours has been shown in bar graph. The lowest contributor in train detention was electric and it consumed 29 hours during the financial year 2020-21. The position has been shown below through bar graph:-



An analysis for division wise detention of trains has also been performed. The Sukkur division was at the top as 31% (5,962 hrs) of total detention pertains to this division. The Karachi and Lahore divisions were at 2nd and 3rd respectively, and their contribution in total detention was more than 47% (9,085). The minimum detention of train was found in Quetta division; the reason behind is that there is only one train in that division. Division wise analysis of detention of trains has also been shown through bar graph: -



It is worth mentioning here that during interviews with management and station staff and through observation it was noticed that one unreported reason why train stops at different stations and section is to facilitate the stall vendors to give them more time to sell their products. This issue is highlighted time and again with the PR administration but no sturdy action is taken against the responsible staff rather some timely measures are taken and things come back to normal in a matter of time. This results in stoppage of trains more than the stipulated time and it affects other en-route trains as well, deteriorating the overall punctuality of PR.

3.2.8.4.8 Comparative analysis of Pakistan Rail freight services with Private cargo operators

During thematic audit of customer satisfaction and retention in Pakistan Railways, it was noticed that there are different services which are being offered by private cargo operators to the customers in respect of booking of parcel and goods, the PR was not offering these services to its customers. During physical inspection of cargo offices and while interviewing the customers it was also observed that customers are more satisfied with the services of private operators and displeased with the services of Pakistan Railways.

The most important factors for this dissatisfaction were non availability of luggage van/brake van, no cash on delivery services, non-confirmation of departing date of parcels/goods and timely delivery. Based on interviews, a comparison of private cargo services with PR was performed which is as under: -

Sr #	Private Cargo Services	Exist in Pakistan Railways
1	Cash on delivery services	No
2	Flexible rates	No
3	Picking and delivering services from warehouse	No
4	Delivery of parcel/goods by seeing CNIC/WhatsApp receipts	No
5	Concession/ Discounted vouchers etc.	No
6	Advertisement to promote business	No
7	Booking from various offices other than PR premises	No
8	Tracking of parcel	No
9	Timely delivery	No
10	In time availability of luggage van/brake van as per agreement/contract policy	No (shortage of coaches is a bigger problem of PR)

3.2.8.5 Significant Audit Observations

Observation 1: Booking of parcels and goods in brake van compartments by Pakistan Railway and Private Cargo operators

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

During thematic audit of customer satisfaction and retention in Pakistan Railways it was observed that during the month of June 21 the private cargo operators succeeded to book parcels/goods 136.82% (capacity 2.1 ton) more in comparison to PR parcel office Rawalpindi in the brake van compartment, of different trains i.e., Khyber mail, green line, Awami express & Sir Syed express. It is worthwhile to mention here that while conducting the physical inspection of brake van of Rehman Baba Express, DS Rawalpindi noticed that the brake van compartment

outsourced to private operator was found almost full, however, the PR compartment was booked with only 15%. Therefore, he directed to take necessary measures to boost up the parcel bookings; however, fruitful results could not be achieved. The detail is in **Annexure-(Y)**.

The excess booking was due to multi booking points, advertisement, cash on delivery and pick and drop facility. During interviews from parcel/freight customers audit observed that customers are ready to pay extra if they were facilitated in different ways. This state of affair shows that PR is losing its parcel and freight customers due to lack of facilities, inappropriate decisions and weak policies.

Audit, therefore, suggest finding out the reasons that why quantity of booked parcels and goods is low as compare to the private operators.

Observation-2 Non-Compliance of Federal Minister Directives

Instructions of Federal Minister for Railways regarding preserving national heritage of stations and creating business hub in and around stations dated 24.02.2021 states that all big and medium city station masters be advised that they will be fully in charge of their stations for all matters prospect and betterments of those stations be explored with local business community leader's architects and other likeminded people as to how they can help us preserve heritage of those stations as well as creating business hub in stations as well as around stations. the timeline given was two weeks. Anyone lacking/failing these policy matters will have no place in Pakistan Railways.

During thematic audit of Customer satisfaction and retention in Pakistan Railways at divisional level, it was observed that the instructions/directives of the Federal Minister for Railways were not complied with in letter and spirit. All the Station Masters at divisional level informed that we have not been assigned/given any task in respect of these directives nor the letter was received. It is a fact that by exploring the business opportunities with business local community leaders will not only enhance the earnings of Pakistan Railways, but it will also attract investors, customers and passengers.

It was also observed while conducting physical inspection at railway stations no report was being sent to the HQ on daily basis.

Direction as per action plan	Audit Findings
Every small and big PR Station Master be given to Report following to HQ everyday: 1. Safety Measures 2. Clean drinking water 3. Punctuality 4. Very important matter connected with smooth train operations	The compliance report on these issues was not found in record, moreover the SS posted at stations replied that no such instructions were issued.

Audit, therefore, suggests to find out the reasons that why appropriate measures were not taken in the light of the directions of the honorable Federal Minister for Pakistan Railways.

Observation-3 Non availability of Web based Freight Management/Information system in Pakistan Railways to facilitate parcel and goods customer

During thematic audit of Customer satisfaction and retention in Pakistan Railways it was observed that Pakistan Railways is earning more than 22 Billion per annum from goods and parcel business. However, the entire booking of goods and parcel is being done manually at divisional level. There is no computerized booking record of goods/parcel and other related data. There is no web-based freight management/information system in Pakistan Railways which could provide/facilitate customers regarding:

- i. Online invoice generation
- ii. Booking and tracking notification of goods
- iii. Tracking of movement of parcels/goods
- iv. Train timings notification to customer and delays, if any
- v. Online payment facility

Due to non-availability of online system the parcel and goods customers cannot book their packages and commodities online. On the other hand, private cargo operators are doing their businesses in the premises of Pakistan Railways and these operators have online computerized booking, tracking system, notification service, online payment, in-time delivery etc.

Audit, therefore, suggests finding out the reasons that why online web-based freight management system could not be developed to facilitate the parcel and goods customers.

Observation-4 Submission of false and unsigned weight slip by AA Cargo to in-charge conductor guard in Karakoram express 42 DN.

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

While conducting the physical inspection of Lahore Station on 21.09.2021, it was observed that the luggage compartments of 42 DN were outsourced to AA enterprise cargo and HA Ittehad Cargo for loading of parcels and goods. Karakoram express departed from Lahore Railway Station on 21.09.2021 at 3.00 pm. The train was placed on the platform just 15 minutes before departure. The parcels/goods were loaded in the compartment at eleventh hour. The audit demanded the summary of loading from in-charge Conductor Guard at 2.54 pm on the date, however, it was informed by the conductor in-charge that weight summary has not been provided yet.

After departure of 42DN the audit took the weight summary from the offices of AA enterprises Cargo and HA Ittehad cargo on 21.09.2021 and it was compared with the actual summary given to the Conductor Guard. As a result, the following discrepancies were noticed: -

- i. AA cargo provided the summary of weight to in-charge conductor guard on a simple plain paper which was not signed and was an unauthentic document.
- ii. The weight summary provided by AA Enterprise Cargo Office to audit from Lahore to Karachi shows total weight of 964-kg, on the other hand weight summary provided by In-charge conductor guard shows weight as 1125-kg. The weight summaries were varying.

- iii. The summary is shared with the in-charge guard at eleventh hour so that the proper checking and documentation could not be met with as the departure of train could not be delayed. The private contractor of brake van does understand it that train could not be delayed hence summaries are not shared timely.
- iv. The audit demanded the rate list of packed and booked cartons from private cargo operators, but they refused to share it and it was categorically mentioned that we could only share it with CCM. This situation shows that they are charging rates as per their own will.
- v. It is out of place to mention here that the internal controls in place are very weak and rail staff is not playing its supervisory role.

Audit, therefore, suggests that reasons be explained that why there is no proper check and balance over private cargo operators.

Observation-5 Booking of excess weight by Gujrat Cargo in 6Dn Green Line Express and non-availability of luggage van with 40DN Jaffar Express

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

During thematic audit of customer satisfaction and retention in Pakistan Railways, it was noticed that the Gujrat Cargo (private contractor) was allowed to carry 2100 kg in brake van compartment of Green line express. However, as per the actual weight summary 2233 kg (539+1694) weight was booked and carried by the contractor which shows that 133 kg was excess loaded and carried and no appropriate measures were taken by the PR management to have a detailed check on this excess booking.

Furthermore, it was observed that the CMM/LHR has outsourced both the portions of 39up/40dn due to which the Rawalpindi division was

facing lot difficulties for dispatching of public, military as well as arms ammunition consignments booked for different stations of ROH – QTA. During physical inspection of parcel office Rawalpindi, customers complained that there are no parcel/goods booking service on daily basis from Rawalpindi and private cargo operators are charging high rates.

It was also noticed that two consignments were booked from Rawalpindi to Quetta vide invoice no 925092 and 925054 amounting to Rs 557,505 and 179,000 and the booking date of these consignments was 22.09.21 and 21.09.21 respectively. However, these consignments could not be sent up to the date of physical inspection 04.10.21. The audit was informed that these consignments could not be sent due to non-availability of luggage van. Moreover, it was physically observed in parcel office that customers visited the booking office on daily basis but due to non-availability of luggage van the customers left without booking.

Audit, therefore, suggests finding out the reasons that why a complete advance schedule of booking of luggage van is not shared with booking offices and why such excess weight was loaded, and no checking was carried out beside fixing the responsibility under intimation to audit.

Observation 6 Non-implementation of Business Plan 2020 regarding Passenger and customer facilitation

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

During thematic audit of customer satisfaction and retention in Pakistan Railways, it was noticed that Business Plan 2020 was initiated with a view to achieve short term, medium term, and long-term plans. Short term plans were devised to facilitate the passengers, customers and availability of amenities at railway stations. The detail is in **Annexure-(Z)**.

The Karachi Cantt station was found the most least developed despite of the fact that more than 40% revenue is being generated from Karachi Division. Karachi is the biggest city in Pakistan and millions of passengers travel from there on yearly basis and it is also a big contributor in freight earnings too. It is worthwhile to mention here that most negative responses against questionnaires were received from Karachi cantt station and Karachi city station. Based on on-ground inspection and responses from passengers the following major points are highlighted: -

- i. All the platforms of Karachi Cantt and Karachi city Railway stations were found in very deteriorating condition.
- ii. There was iron fence between the two railway tracks and some parts of the fence were found broken and the luggage was being passed on by rail staff and by coolies from there.
- iii. There was acute shortage of benches, trash bins, sign boards at the railway stations.
- iv. There was no mechanism of parking, the riksha, chingchi, and taxi were found present in front of the entrance at railway station and drop lane was found busy all the time and no check and balance were there by the rail staff.
- v. The information board was out of order and was not displaying the status of trains.
- vi. The public washrooms were being charged for Rs 20 and were found in pathetic condition.
- vii. In peak hours the platforms were found full of passengers and there was no proper arrangement for their sitting.
- viii. The cleanliness of the station was very poor, and the garbage was being thrown on track due to which drainage system was not working properly and water was standing on the track. Beside this there was very bad smell on main platforms.
- ix. There were no proper safety arrangements, and the passengers were getting entry on to the stations from other gates i.e., parcel entry gates.
- x. There were no LED boards and sign board for the guidance of passengers.

As per the directives of the Federal Minister for Railways no steps were taken to make this station a “Business Hub”.

6.. High Value Paras

Observation-1 Loss due to non-utilization of tank wagons Rs 236.31 million

Para 15.3 of Pakistan Railways Commercial Manual provides that the quicker the turn round, the fewer the vehicles required. On completion of safe and quick transit of loaded wagons by operating department, it is up to the traffic or commercial staff to arrange for the quick unloading and prompt release of wagons.

During the thematic audit of customer retention in Pakistan Railways it was observed that different tank wagons loading with HSFO oil were booked from BQM to LLPR and Thermal Power Station, Muzafargarh. These wagons could not reach to its destinations due to derailment and tank wagons were placed at LLP/PSO and MGH/TPS sidings. PSO and wapda authorities declared these wagons as undocumented. Despite laps of more than four years the matter is still unresolved and TW were found standing there up to the date of physical inspection dated 26.08.2021. Due to this Pakistan Railways sustained loss of Rs 236.31 million on account of non-utilization of tank wagon. The detail is in **Annexure-(AA)**. Moreover, during physical inspection the wagons were found in very deteriorating condition and probably it cannot be used in future due to its leakage and rust. In addition, it is posing sever environmental risk as the oil is highly flammable.

Audit, therefore, suggest to find out the reasons for non-utilizing the wagon and fix the responsibility under intimation to audit. Internal controls needed to be strengthened to avoid delay in turn round so that the level of optimization could be achieved.

Observations-2 Receivables against PSO and SPL Rs 994.09 million.

As per Para 316 of Pakistan Government Railway code for the Accounts Department the amounts due to Pakistan Railways for

services rendered, supplies made, or for any other reason are correctly and promptly assessed and recovered as soon as they fall due, that all receipts are properly brought into account and that all receipts are correctly classified. Moreover, as per Fuel Transportation Agreement with PSO, PSO shall make full payment of transportation charges to Railways of all booked consignments within 15 days from the time of booking.

During thematic audit of Customer satisfaction and retention in Pakistan Railways, it was observed that:

a) An amount of Rs 47.11 million was lying outstanding/unadjusted on account of demurrage charges up to 30th June, 2021 in the balance sheet of Lalpir station. During physical inspection it was contented by Railway Officials that this amount is accumulated over the years and is being depicted in Balance Sheet since 2006. No concrete efforts appeared to have been made by PR management to adjust this huge amount.

b) An amount of Rs 946.980 million was lying outstanding/unadjusted up to 30th July, 2021 in the balance sheet of Mahmood Kot station. During physical inspection the matter was enquired from the station master of Mahmood Kot and he replied that this amount has accumulated over the years i.e since 03.09.2009. This amount is outstanding against Shell Pakistan Limited (SPL) and Pakistan State Oil (PSO) Mahmood Kot Station on account of freight charges and dip short. The Pakistan Railways remained unsuccessful to recover this huge amount from PSO and SPL.

Audit, therefore, suggest to find out the reason that why such amount has not been recovered/adjusted, beside to fix the responsibility. Internal controls should be devised to avoid accumulation and proper monitoring be ensured for clearance on day to day basis.

Observation-3 Non-clearance of Station Outstanding – Rs. 779.51 million

Para 316 (a) of Pakistan Railways Accounts code stipulates that the amount 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 thematic audit of customer satisfaction and retention in Pakistan Railways it was noticed that an amount of Rs 779.51 million was lying outstanding in the Station Balance Sheet of Multan Division on 31.12.2020 on account of coaching, goods and dry port. Out of Rs 779.51 million an amount of Rs 733.069 million relates to unadjusted balance of goods portion. Divisional management failed to implement rules, codal provisions & procedures in its true letter & spirit over Multan Division. It appeared that no strenuous efforts were made for prompt clearance of station outstanding.

Audit therefore, suggest to find out the reasons that why prompt clearance of station outstanding was not assured.

Observation-4 Irregular allotment of station restaurant at Khanewal Railway Station Rs 15.29 million

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

During thematic audit of customer retention in Pakistan Railways at Khanewal station it was noticed that contract of station restaurant at Khanewal was awarded to Mr. Muhammad Imran on 31.08.2018 at annual rent of 13.30 million for a period of two years. The competent authority accorded approval for closing of station restaurant on 30.09.2019. Later, he was allowed to do business with 15% increased rate i.e 15.29 million on yearly basis. The contractor was directed to run it temporarily on daily basis from 01.10.2019 at daily rent of 46,095 including withholding tax. The station restaurant at Khanewal was closed on 30.11.2019 by the contractor. Later, the contract was awarded to a new contractor M. Ishaq at annual rental charges of Rs 10.15 million which is lower as compare to

the previous rent of Rs 15.29 million. Therefore, the PR was put into loss of Rs 5.14 million.

Audit therefore, suggests to find out the reasons that why contract was awarded at lower price and the responsibility be fixed to recover such loss.

Observation-5 Loss due to derailment of Tank Wagon No 80193-ZBTK Rs 3.012 million.

Para 316 (a) of Pakistan Railways Accounts code stipulates that the amount 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 thematic audit of customer retention in Pakistan Railways it was observed that one tank wagon No ZBTO – 80044 loaded with 60 metric ton of HSFO was booked from BQM to Muzaffargarh vide invoice no 733 18.07.2017. The actual dip at the time of loading was 2040 mm. The ZBTO – 80044 derailed at Bolhari Station and more than 2/3rd quantity of the product HSFO wasted due to derailment of this tank wagon. The remaining quantity was than transshipped into tank wagon ZBTO – 80193. The tank wagon ZBTO – 80193 arrived at Thermal Power Station on 21.09.2017 while taking its dip it was found that the measurement is only 610 mm instead of actual/ normal dip of 2040 mm. The PSO and TPS authorities refused to own that wagon and the product was charged to Pakistan Railways. Due to this Pakistan Railways sustained loss of Rs 3.012 million on account of wastage of HSFO due to derailment of tank wagon.

Audit, therefore, suggests to find out the reasons for wasting of HSFO, non-decanting of tank wagon beside fix the responsibility of such loss under intimation to audit.

Observation-6 Loss due to non-receiving of amount from various governments departments Rs 2.37 Billion

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

During thematic audit of Customer Satisfaction and Retention in Pakistan Railways, it was noticed that there is a huge amount Rs 2,374.09 million stands outstanding against various government departments. Pakistan Railways is under financial crunch and these receivables were required to be recovered in due course of time. Federal Minister for Railways gave five points action plan, as per the plan short term measures for revival of broken Pakistan Railways were identified. The second most important short-term measure was to bring receivables to zero. The detail is **Annexure-(AB)**.

Audit, therefore, suggest to find out the reason that why such amount has not been recovered from government departments and responsibility be fixed under intimation to audit.

Observation-7 Loss of potential earnings due to closure of Sibi – Khost Section and Quetta Dryport Rs 772.95 million

Para 316 (a) of Pakistan Railways Accounts code stipulates that the amount 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.

a) During the thematic audit of customer satisfaction and retention in Pakistan Railways it was noticed that the Railway administration of Quetta division suspended the train operations on Sibi - Khost section due to bomb blast at two bridges No 16-P at km 17/1-2 and 18-P at km 18/7-8 between Nari – Babar Kuchh Stations vide letter No 74-T/1-Pt-11/2004 dated 10.03.2006. Later, Provincial Government deployed frontier corps in the section. Due to suspension of Sibi - Khost section the Pakistan

Railway is depriving of potential revenue of Rs 714.95 million. The loss of potential revenue has been calculated for the period of 15 years 2006-07 to 2020-21 on the basis of average earnings. However, the restoration of this section could not be completed up till now.

b) The Quetta dry port was inaugurated in 1987 for rail-cum-sea traffic and Pak-Iran cargo traffic. On 1st June, 2002 a dry port was also established by the national Logistic Cell (NLC) complex, Quetta to handle all import/export cargo by road and agreed to pay 50% share from net profit to PR. Hence, the clearance of road traffic was shifted to NLC dry port in 2002. Therefore, the Pakistan Railways could not earn revenue on account of gate entry fee and service charges from July, 2002 to June 2010. Later on, the revival of Quetta dry port was taken in hand by the management of PR and as a result, the work at railway dry port Quetta was restarted on 21.09.2010 and only import vehicles (almost 30%) were allowed to be dealt at railway dry port Quetta. In July, 2015 the road traffic (30% import) was once again diverted to NLC dry port as there was no any dry port facility at Railway dry port. As a result the earning of the railway dry port Quetta became Nil. A proposal for revival of Quetta dry port was once again floated and collector custom was requested that 50% import and export vehicles may be restored to Quetta dry port and PR will provide all the dry port facilities. However, these facilities could not be made available for road traffic and true were not being made for better facilitation and renewal services from PR. Due to this Pakistan Railways is depriving of monthly revenue of Rs. 1 million p.m. since 2017. The total loss of potential revenue has been worked out as 58 million.

Audit, therefore, suggests to find out the reasons on account of potential loss of earnings and why Quetta dry port could not be restored and services and facilities could not be provided for road traffic.

Observation-8 Loss of potential earnings due to non-restoration of 23DN/24UP & 20DN/19UP Rs 550.122 million.

Para 1801 of Pakistan Railways General Code states that “means should be devised to ensure that every railway servant realizes fully and

clearly that he will be held responsible for any loss sustained by government through fraud or negligence.

a) During the thematic audit of Customer satisfaction and retention in Pakistan Railways it was observed that Akbar express 23DN/24UP was being run in-between Quetta and Rawalpindi. and Khushhal express was being run in-between Peshawar and Karachi. The train operation of 23DN/24UP was suspended due to Covid-19 in reference to COS, PR HQ, office letter No 701 – T/698 (TT) dated 31.03.2020. However, the train operations of Akbar express could not be restored up till now. It is also pertinent to mention here that while interviewing the questions from passengers it was informed by the passengers that except Jaffar express 39UP/40DN, there is no passenger train in Quetta and most of the times the availability of tickets in 39UP/40DN become very difficult. Due to suspension of this train PR is depriving from annual potential earnings of Rs 550.122 million. It was also observed that Khushhal express 20DN/19UP was being run in-between Peshawar and Karachi. The train operation of 20DN/19UP was suspended due to Covid-19 in reference to above referred letter. However, the train operations of Khushhal express could not be restored up till now.

b) During thematic audit of customer satisfaction and retention in Pakistan Railways it was observed that the CMM/LHR has privatized both the portions of 39up/40dn due to this the Peshawar division was facing lot difficulties for dispatching of public, military as well as arms ammunition consignments booked for different stations of ROH – QTA section. It is worthwhile to mention here that during physical inspection of private cargo at Peshawar division the customers complained that Pakistan Rail is not providing parcel/goods services to Quetta and we are bound to take our parcels to private operators who charge high rates.

c) During thematic audit of customer satisfaction and retention in Pakistan Railways it was observed that the coaches were running over due POH in base-rakes of Peshawar division. The coaches were not overhauled as per their approved schedule. Moreover, the coaches were withdrawn from service after many days of approved schedule. The period

of late withdrawn is ranging from 1 month to 2.5 months. This state of affairs shows that the safety and security of the coaches was compromised for overdue period and due to this the train could suffer detention, derailment or otherwise.

Audit therefore suggest to find out the reasons why the train services have not been restored for the passengers and loss on account of potential revenue. Moreover, audit also suggests to find out the reasons that why passenger coaches were not sent for POH in due course of time and responsibility be fixed under intimation to audit.

Observation-9 Wasteful expenditure on Queue Management System installed in Railway reservation Office Quetta for Passenger Facilitation Rs 0.895 million

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

During thematic audit of Customer satisfaction and retention in Pakistan Railways it was observed that a Queue Management System was installed in the reservation office of Quetta division for passenger/customer facilitation. An expenditure of Rs 0.895 million was incurred on installation of that system. An inspection report was issued on 28.08.2018 that the system and its all features were working properly as per the supply order. However, just after six months’ reservation supervisor informed that queue system and tablet was not working properly and the system needs repairing. However, during physical inspection, it was observed that system was not working and it was informed that the system is out of order from last ten to eleven months. This resulted not only wasteful/unjustified expenditure but also the purpose of customer facilitation could not be achieved.

Audit, therefore, suggest to find out the reasons for improper working of queue system and responsibility be fixed accordingly under intimation to audit.

Observation-10 Non-receiving of outstanding amount on account of withholding tax from contractors – Rs. 0.400 million Peshawar Division

Para 316 (a) of Pakistan Railways Accounts Department stipulates that the amount 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 thematic audit of customer satisfaction and retention in Pakistan Railways it was noticed that an amount of Rs 0.400 million was outstanding against different contractors on account of withholding tax. Divisional management failed to implement rules, codal provisions & procedures in its true letter & spirit over Peshawar Division. The government exchequer was put into loss on this account. It appeared that no strenuous efforts were made for prompt realization of this amount and its credits in government department were not assured.

Audit therefore suggests to find out the reason that why the amount on account of withholding tax was not collected from contractors.

Observation-11. Loss due to detention of train over divisions of Pakistan Railways Rs 3,065.89 million.

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

During thematic audit of Customer satisfaction and retention in Pakistan Railways, it was observed that all the up and down side trains were detained at various points/ Railway stations due to different reasons. This detention was mainly due to ER, Loco, Carriage, Traffic, Signal, CBI, accidents etc. Due to this detention Pakistan Railways has to bear loss of Rs 3,065.89 million on account of excess consumption of HSD oil/

fuel. Moreover, this detention not only disturbed punctuality of trains but also developed an adverse image in the eyes of passengers.

Audit therefore suggest to find out the actual motives behind this detention and also take measures to improve the punctuality and the safety measures be taken at appropriate level.

Observation-12 Non-performing of Cost Benefit Ratio analysis in respect of up gradation of railway stations Rs 464.186 million

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

During thematic audit of Customer satisfaction and retention in Pakistan Railways, it was observed that two stations Nankana and Hassan Abdal were upgraded at a cost of Rs 191 million and 273 million respectively. The expenditure was incurred without any consideration of class of stations, volume of passengers and specific requirements of stations. Moreover, cost benefit ratio analysis, investment protocol and payback period were totally ignored. The average annual earning of these two stations over a period of five years remained 12 million. Keeping in view the average income of these two stations, low volume of passengers and a low class station the Pakistan Railways required 38 years as payback period to recover this investment if all other fixed and variable costs remain constant. Moreover, the passengers and customers of Pakistan Railways didn't get any direct benefit from this investment.

Audit therefore suggests to find the reasons that what benefits were derived from this investment and how this investment proved to be fruitful for customers of PR.

Observation-13 Loss of potential earnings on account of newly built shops at different railway stations 137.901 million.

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

During thematic audit of customer satisfaction and retention in Pakistan Railways, it was observed that 63 shops were constructed at Narowal, Okara and Bahawalpur railway stations. The stations were upgraded through different PSDP projects to earn revenue on yearly basis. The shops remained vacant for time period from 21 months to 41 months, couldn't be rented out. Therefore, the objective of potential earnings, target to facilitate general public and passengers could not be achieved. The detail of potential earning is as under: -

(Rs in million)

Sr No	Name of Station	Date of completion	No of Shops	Estimated Revenue per year	Earning per month	No of months vacant shops	Loss of Revenue
1	Narowal	15.12.2018	21	5.33	0.444	33	14.652
2	Okara	30.04.2018	21	22.43	1.869	41	76.629
3	Bahawalpur	15.01.2020	22	26.65	2.22	21	46.620
Total			63	--		--	137.901

The audit therefore suggests to find out the reasons that why PR is depriving of from this potential revenue.

Observation-14 Cost overrun and time overrun PSDP projects related to up gradation of Railway Stations Rs. 137.91 million

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

During thematic audit of Customer satisfaction and retention in Pakistan Railways, it was observed that Pakistan Railways upgraded seven railway stations through PSDP projects. All the projects were proved to be cost overrun and time overrun. The total cost overrun of

these projects comes to Rs 133.227 million and the period overrun is ranging from 06 months to 42 months.

Audit, therefore, suggests to find out the reasons for time overrun and cost overrun of these projects.

**Observation-15 Unjustified expenditure due to non-development of shopping areas inside and around railway stations
Rs 918.08 million**

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

Pakistan Railways awarded consultancy work of designing and architectural work to NESPAK. Under this consultancy work the development of shopping areas inside railway stations was part of the overall developmental scheme of real estate development at and around the railway stations. Moreover, some other developments were also to be undertaken at each railway station by PR that were essential requirements to support proposed commercial activities. These included but not limited to widening/ extension of front/side access roads with the existence of local governments, development of allied infrastructure, children play areas, clear sign boards, establishment of shops management committee and operational polices, marketing plan and other facilities for consumer/customers were essentially required for achieving the objectives.

During thematic audit of customer satisfaction and retention in Pakistan Railways it was observed that the objectives regarding upgradation of stations could not be achieved as the suggestions given in commercial and financial feasibility report to Pakistan Railways by NESPAK were not complied with in letter and spirit. Due to this Pakistan Railways is not only depriving from potential earnings but a huge investment of Rs 918.08 million on stations buildings proved to be non-

fruitful and recovery of this investment is doubtful through potential earnings.

Audit, therefore, suggest finding out the reason that why the suggestions given in commercial and financial feasibility were not complied with under intimation to audit.

3.2.9 Departmental Response:

The observations were issued to the management during October 2021 followed by two reminders dated 05.11.2021 and 12.11.2021 for furnishing replies thereto but no response was received.

3.2.10 Recommendations:

On the basis of the audit performed and through thorough evaluation of data and passengers' feedback, the audit highlights actions that are expected to improve the services in PR which will result in customer satisfaction, reliance and loyalty. A strong senior oversight and proper implementation process must be followed to set clear responsibilities for timely implementation of these recommendation to improve service provision in PR.

The audit recommendations are as follow:

1. PR needs to develop new and viable marketing strategies to attract new customers and to improve satisfaction for profit maximization.
2. There is a clear need for education and training of railway staff to bring about a technological overhaul the existing obsolete system.
3. Introduction of new modules in the mandatory training of lower staff to officers of PR can play a crucial role in customer satisfaction since it would sensitize the employees of PR with the modern standards of customer care and facilitation.
4. Periodic review of Policies and internal controls needs to be done for quality review.
5. PR needs to develop policy framework and introduce revised Codes and Manuals as per market dynamics.
6. A specialized Provincial Management Policy should be devised for train operation at provincial and divisional level.

7. As there exist no marketing strategy in PR, there is a need for viable marketing strategies. The services offered by PR should be advertised on modern marketing practices e.g. digital marketing not only to attract customers but to present a modern outlook of PR.
8. Performance evaluation of the Board should be conducted annually and the Board itself should conduct a quality review quarterly to assess the quality of services throughout Pakistan.
9. Include SDGs in policy framework for improvement in services and the targets should be met as envisaged in SDGs.
10. Customers' feedback must be a part of regular quality review and policies be devised and revised in the light of that.
11. An effective coordination mechanism should be developed between Ministry, Headquarter and Divisional offices. There should be a decentralized management for timely and need-base decision making.
12. The record keeping should be digitalized and centralized for a continuous check on performance. An IT automation system in PR operations may be introduced to improve efficiency.
13. The issue of accidents is very much highlighted in the recent times, and as mentioned in critical analysis one of the main reasons of accidents is worst condition of track. PR is waiting for launch of ML-1 project which is a part of CPEC; the existing track from Peshawar to Karachi would be revamped entirely under this project. But the railway authorities need to timely come up with a well-prepared strategy to fully utilize the upgraded tracks and infrastructure. This will improve the overall performance and goodwill of PR.
14. Establishing a Fare Review Committee which analyze the fares and change it from time to time in accordance with market position. Similarly, the committee should introduce new offers and discounts on fare on special occasions e.g. Daewoo Bus Service provides 5% discount on online advance booking and points are added to the customer's account which is a great way to retain customer for using the service again and again. Such policies should be adopted by PR to attract new customers and retain the existing ones.

15. In continuation of the above point, PR loyalty cards can be a substantial step towards customer facilitation. It can be modeled on the practices being carried out by private public transport companies. A passenger of PR can be given an option of a membership against a certain amount of fee. As the passenger travels, bonus miles can be added to his/her account which will provide them additional discounts on next travel. It can create a sense of ownership among the passengers of PR but can also help PR to retain its customers.
16. Pak Rail app is used by PR passengers for tracking en-route trains. This app is regarded as an effective step by PR in tracking of trains, PR should develop online app for booking which includes intimation to customers about train timings, delays, if any, and availability of coaches in train. This can save passengers the discomfort of waiting at stations with families and luggage in uncertainty. Same needs to be done in freight service, PR should develop an app for tracking of status of parcel and goods and the customers should be intimated in case of delays and even timely delivery. PR can have contract with Mobile network companies as they offer packages for businesses and government organizations.
17. Audit observed that the freight business in PR is suffering adversely and on some station there are next to none freight bookings. PR should adopt a strategy to make an optimum mix of passengers and freight trains. At most of the stations it was observed that customers want to book their goods through PR but due to poor management of freight services they are forced to use the private operators which are costing more than double charges as compared to that of PR's. PR should improve management of freight services.
18. As envisaged in several plans from Ministry, PR should upgrade Karachi station as a 'business hub' not only it will improve the outlook of PR but also, it'll attract new customers.
19. Resting rooms for passengers are available at some of the major stations but are scanty in number or unavailable at smaller stations. Funds may be allocated for construction of smart, sturdy and affordable retiring rooms at all the major

- stations across the network of PR so that outstation passengers don't have to travel much looking for a hotel etc.
20. At some stations, waiting halls are available for the AC class passengers and aren't available for the passengers of economy class. Consequently, they have to resort to wait for their trains on the platforms and have to bear the extremities of weather and noise etc. therefore, places should be earmarked for construction of economy class waiting halls at such stations and funds should be allocated to undertake such constructions.
 21. A joint venture between ride hailing companies and PR can not only facilitate passengers in a better way but can also generate additional revenue for PR. For such a joint venture, special subsidized rates can be worked out between PR and the ride hailing companies to make it feasible and affordable for passengers.
 22. PR should review the performance of Divisional stations and the station performing well in regard to service provision must be made a role model for other Divisional offices to follow, which will create a productive competition for improving customer facilities.
 23. It was observed during audit that the parameters of service quality were different on different stations, these were more individual than institutional. PR should provide and ensure uniform service standards on all the Divisional offices.
 24. The contract management of station vendors should be made more transparent and de-centralized. There should be an E-Procurement portal which is accessible to all concerned offices and departments and faulty contracts can be avoided. The contracts can be awarded on Divisional level with supervision of Headquarter.

3.2.11 Conclusion

Thematic Audit of customer satisfaction and retention in Pakistan Railways is a diversified subject which covers all operational departments of Pakistan Railways. The audit methodology adopted was both quantitative and qualitative in nature which included direct feedback from passengers and freight customers. The management and station staff of

chosen stations of Pakistan Railways were interviewed to collect their responses against the problems identified by passengers and customers.

The audit found out that there are pertinent problems in Pakistan Railways (PR) that seems to have become a permanent part of the PR and passengers are facing them on routine basis. To illustrate, the unpunctuality, uncleanliness, detention of trains, overcharging, safety and security issues, missing facilities, lack of/poor implementation of policies, obsolete technology, poor infrastructure, managerial incapability, declining market share in freight, and occasional accidents and derailments were found to be areas that needed immediate attention and action.

PR has been unable to retain passengers and customers primarily due to non-existence of a National Transport Policy. Also, it is observed that there is an overarching deficit in quality control. Moreover, the directives and instructions given by the Railway Headquarter and Ministry of Railways do not get followed on Divisional level uniformly.

It was found that the private transportation system remained nonfunctional during most part of the year, 2020, due to Covid lockdowns as per the directions of National Command and Control Centre (NCOC). Consequently, the passengers had to opt for the only inter-city public transport facility of Pakistan i.e., Pakistan Railways. It was a golden opportunity for PR to re-build its reputation with implementation of effective policies, but the audit shows that it was a lost opportunity on part of PR management and the problems kept heightening. Nevertheless, it is high time to contemplate over the situation of PR and consider these issues objectively and resort to feasible options which will help to create a conducive environment for profitability.

3.2.12 References

- i. Yearbook of Pakistan Railways for the FY 2019-20.
- ii. Pre-developed set of questionnaires in respect of station facilities, en-route train services and parcel facilities available in Pakistan Railways.
- iii. Pakistan Railways Accounts Code
- iv. Pakistan Railways General Code

- v. PSO agreement
- vi. Contract agreement of outsourced trains and luggage van by Pakistan Railways
- vii. Commercial Manual of Pakistan Railways
- viii. Pakistan Citizen's Portal-Pakistan Railways
- ix. Pakistan Railways official website

ANNEXURES

Annexure-A (Para # 1.1.5)**Non-adjustment of Suspense Balances***(Rs in million)*

Sr. #	Description	2019-20	2020-21	Remarks
1.	Sales (Scrap)	4,683.85	3,619.14	Realizable value of different items of scrap material and rolling stock which was either obsolete or unserviceable.
2.	Balance in Workshop Suspense Accounts and Manufactures	4,567.95	5,430.31	Unadjusted expenditure incurred for manufacturing of different items.
3.	Suspense-Other Accounts	25.01	34.96	Items other than sales and manufacture suspense.
Total Suspense Balance (Revenue)		9276.81	9084.41	--
Suspense Balance (Capital/PSDP)		408.44	947.89	Expenditure incurred but remained unadjusted during the year relating to capital/PSDP projects of Pakistan Railways.
Total		9,685.25	10,032.3	

Annexure-B (Para # 1.1.6)

Statement showing balances outstanding under suspense on June 30, 2021

(Figure in Rs)

Statement showing balances outstanding under Suspense on 30 th June, 2021						
Sr. No	Suspense Head	Cumulative Outstanding on		Relating to		Remarks
		30/06/2021		2020-21		
		Cr	Dr	Cr	Dr	
Miscellaneous Advance Revenue						
i	Advance for Local Purchase	101,579,518	135,088,880	40,690,498	37,625,930	Advance given to officer for meeting contingent expense and unadjusted amounts of utility bills which were pending for adjustment in the accounts.
ii	Outstanding Electric Charges	853,620,331	693,399,929	336,423,438	317,310,812	
iii	Outstanding Sui Gas Charges	37,576,162	1,507,274,025	228,211	(482,156)	
iv	Outstanding Telephone Charges	30,911	81,197	8,242	-	
V	Other items	37,484,551	303,562,207	735,904	810,944	
	Total Miscellaneous advance (Revenue)	1,030,291,473	2,639,406,238	378,086,293	355,265,530	
	Net Off (Revenue)	1,609,114,765		22,820,763		
Miscellaneous Advance Capital						
i	Miscellaneous advance (Capital)	23,246,111	58,201,154	--	9,943,834	Advances paid to the Customs Department as custom duty and sales tax.
ii	Purchases	170,715,689	4,529,367,563	--	- 2,333,204,127	Cost of stores purchased from abroad but remain unadjusted.
	Total Miscellaneous advance (Capital)	193,961,800	4,587,568,717	--	2,698,413,491	
	Net Off (Capital)	4,393,606,917		2,698,413,491		

Annexure-C (Para # 1.1.9)

Excess expenditure against allocated budget

(Rs in million)						
Division wise position of Excesses and Savings as per FR 2020-21 (F)						
Division/ Accounting Unit	Expenditure Component	NAM Head	Budget for the FY 2020-21	Expenditure for the FY 2020-21	Excess	Savings
LAHORE DIVISION	Employee Related Expenses	A01	4,643.13	4,785.55	142.42	
	Operating Expenses	A03	662.656	661.661		(0.99)
	Pension Payment	A04	4,640.25	5,966.13	1,325.88	
	Loans & Advances	A08	5.258	1.081		(4.18)
	Purchase of Physical Assets	A09	0.35	0.06		(0.29)
	Repair & Maintenance	A013	1,199.43	2,716.22	1,516.80	
	Misc: Advance				(24.435)	
MULTAN DIVISION	Employee Related Expenses	A01	3,429.40	3,500.31	70.91	
	Operating Expenses	A03	349.584	273.745		(75.84)
	Pension Payment	A04	4,293.00	4,251.15		(41.85)
	Loans & Advances	A08	5.686	0.626		(5.06)
	Purchase of Physical Assets	A09	1.35	1.252		(0.1)
	Repair & Maintenance	A013	498.32	516.707	18.39	
	Misc: Advance				2.668	2.67
RAWALPINDI DIVISION	Employee Related Expenses	A01	2,953.21	3,065.90	112.69	
	Operating Expenses	A03	515.528	568.048	52.52	
	Pension Payment	A04	3,940.75	3,865.25		(75.5)
	Loans & Advances	A08	3.732	6.663	2.93	
	Purchase of	A09	0.43	0.221		0.21

	Physical Assets					
	Repair & Maintenance	A013	1,017.71	1,313.09	295.38	
	Misc: Advance			(13.899)		(13.9)
PESHAWAR DIVISION	Employee Related Expenses	A01	1,799.55	1,954.04	154.49	
	Operating Expenses	A03	208.887	172.176		(36.71)
	Pension Payment	A04	2,169.50	2,113.02		56.48
	Loans & Advances	A08	1.92	(0.709)		2.63
	Purchase of Physical Assets	A09	2.08	1.512		(57)
	Repair & maintenance	A013	523.786	288.421		(235.37)
	Misc: Advance			0.851	0.85	
KARACHI DIVISION	Employee Related Expenses	A01	4,634.18	4,518.11		(116.07)
	Operating Expenses	A03	1430.163	988.169		(441.99)
	Pension Payment	A04	5,335.75	5,710.58	374.83	
	Loans & Advances	A08	5.1	0.315		(4.79)
	Purchase of Physical Assets	A09	2.37	0.239		(2.13)
	Repair & Maintenance	A013	1,099.74	949.75		(149.99)
	Misc: Advance			62.665	62.67	
QUETTA DIVISION	Employee Related Expenses	A01	1,634.38	1,660.82	26.44	
	Operating Expenses	A03	222.277	190.189		(32.09)
	Pension Payment	A04	1,451.00	1,758.45	307.45	
	Loans & Advances	A08	1.92	(3.628)		5.55
	Purchase of Physical Assets	A09	0.47	0.329		(0.14)
	Repair & Maintenance	A013	307.778	245.726		(62.05)
	Misc: Advance			(3.628)		(3.63)
SUKKUR DIVISION	Employee Related Expenses	A01	3,018.18	3,064.95	46.77	

	Operating Expenses	A03	439.088	531.676	92.59	
	Pension Payment	A04	3,247.25	3,661.83	414.58	
	Loans & Advances	A08	4.471	0.2		(4.27)
	Purchase of Physical Assets	A09	0.52	0.282		(0.24)
	Repair & Maintenance	A013	400.052	1033.49	633.44	
	Misc: Advance			40.524	40.52	
STORE	Employee Related Expenses	A01	526.015	526.147	0.13	
	Operating Expenses	A03	78.61	145.48	66.87	
	Pension Payment	A04			0.00	
	Loans & Advances	A08			0.00	
	Purchase of Physical Assets	A09	10.35	0.188		(10.16)
	Repair & Maintenance	A013	1.97	0.157		(1.81)
	Misc: Advance				0.00	
WORKSHOP	Employee Related Expenses	A01	3,135.84	2,659.10		(476.74)
	Operating Expenses	A03	712.585	709.27		(3.32)
	Pension Payment	A04	4,295.00	5,095.79	800.79	
	Loans & Advances	A08	4.48	2.822		(1.66)
	Purchase of Physical Assets	A09	1.6	0.122		(1.48)
	Repair & Maintenance	A013	1,241.52	344.51		(897)
	Misc: Advance			(47.144)		(47.14)
HQ	Employee Related Expenses	A01	1,993.20	1,896.99		(96.21)
	Operating Expenses	A03	3,443.51	1,598.02		(1845.49)
	Pension Payment	A04	6,624.50	4,951.76		(1672.74)
	Loans & Advances	A08	76.061	82.127	6.07	
	Purchase of Physical Assets	A09	62.552	25.409		(37.14)

	Repair & Maintenance	A013	323.243	259.721		(63.52)
	Misc: Advance			(16.774)		(16.77)
OTHERS	Employee Related Expenses	A01	860.3	896.854	36.55	
	Operating Expenses	A03	183.035	185.093	2.06	
	Pension Payment	A04	3	757.843	754.84	
	Loans & Advances	A08	9.388	16.41	7.02	
	Purchase of Physical Assets	A09	2	0.938		(1.06)
	Repair & Maintenance	A013	853.375	760.661		(92.71)
	Misc: Advance			(28.791)		(28.79)
Total					7,369.55	(6,617.49)
Net Off					752.06	

Annexure-D (Para # 1.1.10)

Unauthorized expenditure without budget allotment

Actual Expenditure without provision in Budget of PR (Financial Review June (F) 2020-21)			
Head of Account	NAM	Budget	Actual Expenditure
LOCOMOTIVE FACTORY			
Rent of Office Building	A03402	0	1.04
Rent for Res. Building	A03403	0	1.97
			3.01
VIGILANCE DIRECTORATE			
Pay of Officers	A01101-50	0	1.693
Pay of Other Staff	A01151	0	0.151
Regular Allowances	A012-1	0	1.16
T.A	A03805	0	0.016
			3.02
F.A. & C.A.O/REVENUE			
Bank / Legal Fees	A03101-2	0	0.713
POLICE DEPARTMENT			
Uniform & Clothing	A03906	0	0.416
Advertisement & Publicity	A03907	0	0.5
Purchase of Medicine	A03927	0	0.8
Transport	A09501		3.741
			5.457
DIVL/HQ ADMINISTRATION			
Rent of Office Building	A03402	0	0.171
Rent for Res. Building	A03403	0	1.372
Conference Workshop Seminar Symposia	A03903	0	0.095
Advertisement & Publicity	A03907	0	6.885
Plant & Machinery.	A09601	0	0.034
			8.557
STORES DEPARTMENT			
Transportation of Goods	A03806	0	5.276
MISC. EXPENSE			
Delegation Abroad	A03912	0	0.175
National Celebration	A03918	0	0.03

			0.205
Management Information System (I.T)			
Printing & Publication	A03902	0	0.199
Transport	A13001	0	0.02
			0.219
P. Way Engg. & Structural Works			
Transport	A13001	0	1.472
Furniture & Fixture	A13201	0	3.588
Track Machine	A13101	0	201.216
			206.276
ELEC. & GENL. COMM. SERVICES			
T.A/D.A.	A03805	0	1.744
Others	A03970	0	7.491
		0	9.235
Health & Welfare			
Pay of Officers	A01101-50		1.695
Public & Passenger Amnities			
Others	A03970	0	19.07
Staff Welfare Works			
Others	A03970	0	40.406
G.M./DEVELOPMENT			
Others	A03970		0.643
MEDICAL			
Postage & Telegraph	A03201	0	0.003
Payment to Govt. Deptt.	A03915	0	8.475
Exhibition & Celebration	A03918	0	0.3
			8.778
Total			312.56

Annexure-E (Para # 1.1.11)

Misclassification of expenditure under different heads of accounts

Sr. #	Accounting Unit	Para Nos	Correct Head	Wrong Head	Amount Rs
1	DAO Sukkur	2	A-09106	BB-41000-A-13001	151,000
2	DAO Sukkur	3	A-04114	A-2111, E-1151	2,819,287
3	DAO Sukkur	19	A-04114	A-01151, A-2111 & Others	25,441,000
4	DAO Sukkur	28	A-04114	Others	14,404,000
5	DAO Sukkur	34	A-04114	A-01151, A-2111 & Others	6,369,387
6	DAO Sukkur	46	A-09801	A-13001	150,000
7	DAO Sukkur	48	F-1550	A-3970	7,460
8	DAO Sukkur	53	A-44100	Others	400,000
9	DAO Sukkur	54	A-44200	A-44100	444,000
10	AO CFI	32	A-09701	A-13003	96,000
11	AO CFI	36	A-13003	A-03970	130,000
12	AO CFI	37	A-01265	A-012	29,000
13	AO CFI	38	A-03202	A-03302	78,000
14	AO CFI	43	A-03906, A-03919	A-13003	194,000
15	AO CFI	44	A-011-2	A-01151,	95,459,000
16	AO SPD/MoRs Isb	5	A-03907	A-03902	497,000
17	MoR	15	A-13302	A-03970	614,000
18	MoR	19	A-13301	A-09701	99,000
19	MoR	20	A-13301	A-09701	92,000
20	DAO PSC	4	A-13901	A-13902	85,000
21	DAO PSC	26	A-09801	A-13101	95,000
22	DAO PSC	33	Revenue Head	A-13002 & Others	7,000
23	DAO PSC	35	A-13101	A-13102	33,000
24	AO/M&S	2	A-04114	A-011-2	5,558,000
25	DAO Rawalpindi	59	A-13301	A-13370	999,846

26	DAO Rawalpindi	56	A-06103	Others	18,000
27	DAO Rawalpindi	20	A-09203, A-03603 & Others	A-13101, A-13902 & Others	100,000
28	DAO Rawalpindi	2,13,19,29,36,44,46	Old Classification	Old Classification	5,501,000
29	DAO/Rawalpindi	49	SAO/Risalpur	SAO/Store	6,071,598
Total					165,942,578

Annexure-F
(Para # 2.5.2)

Misappropriation of Miscellaneous Advances

(Rs in million)

Sr. #	DP #	Formation	Period Elapsed	Amount	Remarks
1	10733	M D/Carriage Factory Islamabad	More than 14 months	3.369	The matter was taken up with the management in September 2020 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that out of 57 Local purchase cases, 47 cases have been finalized. DAC directed the PO that the adjusted amount/ cases be got verified from audit and strenuous efforts be made for adjustment of balance amount/ cases within 60 days under intimation to DAC. Compliance of DAC directives was awaited.
2	11357	MD, Carriage Factory, Islamabad	More than 18 months	2.784	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that 1.9 million out of 2.784 million has been adjusted DAC directed the PO that adjusted amount be got verified from audit and adjustment of balance amount be expedited under intimation to Audit Compliance of DAC directives was awaited.
3	10791	Central Diesel Locomotive (CDL) Workshop, Rawalpindi	More than 2 months	2.238	The matter was taken up with the management in November 2019. Management replied that in some cases the required items were not available in the market which delayed the procurement. The remarks

					were not acceptable because in case of non-availability of required material in the market, the amount drawn should have been deposited back to the treasury.
4	10804	Civil Engineering Department, Rawalpindi	Upto 7 months	1.849	The matter was taken up with the management in September 2020. Management replied that cheques issued in the respective LP cases had not been cashed due to non-availability of cash release. The remarks were not acceptable because cheques were issued after release of funds.
5	11244	Civil Engineering Department, Quetta	More than 15 months	0.199	The matter was taken up with the management in August 2021 but no reply was received.
6	11574	Divisional Superintendent, Lahore Division	More than 16 months	0.961	The matter was taken up with the management in October 2021. Management replied that material was purchased on different dates to as and when require to avoid blockage of capital. The remarks were an admittance of audit observation.
Total				11.40	

Annexure-G
(Para # 2.5.11)

Detail of Encroached Land by Private Parties

(Rs in million)

Sr.#	DP #	Formation	Description	Area (in Acres)	Cost of area	Remarks
1.	10762	P&L Multan	Encroachment of 4.00 acres of Railway land for residential purposes (gypsy huts) at HaroonAbad (from 2006 to 2020)	4	96.00	The matter was taken up with the management in March 2020. Management replied that efforts were made to retrieve the Railway land from encroachers. The remarks were not acceptable as progress of the case was not furnished to Audit.
2.	11191	P&L Lahore	Illegal Occupation of Bays (from 2001 to 2020)	0.97	55.264	The matter was taken up with the management in March 2020 but no reply was received.
3.	11181	P&L Karachi	Occupation of residential quarters by outsiders (from 2002 to 2018)	0.568	52.80	The matter was taken up with the management in February 2020. Management replied that vacation of quarters from un-authorized occupants had been planned and factual position would be intimated to Audit. The remarks were an admittance of audit observation.
4.	11166	Property & Land Departm ent, Worksho ps Division Mughalp ura, Lahore	Irregular construction of Marriage Halls on encroached Railway land (since 2011)	0.34	51.675	The matter was taken up with the management in March 2020. Management replied that record will be checked & area occupied will be re-measured & accordingly recoveries will be made from LARECHS. The remarks were not acceptable as progress of the case was not furnished to Audit.

5.	11165	P&L MGPR	Irregular Encroachment of Railway prime land at Moghalpuraan d utilized as Ricksha Stand (from 2018 to 2020)	0.358	50.393	The matter was taken up with the management in March 2020. Management replied that action would be taken to control this illegal practice. The remarks were an admittance of audit observation.
6.	10748	P&L Peshawar	Illegal encroachment of 20.52 Kanals Railway land by FC at Hangu (from 2012 to 2017)	2.565	39.621	The matter was taken up with the management in February 2019. Management that the matter was under correspondence with the concerned department for regularization of encroached sites and realization of rental charges. The remarks were not acceptable because neither the land was retrieved nor the rental charges were recovered despite lapse of more than 07 years.
7.	11060	P&L MGPR	Illegal occupation of land/shops at Shalimar link road, Lahore	17.88	21.600	The matter was taken up with the management in March 2020. Management replied that matter had been taken up with Director Property & Land HQ for guidance to resolve the issue. The remarks were not acceptable as progress of the case was not furnished to Audit.
8.	11276	P&L Rawalpindi	Non recovery of cost of extra encroached land by Airport employees cooperative housing society (from	0.991	6.44	The matter was taken up with the management in March 2020. Management replied that as per directives of HQ Office, Lahore a survey would be conducted jointly for total land measuring 59.05 Acres. The remarks were

			2000 to 2020)			not acceptable as progress of the case was not furnished to Audit.
9.	11073	P&L MGPR	Non recovery of lease charges on account of encroachment of 12.80 marla extra land by lessee.	0.08	4.44	The matter was taken up with the management in March 2020. Management replied that encroachment/ illegal construction was being re-measured by the IOW staff. The remarks were an admittance of audit observation.
Total				27.752	378.233	(27.752*8=222.02 Kanals)

**Annexure-H
(Para # 2.5.14)**

Detail of Encroached Land by Govt. Departments

(Rs in million)

Sr.#	DP #	Formation	Description	Area (in Acres)	Cost of area	Remarks
1.	10946	P&L Peshawar	Construction of illegal structure on Railway commercial land	0.11	71.14	The matter was taken up with the management in May 2021. Management replied that the matter of said encroachment relates to IOW/PSC and he will be directed to investigate and submit detailed report. The remarks were not acceptable as neither the land was retrieved nor the rental charges were recovered.
2.	11072	P&L Peshawar	Loss due to encroachment of railway land/buildings by Education Department	3.35	45.67	The matter was taken up with the management in March 2020. Management has no cogent reply against this audit para.
3.	10921	P&L Peshawar	Encroachment of Railway commercial land by Food/Health Department	2.32	40.47	The matter was taken up with management in May 2021. Management replied that the recovery of outstanding amount against Food Department is under correspondence with Food Department. Railway submitted petition before supreme court of Pakistan regarding illegal possession of Railway land. The remarks were not tenable as management failed to recover the long outstanding rental charges as well as retrieval of encroached land.

4.	10923	P&L Peshawar	Encroachment of commercial land by Pakistan Agriculture Storage & Services Corporation (PASSCO)	1.31	22.21	The matter was taken up with the management in May 2021. Management replied that the recovery of outstanding amount against Food Department is under correspondence with Food Department. The remarks were not acceptable as neither rental charges were recovered nor land was retrieved.
Total				7.09	179.49	

Annexure-I
(Para # 2.5.19)

Loss due to substandard execution of works

(Rs in million)

Sr. #	DP. #	Formation	Description	Amount	Remarks
1.	11329	Civil Engineering Department, Lahore division	Special Repair to broken/damaged road surface of level crossings	22.396	The matter was taken up with the management during September 2021. Management replied that the scope of work against the listed civil works were executed as per approved plans and standard specification of item relating to road work. The remarks were not cogent to audit observation. The Railway management was required to explain the reasons why wooden sleepers placed beneath/ under the bituminous carpet in violation to Pakistan Railways technical specification.
2.	10517	PD, DOT (KWL-RND) HQ, Office, Lahore	Substandard/ defective work of Railway Station building at Sahiwal as for cement plaster ratio *1:6.5, 1:7, 1:8) was used against desired ratio of 1:4 (Test reports of PCSIR Lab.)	2.761	The matter was taken up with the management in November 2019. Management replied that as the matter pertained to MD/Stations and the observation would be forwarded to that office for provision of reply. The remarks were not acceptable as no reply was received.
3.	10786	PD, DOT (KWL-RND) HQ, Office, Lahore	Substandard/ defective work of Railway Station building at Okara as for cement plaster ratio	1.605	The matter was taken up with the management in November 2019. Management replied that as the matter pertained to MD/Stations and the observation would be forwarded to that office for provision of the reply. The remarks were not acceptable as no reply was received.

			*1:6,1:10) was used against desired ratio of 1:4(Test reports of PCSIR Lab.)		
4.	10664	Civil engineering Department, Multan	Poor and incomplete painting work of Bridge No.68-A on Shershah Kot Adu Section	0.664	The matter was taken up with the management in August 2018. Management replied that the concerned contractor had been asked in February 2018 to repaint the bridge No. 68-A. The remarks were not acceptable because neither the defects were removed nor any action was taken against the contractor.
5.	10843	Civil Engineering Department, Lahore Division	Up-gradation of Narang Railway Station	0.873	The matter was taken up with the management in September 2020 and also discussed in DAC held on 28.01.2022. DAC was informed that recovery slip of defective work as mentioned in MB had already been sent to Divisional Office showing deduction of defective work not rectified by contractor. The remarks were not acceptable because progress of recovery or removal of defects has not been intimated to audit. The DAC directed the PAO to constitute a joint committee comprising DEN-1 Lahore and DAO Audit Lahore for physical verification and submit the report within 45 days. Compliance of DAC directives was awaited.
6.	11245	Civil Engineering Department, Quetta	Provision of RCC Box Culvert near Level Crossing No 52	0.50	The matter was taken up with the management in August 2021. Management remarked that cement concrete strength of the work was 3200 PSI which was higher than Pakistan Railways specification i.e.. 3000 PSI. The remarks were not acceptable because the compressive cylinder strength of concrete was not according to the design specification of the work.
Total				28.79	

Annexure-J
(Para # 2.5.28)

Unnecessary procurement resulting in blockage of capital

(Rs in million)

Sr #	DP #	Formation	Description	Amount	Remarks
1.	11623	CCS, HQ Pakistan Railways.	Non-disposal of surplus material	503.981	The matter was taken up with management in November 2021 but no reply was received.
2.	11263	Civil Engineering Department, Karachi	Dead Surplus	454.632	The matter was taken up with management in September 2019 but no reply was received.
3.	10650	Central Diesel Locomotive Workshop, Rawalpindi	Dead Surplus	188.662	The matter was taken up with management in November 2019. Management replied against DPU engine items that overhauling process of DPU class of locomotives was under consideration. The remarks were not acceptable because progress regarding utilization of material was awaited. However, in respect of material of S & O categories no reply was received.
4.	11652	Carriage and Wagon Shop Hyderabad	Non-disposal of Condemned Stock	50.279	The matter was taken up with management in November 2021 but no reply was received.
5.	10862	Railway Police Department, Karachi	Unused scanning machine	39.910	The matter was taken up with management in September 2020 but no reply was received.
6.	11565	PD, Upgradation of terminal facilities and dry ports	Non- utilization of ballast	17.603	The matter was taken up with management in November 2021 but no reply was received.
7.	10569	DSE Karachi	purchase of Signaling material	12.544	The matter was taken up with management in December 2019. Management replied that the installation work has been started and

					comprehensive reply would be submitted shortly. The remarks were not acceptable because utilization position of the material was not furnished to Audit.
8.	10502	Central Diesel Locomotive Workshop, Rawalpindi	Unnecessary procurement of Truck	9.480	The matter was taken up with management in November 2020. Management replied that the said truck was parked in CDL workshop. The remarks were an admittance of audit observation as the truck had not been utilized since its procurement in February 2018.
9.	11430	Mechanical Department, Sukkur Division	non-disposal of surplus stock	9.233	The matter was taken up with management in October 2021. Management replied that reply would be submitted within a week but no reply was received.
10.	10877	MD Pakistan Locomotive Factory, Risalpur	Unnecessary Procurement of Paint	8.926	The matter was taken up with management in September 2020. Management replied that this office has made sufficient efforts and send lists of leftover material many times to other divisions to draw the same for their use. The remarks were an admittance of audit observation.
11.	11306	Central Diesel Locomotive Workshop, Rawalpindi	Stock above maximum limit	6.192	The matter was taken up with management in August 2021. Management replied that the spares available in store were issued according to requirement and remaining items would be issued sooner. The remarks were irrelevant as stock was required to be kept with the admissible limits.

12.	10772	Mechanical Department, Quetta	Stock above maximum limit	2.722	The matter was taken up with management in September 2020. Management replied that instructions had been issued to store in-charges to keep the fixed imprest according to fixed limit. The remarks were an admittance of audit observation.
Total				1304.16	

Annexure-K
(Para # 2.5.29)

Non disposal of scrap

(Rs in million)

Sr #	DP #	Formation	Description	Amount	Remarks
1.	10743	DS Sukkur	Different type of released material	183.02	The matter was taken up with the management in September 2020 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that the tenders for sale of scrap has been floated. DAC directed the PO to expedite the process and got verified from Audit within 60 days. Compliance of DAC directives was awaited.
2.	10532	Civil Engineering Department	Released material/scrap	92.726	The matter was taken up with the management in September 2020. Management replied that efforts were being made to dispose of all the released/ surplus material in the light of directives received from Headquarters office Lahore. After complete disposal, audit would be informed accordingly. The remarks were not acceptable because released/scrap material was lying over Peshawar Division since long.
3. 1	10552	DS Multan	Condemned goods wagons	72.29	The matter was taken up with the management in September 2020 but no cogent reply was presented to audit.
4.	11293	Civil Engineering Department, Sukkur	Different type of material	57.31	The matter was taken up with the management in September 2021 and also discussed in DAC

					meeting held on 15.02.2022. DAC directed the PO that the auction process be expedited and pended the para till next meeting. Compliance of DAC directives was awaited.
5.	11182	Civil Engineering Department, Multan	Unserviceable (US) Rails	52.44	The matter was taken up with the management in September 2020 also discussed in DAC meeting dated 28.01.2022. DAC was informed that arrangements were made for disposal of material. DAC directed the PO that the auction process be expedited and pended the para till next meeting. Compliance of DAC directives was awaited.
6.	11337	Civil Engineering Department, Karachi	Steel scrap etc	35.126	The matter was taken up with the management in August 2021. Management replied that the process of collection of released materials from stores / sites was under way and same would be completed soon. The material would be dispatched immediately depending upon the availability of rolling stock. The remarks were an admittance of audit observation.
7.	10530	Divisional Superintendent Workshops, Division Mughalpura, Lahore	Different type of material/scrap	18.56	The matter was taken up with the management in September 2020 but no reply was received.
8.	10996	Divisional	Condemned	14.80	The matter was taken up

		Transportation Officer, Sukkur	goods wagons		with the management in June 2021 but no reply was received.
9.	11096	Mechanical Department, Quetta	Condemned. Coaches	14.76	The matter was taken up with the management in September 2019 but no reply was received.
10.	11490	Mechanical Department, P.R, Quetta,	Non-disposal of released material	8.12	The matter was taken up with the management in October 2021. Management replied that instructions were being issued to all concerned to return released material timely. The remarks were an admittance of audit observation.
11.	11443	Pakistan Railways, Peshawar division	Non-disposal of condemned rolling stock	7.91	The matter was taken up with management in October 2021. Management replied that the condemnation of Rolling stock was not to be done until the assent had been given by CEO/ Sr. GM for the same. The case for the condemnation of and sale of the same had been initiated. The remarks were not acceptable as no steps had been taken by Railway management for the disposal of condemned wagons.
12.	10898	PD, Reconstructions of Assets damaged during Flood, 2010	Shortage of Track fittings	6.20	The matter was taken up with the management in October 2020. Management replied that detailed reply would be submitted shortly but no reply was received.
13.	11068	Mechanical Department, Rawalpindi	Different type of material	6.07	The matter was taken up with the management in September 2019. Management replied that detailed reply would be

					submitted after consulting the record but no reply was received.
14.	10732	DS Peshawar	Different type of scrap material	3.40	The matter was taken up with the management in September 2020. Management replied that efforts were being made regularly to dispose of such scrap. The remarks were not acceptable because no strenuous efforts were made by the Railway administration for the disposal of scrap which was lying since long.
15.	10785	DS Peshawar	Different type of released material	3.542	The matter was taken up with the management in September 2020. Management replied that detailed reply would be furnished after consulting the relevant record and getting report from AEN/ Daud Khel but no reply was received.
16.	10850	Mechanical Department, Sukkur	Different type of scrap	2.835	The matter was taken up with the management in September 2019. Management replied that detailed reply would be submitted after obtaining comments from subordinates but no reply was received.
17.	10889	Divisional Superintendent, Workshops Division Mughalpura, Lahore	Different type of material	1.43	The matter was taken up with the management in September 2020 but no reply was received.
18.	10899	MD, Pakistan Locomotive Factory, Risalpur	Condemned goods wagons	0.84	The matter was taken up with the management in September 2020. Management replied that

					03 Nos Coaches (declared condemned) were still stabled and could not be dispatched to C& W Shop, Moghalpura due to their loading problem. The remarks were an admittance of audit observation.
19.	11448	Mechanical Department Karachi	Scrap material	0.690	The matter was taken up with management in October 2021. Management replied that most of the scrap had been returned by the subordinate in-charges to MGPR shop. However, complete reply would be sent after review the record. The remarks were not acceptable because no documentary evidence in support of sending the scrap to MGPR was provided to Audit. Further, latest position regarding disposal of scrap was not intimated to Audit.
20.	10737	DS Sukkur	Different type of released material	0.33	The matter was taken up with the management in September 2020 but no cogent reply was received.
Total				582.39	

Annexure-L
(Para # 2.5.34)

Violation of FBR instructions

(Rs in million)

Sr #	DP #	Formation	Description	Period of Audit	Amount	Remarks
1.	11499	FA&CAO/ Revenue	Non-deposit of withholding tax with FBR Authorities	Oct-2021	161.282	The matter was taken up with the management in October 2021 but no reply was received.
2.	10927	Chief Commercial Manager, Headquarters office, Lahore	Non-recovery of withholding tax from brake van contractor -	June-21	39.76	The matter was taken up with the management in June 2021. Management replied in respect of Sr. No. 1 to 4 of the annexure that the contractors had furnished affidavits regarding payment of WHT and promised to clear the outstanding up to June 2021. In respect of Sr. No. 5 of the annexure, management replied that the amount of W.H.T pertained to various contractors and in this regard pay order had been prepared and forwarded to FA&CAO/R for payment to F.B.R. The remarks were an admittance of Audit observation.
3.	10568	FA& CAO (Revenue), Lahore	Deduction by Postal Authorities on account of Provincial Sales Tax	Sep-20	21.31	The matter was taken up with management in September 2020 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that the matter has already been under pursuance with Pakistan

						Post. DAC directed the PO that the case be followed vigorously and report to Audit within 15 days. Compliance of DAC directives was awaited.
4.	11611	Electrical Engineering , Karachi	Pakistan Railways paid income tax on electric bills	Aug-2020	17.437	The matter was taken up with the Railway Administration in the month of August 2020. Management replied that the matter had already been referred to Headquarters Office Lahore to approach income tax authorities to issue exemption for the same. The remarks were an admittance of audit observation.
5.	11507	DS, Lahore Division	Non-remittance of income tax withheld to FBR	Oct-2021	16.496	The matter was taken up with the management in October 2021 but no reply was received.
6.	10806	DSE/ Karachi	Non recovery of GST from the contractor	Dec-2019	9.981	The matter was taken up with the management in December 2019. Management replied that invoices would be obtained and shared with audit. Moreover, necessary steps as directed by audit would be taken as well. The remarks were not acceptable because further progress of the case was not intimated to Audit.
7.	11009	Commercial & Transportation Rawalpindi	No deposit of excise duty with FBR	May-21	9.69	This matter was taken up with the management in May, 2021. Management replied that the FED was

						collected at Islamabad Dry Port on separate MR and at the end of every month total amount collected with detail and copies of MRs had been sent to FA&CAO Revenue office Lahore for onward submission to FBR. The remarks were not acceptable because documentary evidence in respect of deposit of FED with FBR was not provided to Audit.
8.	10802	Managing Director, P.R. Carriage Factory, Islamabad,	Non-deduction of Sales Tax	July-20	8.85	The matter was taken up with the management September 2020. Management replied that the Sales Tax Procedure Order (Withholding) Rules 2019 Notification No. SRO 698(1)2019 dated 26-06-2019 which was highlighted by the Audit had not been received so far officially by any corner. However, Store sections through their personal efforts obtained the above-mentioned Sales Tax Procedure Order and continue to implement the said procedure after that. The remarks were not acceptable because ignorance of law was not excused.
9.	10935	Property & Land Department, Rawalpindi	Non-recovery of withholding tax	May-21	4.75	The matter was taken up with the management in May 2021. Management replied that this tax was not applicable on all shops of the Division

						which was regularized under remedial policy and welfare shops of the Division. The remarks were not acceptable because withholding tax was required to be deducted from all allottees.
10.	11025	Property & Land Department, Workshops Division Mughalpura, Lahore	Non deduction of withholding Income Tax	May-21	4.71	The matter was taken up with the management in May 2021. Management replied that efforts were made to recover outstanding withholding tax. The remarks were an admittance of audit observation.
11.	10767	Civil Engineering Department, Peshawar Division	non-deduction of G.S.T-	Sept-2020	4.64	The matter was taken up with the management in September 2020. Management replied that issue would be referred to HQ office Lahore for necessary directives guideline. The remarks were an admittance of audit observation.
12.	11509	PSDP Project KCR	Irregular procurement from unregistered suppliers	Oct-2021	4.49	The matter was taken up with the management in October 2021. Management replied that detail of relevant cases be provided so that comprehensive reply be submitted. The remarks were not acceptable as no reply was received despite provision of requisite record/information to management.
13.	11247	Civil Engineering Department Quetta	Non-recovery of Provincial Sales Tax	Aug-21	3.72	The matter was taken up with the management in August 2021 and also discussed in DAC

						meeting held on 15.02.2022. DAC was informed that the CEO/ Senior General Manager has taken up the matter regarding exemption from Baluchistan sales tax with Baluchistan Revenue authority. DAC directed the PO that the follow up with Baluchistan Revenue Authority be expedited under intimation to Audit. Compliance of DAC directives was awaited.
14.	11005	Commercial Department Sukkur	Non-remittance of withholding tax	June-21	3.32	The matter was taken up with the management in June 2021 but no reply was received.
15.	10908	Electrical Department, P.R Quetta	Procurement of material from un-registered firms/ shopkeepers	Sep-20	3.08	The matter was taken up with the management in September 2020 Management replied that reply would be submitted later on but no reply was received.
16.	10563	Mechanical Department, karachi	Procurement from unregistered persons	Aug-19	2.55	The matter was taken up with the management in August 2019 and also discussed in DAC meeting held on 15.02.2022. DAC directed that the instructions of FBR be followed in letter and spirit. DAC further directed that the amount paid by Pakistan Railways to FBR from Railway funds be recovered from the vendors and in case of failure the contractors be black listed under intimation to Audit within 45 days. Compliance of DAC

						directives was awaited
17.	10896	Mechanical Department, P.R Quetta	Procurement of material from unregistered firms	Sep-20	2.51	The matter was taken up with the management in September 2020. Management replied that in future the purchasing would be done as per sales tax rules and the same would also be intimated. The remarks were an admittance of audit observation.
18.	10570	Civil Engineering Department, Lahore	Procurement from un-registered persons and non-recovery of GST	July-20	2.89	The matter was taken up with the management in September 2020 and discussed in DAC meeting held on 28.01.2022. DAC was informed that most of the material was arranged from local areas to save the carriage and freight charges. It is very difficult to find the tax registered retailers from local areas. DAC warned the PO to stop this practice of procurement of material from sales tax unregistered firms otherwise disciplinary proceedings will be initiated against the concerned officers. Compliance of DAC directives was awaited.
19.	10892	Telecom Department, P.R Quetta	Procurement of material from non-registered suppliers	Sep-20	2.21	The matter was taken up with the management in September 2020. Management replied that in future procurements would be made through registered firms/ shopkeepers with

						Sale Tax Department. The remarks were an admittance of audit observation.
20.	10607	Commercial Department Sukkur	Non-remittance of withholding tax to FBR	June-2020	1.95	The matter was taken up with the management in June-2020. Management replied that matter was related to Accounts department. The remarks were an admittance of audit observation.
21.	11438	Divisional Electrical Engineer, Sukkur	Purchase of material from unregistered firms	Oct-2021	1.79	The matter was taken up with the management in October 2021. Management replied that as per instructions of DAO Sukkur all petty purchases were made from registered persons having NTN. The remarks were was not acceptable as purchases were made from unregistered firms resulting loss to public exchequer.
22.	10646	Station Manager Lahore	Non recovery of withholding tax. from the contractors	Apr-2018.	1.74	The matter was taken up with the management in April 2018. Management replied that all withholding tax was deposited by the contractors. The reply was not tenable as during verification of the reply it was observed that only Rs 1,466,700 was recovered and Rs 1,740,300 was still outstanding against the contractors
23.	11417	Mechanical Engineer, Sukkur	purchase of material from firms	Oct-2021	1.44	The matter was taken up with the management in October 2021.

			from unregistered firms.			Management replied that reply would be submitted within a week but no reply was received.
24.	11421	Pakistan Railways, Peshawar division	Non-deposit of taxes to FBR	Oct-2021	1.35	The matter was taken up with management in dated October 2021. Management replied that the concerned record would be reviewed and in case of non-submission of taxes to FBR the same would be deposited without further delay. The remarks were not acceptable because latest position of the case was not furnished to Audit.
25.	11119	Commercial and Transportation department Lahore	Non deduction of withholding tax from the contractor	May-21	1.24	The matter was taken up with the management in July 2021. Management replied that reply would be submitted within seven days after consultation of record but no reply was received.
26.	10560	Project Director Track Rehabilitation on Khanpur-Lodhran	Purchases from unregistered suppliers	Nov-20	1.20	The matter was taken up with the management in December 2020. Management replied that reply would be furnished within two weeks but no reply was received.
27.	10894	Commercial Department, Quetta	Procurement of material from unregistered firms	Jun-20	1.07	The matter was taken up with the management June 2020. Management replied that next time purchases would be made from sales tax registered shopkeepers. The remarks were an admittance of audit observation.

28.	11560	PR Academy, Walton	Non recovery of Punjab sales tax	Nov-2020	0.749	The matter was taken up with the management in November 2021. Management replied that the detailed reply would be submitted after consultation of record but no reply was received.
29.	11033	Property and Land Department, P.R, Quetta	Non recovery of withholding tax.	Nov-2020	0.54	The matter was taken up with the management in May 2021. Management replied that the case about Withholding Tax the same would be dealt as per rule/policy. The remarks were not acceptable because further progress of the case was not furnished to Audit.
30.	10661	Ministry of Railways	Procurement from unregistered vendors	Sep-20	0.43	The matter was taken up with the management in November 2020. Management replied that instructions of FBR and Ministry of Railways as mentioned above would be complied in true letter and spirit. The remarks were an admittance of audit observation.
31.	10742	Mechanical Department, P.R, Quetta	less deduction of GST	Sep-20	0.38	The matter was taken up with the management in September 2020. Management replied that detail reply would be submitted after getting inspection notes but no reply was received.
32.	10827	Director Legal Affairs Lahore	Non deduction of income tax from the salaries of MP-III	Nov- 19	0.23	The matter was taken up with the management in November 2019. Management replied that matter was related to pay master instead of

			officers			that office. The remarks were not acceptable because no reply was received.
33.	10964	Property & Land Department, Peshawar,	Non-payment of income tax by successful bidders	Mar-2020	0.39	The matter was taken up with the management in June 2020. Management replied that bidders would be instructed to deposit the income tax at the earliest and recovery particulars would be intimated to Audit. The remarks were an admittance of audit observation.
34.	11231	Ministry of Railway	Non deduction of tax from hiring bills	2021	0.34	The matter was taken up with the management in August 2021 but no reply was received.
Total					338.51	

Annexure-M
(Para # 2.5.36)

Irregular award of contracts due to non-obtaining of performance security

(Rs in million)

Sr. #	DP #	Formation	Favour granted	Amount	Remarks
1.	11625	Pakistan Railway Academy, Walton	expiry of bid validity period and non-obtaining of bid security	17.36	The matter was taken up with the management in November 2021. Management replied that detailed reply would be submitted after consultation of record but no reply was received.
2.	10616	Civil Engineering, Karachi	Non-recovery of risk and cost	8.30	The matter was taken up with the management in August 2020. Management replied that the DS/Karachi had imposed penalty of forfeiture of earnest money Rs 700,000 & retention money Rs 1,070,100. The remarks were not acceptable because the risk and cost was Rs 8.305 million but only a meager amount was recovered by imposing penalty of Rs 1.77 million.
3.	11318	Deputy General Manager, HQ, Lahore	award of contracts without valid performance security	7.16	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 15.02.2022. DAC directed the PO to furnish a revised reply within 30 days. Compliance of DAC directives was awaited.
4.	11241	Civil Engineering, Peshawar	Non-obtaining bank guarantee	4.00	The matter was taken up with the management in August 2021. Management replied that detail remarks would be offered after consulting the relevant record but no reply was received.
5.	10498	PD, Track Rehabilitation Khanpur-Lodhran Section	Non-forfeiture of performance guarantee	3.37	The matter was taken up with the management in October 2019 but no reply was received.
6.	10578	Civil Engineering	Non-obtaining performance	2.87	The matter was taken up with the management in July 2020.

		Department, Karachi	guarantee		Management replied that the contract with M/s RAILCOP for supply of ballast was made by PD/RFD/HQ office Lahore and that office was in better position to explain the position. The remarks were not acceptable because no reply was received.
7.	11256	Civil Engineering, Quetta	Non-obtaining performance guarantee	1.85	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that the objected tenders have been cancelled. DAC directed the PO that the documentary evidence in support of cancellation of tenders and floating new tenders be provided to Audit and settle the para subject to verification. Compliance of DAC directives was awaited.
8.	11284	Civil Engineering, Sukkur	Non-forfeiture of earnest money	1.61	The matter was taken up with the management in September 2021. Management replied that all the works were in progress. The remarks were not acceptable as only issuance of notices to contractors to start the works did not mean that the works had been started.
9.	10680	PD, Dualization and Rehabilitation of Track between Port Qasim & Bin Qasim Stations Karachi	Non-obtaining performance guarantee	1.24	The matter was taken up with the management in May 2019. Management replied that the M/s Millat Construction Company failed to furnish the performance guarantee despite the requests from Project Management. However, the firm had completed the work satisfactorily. The remarks were an admittance of audit observation.
10.	10545	Divisional Accounts Officer, Sukkur	Non-obtaining performance security	1.11	The matter was taken up with the management in June 2019. Management replied that the matter would be enquired from the concerned Departments and

					updated position would be intimated to Audit The remarks were not acceptable because progress of the case was not furnished to Audit.
11.	11616	Civil Engineering Department, Lahore Division	Procurement of taxable goods from unregistered vendors	0.64	The matter was taken up with the management during September 2021 but no reply was received.
12.	11153	PD, Reconstructions of Assets damaged during Flood, 2010	Non-forfeiture of bid security	0.36	The matter was taken up with the management in October 2020. Management replied that reply would be furnished shortly but no reply was received.
Total				49.87	

Annexure-N
(Para # 2.5.37)

Loss due to misappropriation/ theft of material

(Rs in million)

Sr. #	DP #	Formation	Description	Amount	Remarks
1.	11535	Divisional Mechanical Engineer Sukkur	Distributive Values	547.056	The matter was taken up with the management in October 2021 but no reply was received.
2.	10687	Divisional Superintendent, Multan	Theft of distributor valves	141.900	The matter was taken up with the management in September 2020. Management replied that the thefts occurred outside his jurisdiction. The remarks were not acceptable because Pakistan Railways had sustained a loss on account of theft of valuable items due to poor security arrangements due to non-adherence of SOPs.
3.	11316	Mechanical Department, Karachi	Theft of distributor valves	94.407	The matter was taken up with management in August 2021. Management replied that matter was already under investigation by FIA as assigned by Sub-Committee of PAC and pre-emptive measures had been taken by Railway Police to curb this menace. The remarks were an admittance of audit observation.
4.	11372	Civil Engineering, Peshawar	Different type of material that had not been acknowledged	18.362	The matter was taken up with the management in August 2021. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
5.	10557	Divisional Superintendent, Lahore	Mis-appropriation/ less accountal of released P-way	11.803	The matter was taken up with the management in September 2020 and also discussed in DAC meeting held on 28.01.2022. DAC was informed that the released

			material		material estimate worth Rs 21, 152, 862 was based on N+3 whereas; N+7 density work was done. DAC directed the PO to furnish the revised reply within 15 days to audit. Compliance of DAC directives was awaited.
6.	11390	Civil Engineering, Quetta	Mis-appropriation of ballast	9.03	The matter was taken up with the management in August 2021. Management replied that remaining quantity of ballast i.e. 381,532 Cft was loaded in Railway wagons by the contractor without claiming extra charges of loading. The remarks were not acceptable because according to measurement book only 706,192 Cft ballast was loaded in Railway wagons and trained out. Further the copies of challans provided to audit did not show the name of train and name of guard that also strengthened audit observation.
7.	11077	PD, Reconstruction of Assets damaged during Flood, 2010	Mis-appropriation of UIC-54 Rails	7.868	The matter was taken up with the management in October 2020. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
8.	10916	Mechanical Department, Lahore Division	Theft of New break blocks along with Cotter Pins	2.32	The matter was taken up with the management in September 2020 and also discussed in DAC meeting held on 15.02.2022. DAC took a serious concern regarding non lodging of FIR on the theft cases. DAC directed that FIRs be got registered immediately. DAC further directed to AGM/M to initiate a fact finding inquiry to probe

					the matter and submit his report within 30 days. Compliance of DAC directives was awaited.
9.	10736	Bridge Workshop, Jhelum	Copper tubes and copper scrap	1.857	The matter taken up with the management in September 2019. Management replied that the matter was under trial in Special Court Rawalpindi. The remarks were not acceptable because a period of almost 10 years had been passed but no material was recovered. Further, the progress of Court case was not furnished.
10.	10613	Lahore Division	shortage of 7,050 Wooden Batten	1.410	The matter was taken up with the management in September 2020. Management replied that detailed reply would be submitted as soon as received from AEN, Faisalabad but no reply was received.
11.	10770	Divisional Superintendent, Peshawar	Mis-appropriation of released bricks	0.738	The matter was taken up with the management in September 2020. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
12.	11331	Civil Engineering Department, Lahore Division	Different type of P-way material	0.509	The matter was taken up with the management in September 2021. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
Total				837.26	

Annexure-O
(Para # 2.5.52)

Non-production of record

Sr. #	DP #	Formation	Amount	Remarks
1.	10604	MD, Plant and Equipment Manufacturing Shop (PAEMS)	-	The matter was taken up with management in November 2020. Management replied that deposit work/ work orders of Pakistan Army fell in the restricted category and any information related to those work orders could not be communicated to any person. However, the matter regarding non provision of record was taken up with AGP office and Ministry of Railways. Ministry of Railways also directed to Railway management to provide the requisite record to Audit but the Railway management reiterated its previous version.
2.	11029	Property & Land Department, Workshops Division, Mughalpura, Lahore	-	The matter was taken up with the management in May 2021. Management replied that record of all mentioned case was not available in their office. Divisional Sports Officer had been asked to furnish record from item 1,3,4 & 5. While item No.2 pertains to DG/P&L Headquarters office. The remarks not accepted as it was the responsibility of Property & Land workshop Department to provide the requisite record because all objected sites were within the jurisdiction of property & Land Department workshops. Further the reply was an admittance of audit observation.
3.	11098	MD, PRFTC	69.837	The matter was taken up with the management in June 2021 but no reply was received.
4.	11109	CCM & CCFM, Headquarters office, Lahore	-	The matter was taken up with the management in June 2021. Management replied that in future record will be provided in time as desired by Audit team. However, most of the record was not called for by Audit team. The remarks were not acceptable as record was requisitioned vide letter dated 03.06.2021 and 09.06.2021. However, no reply from CCFM office was received in respect of non- provision of PSO cases.

5.	11129	Property & Land Department, Peshawar Division	-	The matter was taken up with the management in May 2021. Management replied that the original file/case was sent to DG/P&L HQ: office, Lahore as per his instructions, whereas, the duplicate file/case of the said matter is under process and correspondence for legal opinion/ arbitration from DLA/LHR. However, the said duplicate case will be provided to Audit soon. The remarks were an admittance of audit observation.
6.	11309	Civil Engineering Department Quetta	-	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 15.02.2022. DAC taken the matter very seriously and directed the DS Quetta to issue displeasure/ warning notices to employees/ officers who did not extend support to Audit in provision of record. DAC further directed that all concerned be warned to be careful in future otherwise disciplinary proceedings under E&D Rules will be initiated against them. Compliance of DAC directives was awaited
7.	11539	FA & CAO/Revenue PR, Lahore	84.089	The matter was taken up with management in October 2021 but no reply was received.
8.	11670	PD, Upgradation of Railway stations	-	The matter was taken up with management in December 2021 but no reply was received.
		Total	153.93	

Annexure-P
(Para # 2.5.53)

Loss due to late payment of electricity/sui gas bills

Sr. #	DP. 3	Formation	Amount	Remarks
1.	11062	Electrical Department, Sukkur Division	12.20	The matter was taken up with the management in September 2020. Management replied that late payment surcharge imposed by SEPCO due to funds constraint on the part of HQ office, Lahore. The remarks were an admittance of audit observation.
2.	11522	DSW, Lahore	4.52	The matter was taken up with the management in October, 2021 but no reply was received.
3.	10503	Pakistan Railway Academy Walton	2.99	The matter was taken up with the management in August 2020 but no reply was received.
4.	11434	Electrical Department, Sukkur Division	1.64	The matter was taken up with the management in October 2021. Management replied that CBI electric billing was handed over to Electrical Department in November 2020 without budget. Electrical Department arranged payment in electrical head without further delay for smooth working of train operation. The remarks were an admittance of audit observation.
5.	11297	Civil Engineering, Multan Division	1.56	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 28.01.2022. DAC directed the PO to take up the matter with sui gas authorities for getting extension in payment date and no imposition of late payment surcharge over the entire system of Pakistan Railways. Compliance of DAC directives was awaited
6.	10674	WM, Steel Shop , MGPR	1.35	The matter was taken up with the management in November 2019 but no reply was received.
7.	11441	Sukkur Division	0.66	The matter was taken up with the management in October 2021.

				Management replied that Headquarters office had already been requested for provision of Low Power Factor Improvement Plants. On their receipt they would be installed. The remarks were not satisfactory because due to delay provision of low power factor improvement plants PR was suffering loss on account of penalty.
8.	11530	Electrical Department, P.R, Quetta,	0.57	The matter was taken up with the management in October 2021. Management replied that payment was delayed due to non- release of cash. The remarks were an admittance of audit observation.
9.	11641	MD, Pakistan Locomotive Factory Risalpur	0.44	The matter was taken up with the management in October 2021. Management was replied that the cheques were not cleared due to non- release of cash. The remarks were an admittance of audit observation.
10.	10660	MD, Pakistan Locomotive Factory, Risalpur	0.33	The matter was taken up with the management in September 2020. Management was replied that the cheques were not cleared due to non- release of cash. The remarks were an admittance of audit observation.
Total			26.26	

Annexure-Q
(Para # 2.5.58)

Irregular utilization of PSDP funds for revenue works and vice versa

Sr. #	DP. #	Formation	Amount	Remarks
1.	11163	Divisional Superintendent, Lahore	265.00	The matter was taken up with the management in September 2020 bur no relevant reply was received.
2.	10677	PD, Track Rehabilitation Khanpur-Lodhran	15.848	The matter was taken up with the management in December 2020. Management replied that reply would be furnished within two weeks but no reply was received.
3.	11336	Civil Engineering Department, Karachi	3.676	The matter was taken up with the management in August 2021. Management replied that the credit of supplied ballast would be recovered from KCR Project. The remarks were an admittance of audit observation.
4.	10682	PD, Track Rehabilitation Khanpur-Lodhran	2.59	The matter was taken up with the management in December 2020. Management replied that reply would be furnished within two weeks but no reply was received.
5.	11450	Divisional Signal Engineer, Sukkur	2.265	The matter was taken up with the management in October 2021. Management replied that provision of DG sets fell under the scope of Signal Rehabilitation Project. However, the maintenance of said DG sets had been executed by the Division in principle and funds were committed under revenue head. The remarks were not acceptable because CBI station had not yet been handed over by the project management to the Divisions. Further, hiring of DG sets did not fall under maintenance of DG sets.
6.	11290	Civil Engineering Department, Peshawar	1.823	The matter was taken up with the management in August 2021. Management replied that detail remarks would be offered after consulting the relevant record but no reply was received.
Total			291.202	

Annexure-R

(Para # 2.5.65)

Irregular expenditure incurred on pay and allowances of staff

(Rs in million)

Sr. #	DP #	Formation	excess over sanctioned strength	Amount	Remarks
1.	11137	PRFTC	54	38.29	The matter was taken up with the management in June 2021 but no reply was received.
2.	11283	Civil Engineering Department, Sukkur	324	16.05	The matter was taken up with the management in September 2021. Management replied that as per CEN/OL letter No. 519-W/1(W-2) dated 21.02.2006, the staff was duly approved by G.M Railway with financial concurrence by FA & CAO. The remarks were not acceptable as there were no separate posts and sanctioned strength of patrollers in Railways. The Patroller could only be posted during floods, thunderstorm and any other emergency from permanent gangs as per Para 4.8 & 5.7 of Way and Works Manual.
3.	10863	Ministry of Railways, Islamabad	12	12.91	The matter was taken up with the management in November 2020 but no reply was received.
4.	11536	Mechanical department Sukkur	28	6.02	The matter was taken up with the management in October 2021. Management replied that the detailed reply would be furnished with in a week but no reply was received.
5.	11635	PD, RFD Lahore	13	3.17	The matter was taken up with the management in November 2021 but no reply was received.
6.	10555	Ministry of Railways, Islamabad	01	1.92	The matter was taken up with the management in August 2019. Management replied that detailed reply would be furnished after discussing with the authorities but no reply was received.
7.	11095	Property and	04	1.22	The matter was taken up with the

		Land Department, Rawalpindi			management in March 2020. Management replied that the LDC's and UDC's had been engaged against different deposit work estimate in the interest of Railways due to shortage of staff and work load in Property & Land Department. The remarks were an admittance of audit observation.
Total				79.58	

Annexure-S
(Para # 2.5.66)

Loss due to theft/ deficiencies in Coaching and Goods Stock

(Rs in million)

Sr. #	DP. #	Formation Audited	Period of theft	Value of fittings	Remarks
1.	11301	Mechanical Department, Karachi	July 2020 to June 2021	10.179	The matter was taken up with the management in August 2021. Management replied that all efforts were exercised to minimize the deficiencies. The remarks were not acceptable as the policy for minimizing the deficiencies could not be implemented in true spirit.
2.	11447	Mechanical Department, Peshawar	December 2019 to August 2021	8.977	The matter was taken up with the management in October 2021. Management replied that reply would be furnished after obtaining the remarks / comments of HTXR/PSC being subordinate in-charge of C&W depot PSC / coaching stock but no reply was received.
3.	11445	Divisional Superintendent, Karachi	April 2019 to July 2021	3.76	The matter was taken up with the management in October 2021. Management replied that the Police department facing shortage of manpower and resources. However, curative efforts were made to control the theft. Multiple cases of theft were sub-judice which was being prosecuted properly. The remarks were not acceptable as the policy for minimizing the theft/deficiencies could not be implemented in true spirit.
4.	11532	deficiencies in coaching stocks	October 2021	3.247	The matter was taken up with the management in October 2021. Management replied that coaches were sent to MGPR in proper and fit condition deficiency was incurred on en-route. The

					remarks were an admittance of audit observation.
5.	10810	Mechanical Department, Rawalpindi	July 2019 to May 2020	2.718	The matter was taken up with the management in September 2020. Management replied that detailed reply would be furnished after scrutiny of record but no reply was received.
6.	11459	Mechanical Department, Quetta	July 2020 to June 2021	0.575	The matter was taken up with the management in October 2021. Management replied that coaches and goods stock was sent to MGPR in proper and fit condition deficiency was incurred on en-route. The remarks were an admittance of audit observation.
Total				29.456	

Annexure-T
(Para # 2.5.68)

Detail of non-recovery from government departments

(Rs in million)

Sr. #	DP #	Formation	Description	Amount	Remarks
1.	11296	Civil Engineering Department Pakistan Railways Multan	maintenance/ operational charges of level crossings and sidings	689.76	The matter was taken up with management in Aug-2021 and also discussed in DAC meeting held on 28.01.2022. DAC was informed Rs 60 million has been recovered. DAC directed the PO that recovered amount be got verified from audit. DAC further directed the DS Multan to finalize the matter within 30 days under intimation to DAC. Compliance of DAC directives was awaited.
2.	10667	P&L, Rawalpindi	non-recovery of Railway dues	512.913	The matter was taken up with the management in March-2020. Management replied that efforts are being made to recover the outstanding dues. The remarks were not acceptable as the outstanding dues were not recovered.
3.	11059	Director Property & Land Headquarters Lahore	rental charges from the Food Department	247.44	The matter was taken up with the management in March 2020. And also discussed in DAC meeting held on 28.01.2022. DAC was informed that that out of 247.44 million an amount of rupees 197.95 million has been recovered from the Punjab Food department. The DAC directed the PO that the amount recovered be got verified from Audit within 15 days.

4.	11008	Commercial & Transportation departments Rawalpindi	Recoverable of freight charges of PSO	221.68	The matter was taken up with the management in May 2021. Management replied that the recovery of amount from PSO matter was dealt at HQ Office level as it was beyond the domain of the division. This office regularly intimated that HQ Office of outstanding amount at the end of every month. Further development in the case may be intimated to audit for further necessary action. The remarks were not acceptable because progress of the case was not furnished to Audit.
5.	10783	FA & CAO (Revenue), Lahore	Non-recovery of Railway dues	165.43	The matter was taken up with the management in September, 2020. Management replied that amount due against State Bank of Pakistan (SBP) had been recovered during the month of September 2020. The remarks offered were not acceptable as nothing had been stated about the remaining outstanding amount of Rs 165.435 million.
6.	10917	Property & Land Department, Pakistan Railways, Peshawar	Non-realization of rental charges from various govt. Departments	89.68	The matter was taken up with the management in May 2021. Management replied that correspondence was under process in order to recover the outstanding amount against Government and Semi Government Departments. The remarks were not tenable as management failed to recover the outstanding rental charges timely.

7.	11326	Civil Engineering department of Lahore	Non recovery of outstanding dues	68.41	The matter was taken up with the management during September 2021 but no reply was received.
8.	11038	Director General, Property & Land, HQs	Outstanding rental charges against PSO	49.83	The matter was taken up with the management in June, 2021 but no reply was received.
9.	10821	P&L Peshawar Division	Non recovery of rental charges from lessees	47.81	The matter was taken up with the management in February 2020. Management replied that efforts were made to recover the outstanding dues and result would be intimated. The remarks were not acceptable because further progress of the case was not furnished to Audit.
10.	11436	Engineering Department of Rawalpindi Division	Recoverable on account of level crossings	43.03	The matter was taken up with management in October 2021. Management replied that after dedicated efforts through correspondence, the account Department had continually made contact with the concerned departments in this regard and resultantly an amount of Rs. 11.348 million had been recovered up till now. The remarks were not acceptable as documentary evidence in support of the amount recovered and status of remaining amount was not furnished to Audit.
11.	10641	Civil Engg Deptt Multan	Dues against Thermal Power Station Muzaffar Garh	22.00	The matter was taken up with the management in September 2020 and also discussed in DAC meeting held on 28.01.2022. DAC directed the PO to instruct the DS Multan to speed up the recovery process and

					report the matter accordingly. Compliance of DAC directives was awaited.
12.	11465	FA&CAO Revenue	Non-recovery of charges from State Bank of Pakistan	19.21	The matter was taken up with the management in October 2021 but no reply was received.
13.	11373	Civil Engineering Department Quetta	outstanding dues from Government department	16.68	The matter was taken up with the management in August 2021. Management remarked that reply would be furnished shortly but no reply was received.
14.	11338	Civil Engineering Department, RWP	Non-recovery of departmental charges	12.55	The matter was taken up with management in August 2021. Management replied that remission of departmental charges is at the discretion of CEO/Sr. G.M. The estimates were accordingly sanctioned by the H.Q. Office as per decision of the H.Q. Office. Therefore, there was no irregularity & loss on this account. The remarks were not acceptable because remission of departmental charges was allowed subject to receipt of financial and non-financial benefit for the department. Whereas, no benefit was sorted/achieved on account of remission.
15.	10643	FA& CAO (Revenue), Lahore	Courier Service charges from Controller Military Accounts	11.89	The matter was taken up with the management in September, 2020 but no reply received.
16.	10541	Mechanical Department, Karachi	Non recovery of maintenance and other charges from NLC.	4.78	The matter was taken up with the Management in August 2020 but no reply was received.

17.	10676	FA & CAO (Revenue), Lahore	Non-clearance of long outstanding dues	4.78	The matter was taken up with the management in September, 2020 but no reply was received.
18.	11319	Civil Engineering Department Quetta	Lease/rental charges.	2.56	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that the matter is already under correspondence with Garrison Engineer Quetta Cannt for recovery of outstanding amount. DAC directed the PO to expedite the case for recovery under intimation to DAC. Compliance of DAC directives was awaited.
19.	11413	Electrical Department, Sukkur Division	Non-recovery of Fuel Charges Adjustment	1.71	The matter was taken up with the management in October 2021 but no reply was received.
20.	11561	PR academy, Walton	Non recovery of training charges from NLC	1.05	The matter was taken up with the management in November 2021. Management replied that detailed reply would be submitted in due course after consultation of record but no reply was received.
21.	10658	FA & CAO (Revenue), Lahore	Non-recovery from M/s PRACS	0.70	The matter was taken up with the management in September 2020 but no reply was received.
22.	11151	Property and land Department, Workshops Division Mughalpura, Lahore	Rental charges	0.67	The matter was taken up with the management in February 2020. Management replied that agreement with NBP renewed/ made and outstanding amount would be recovered. The remarks were not acceptable because further progress of the case was not furnished

					to Audit.
23.	10811	Managing Director Pakistan Locomotive Factory Risalpur	Non-recovery of long outstanding dues against M/S Heavy Mechanical Complex (HMC) Taxila	0.37	The matter was taken up with the Management in Sep-2019. Management replied that this office approached HMC-3 authorities vide letter No. PRD-49/LF dated 26.05.2007 with full evident but their response in this regard not yet traced. However, if this amount was payable by HMC-3, that office would approach their high command to clear the long outstanding issue. The remarks were not acceptable because further progress of the case was not furnished to Audit.
Total				2234.93	

Annexure-U
(Para # 2.5.69)

Detail of non-recovery from lessees

(Rs in million)

Sr. #	DP. #	Formation	Description	Amount	Remarks
1.	10943	Property & Land Department, Lahore	lease charges from Oil Companies	591.47	The matter was taken up with the management in June 2021. Management replied that Railway land leased out to M/s Shell & Caltex was vacated and the outstanding rental charges are being submitted to DG/Land, P.R, H.Q, Office, Lahore regularly. The disputed outstanding amount between Railway administration and oil companies would be settled after reconciliation. M/s PSO has deposited Rs 7,972,964 vide pay order No.04797470 dated 24.06.2021. The remarks were not acceptable because reconciliation had not been finalized with oil companies despite lapse of considerable period of time due to which PR had been suffering loss on account of non-auction of sites vacated by oil companies
2.	10758	Divisional Superintendent, Peshawar Division	Non realization of rental charges	74.081	The matter was taken up with the management in September-2020. Management replied that cogent efforts had been initiated in order to recover the outstanding amount from the licensees of Railway shops over the Division. The remarks were an admittance of audit observation.
3.	10614	Property &	Non	46.447	The matter was taken up

		Land Department, Karachi	recovery of rental charges		with management in March 2020. Management replied that necessary notice was served to the lessee for depositing of rental charges. The matter was in high court of Sindh Karachi. The Audit would be appraised accordingly about recovery of rent. The remarks were an admittance of audit observation.
4.	11117	DCO/DTO, Lahore	Non recover of lease/rental charges	31.017	The matter was taken up with the management in July 2021 and also discussed in DAC meeting held on 15.02.2022. DAC directed the PO that the matter regarding illegal possession of site and non-recovery of dues be brought in the notice of the CEO/Senior General Manager. DAC further directed that the CEO may constitute a committee to assess the case and in case there is no stay order from any court of law then the site be got vacated under intimation to DAC within 60 days. Compliance of DAC directives was awaited.
5.	11057	Property & Land Department, Karachi	Rental charges	26.09	The matter was taken up with the management in May 2021 but no reply was received.
6.	11612	Civil Engineering, Multan Division	Rental/lease charges	25.78	The matter was discussed with management in August 2021. Management replied that outstanding amount would be recovered shortly. The remarks were not acceptable as further progress of the case was not furnished to Audit.
7.	10679	Civil	Non	21.60	The matter was taken up

		Engineering Department	realization of rental charges		with the management in September 2020. Management replied that observation pertained to Land Department. The remarks were not acceptable because residential quarters were dealt in Civil Engineering Department.
8.	11103	Property & Land Department, Multan	lease charges from lessees	14.702	The matter was taken up with the management in May 2021. Management replied that efforts were made for the recovery of outstanding against defaulters. The remarks were an admittance of audit observation.
9.	11345	Civil Engineering Department, Multan	Non recovery of maintenance & operational charges	10.71	The matter was taken up with the management in August -2021 and also discussed in DAC meeting held on 28.01.2022. DAC was informed that the matter is subjudice in court of law. DAC directed the PO to pursue the case vigorously under intimation to DAC. Compliance of DAC directives was awaited.
10.	11108	Chief Commercial Manager, Headquarters Office, Lahore	Loss to public ex chequer due to non-deduction of GST	10.596	The matter was taken up with the management in June 2021. Management replied that the PR had filed writ petition before LHC for recovery of outstanding amount of Provincial sales tax 16% from dinning car contractors and the case was still in the court. However, the security money of dinning car contractors had not been released and the amount involved be recovered from the security money of the contractors. The remarks were an

					admittance of audit observation.
11.	10942	Property & Land Department, Lahore	less recovery of rent	8.574	The matter was taken up with the management in June 2021. Management replied that reply would be submitted after scrutiny of the record but no reply was received.
12.	11259	Civil Engineering Department, Quetta	Non/short recovery on account of track crossings of optical fiber	8.713	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that out of total an amount of Rs 2.79 million has been recovered. DAC directed the recovered amount be got verified from Audit and efforts be made for recovery of remaining amount. Compliance of DAC directives was awaited.
13.	10766	Property & Land Department, Quetta	Non-recovery of rental charges of shops	8.469	The matter was taken up with the management in February 2020. Management replied that efforts would be made for recovery of outstanding rental charges and due to law-and-order situation in the province proper IOW was not posted at Shahrag. The remarks were not acceptable because proper IWO was posted at Shahrag but he absconded from his duties. Further the remarks were an admittance of audit observation.
14.	11258	DEN, Peshawar	Non recovery of rental charges railway quarters	8.64	The matter was taken up with the management in August 2021. Management replied that detail remarks would be offered after consulting the relevant

			rented out to the outsiders		record but no reply was received.
15.	11585	MD CSF, Lahore	Rental charges	8.304	The matter was taken up with the management in October 2021. Management replied that interim award from civil court had been issued and claim would be settled accordingly. The remarks were an admittance of audit observation.
16.	11112	Commercial Department, Multan	Rental charges from vending contractors	7.968	The matter was taken up with the management in June 2021. Management replied that detail position of rental charges not deposited by the vending contractors due to Covid-19 had been sent to CCM/ Lahore for directives/decision. Final reply would be sent on receipt of decision from the office of CCM/Lahore. The remarks were not acceptable as progress of the case was not furnished to Audit.
17.	11304	civil engineering department Sukkur	lease/rental charges from lessees	7.601	The matter was taken up with the management in September 2021. Management was replied that instructions were issued to IOWs to expedite the recovery. The remarks were an admittance of audit observation.
18.	11132	Property & Land Department, Pakistan Railways, Peshawar	lease charges from M/s Mobilink	7.282	The matter was taken up with the management in May 2021. Management replied that the matter would be taken with the concern sectional AEN for recovery of the charges in respect of laying of cable within railway premises. The remarks were not acceptable as due to huge negligence of the management, M/s

					Mobilink had been enjoying ROW without the payment of any rent since 2019
19.	11141	Chief Commercial Manager, Headquarters office,	Loss due to negligence of Railway management	6.67	The matter was taken up with the management in June 2021. Management replied that the issue had already been taken vide Draft Para No. 10293/2020-21. However, M/s Pizza Hut had deposited an amount of Rs.2300926 as well as an amount of Rs.531640/- had been waived off by CEO/Sr. G.M due to Covid-19 for the period from 25.03.2020 to 19.05.2020 and the party had promised to deposit the balance amount very soon. The remarks were not acceptable because the issue raised vide DP No. 10293/202-21 was on potential earning due to non-leasing of site. Whereas, the issue in question pertained to non-recovery of rental charges. Further, documentary evidence in support of recovery and waiver of amount was furnished to Audit.
20.	11036	Property & Land Department, Pakistan Railways, Quetta	Rental charges of Railway Officers Marriage Lawn	6.013	The matter was taken up with the management dated June 2021. Management replied that recovery of rental charges from the contractor of Railway Marriage Lawn was in progress and remaining would be recovered very soon. The remarks were an admittance of audit observation.
21.	11046	Property and Land Department,	Rental charges against the	5.848	The matter was taken up with the management in May 2021. Management

		Rawalpindi	rented-out shops		replied that bills for recovery of outstanding dues had been issued to the shop keepers and all efforts were being made for recovery of outstanding dues through personal contacts and campaign regarding recovery of outstanding dues. The remarks were an admittance of audit observation.
22.	10636	DD/P&L, LHR Division	Less recovery of rental charges of Railway land	5.68	The matter was taken up with the management in March 2020. Management replied that the consolidated reply would be submitted very shortly after scrutinizing the record/file but no reply was received.
23.	11148	Property & Land, P.R, Karachi	rental charges against khokha shops	5.213	The matter was taken up with the management in March 2020. Management replied that the notices had been served to shopkeepers for recovery of outstanding amount. All out efforts were made to recover outstanding dues. The remarks were an admittance of audit observation.
24.	10584	Civil engineering department Karachi	Departmental charges	5.212	The matter was taken up with the management in September 2019 but no reply was received.
25.	11161	Civil Engineering Department, Lahore Division	Non recovery of rental charges	4.89	The matter was taken up with the management in September, 2020 but no reply was received.
26.	10771	DD/P&L, LHR Division	Non recovery of lease rental charges	4.884	The matter was taken up with the management in March 2020. Management replied that the consolidated remarks would be submitted very shortly after scrutinizing the record/file but no reply was received.

27.	11092	Property and Land Department Sukkur	Non-recovery from the Contractor for land	4.634	The matter was taken up with the management in March 2020 but no reply was received.
28.	11130	Property & Land Department, Pakistan Railways, Peshawar	Rent of stacking and agriculture land	4.673	The matter was taken up with management in May 2021. Management replied that recovery would be made soon and recovery particulars would be submitted accordingly but no progress was furnished to Audit.
29.	11115	Divisional Commercial Officer, Lahore Division	Railway dues from contractor of Parking Stand	3.913	The matter was taken up with the management in July 2021. Management replied that reply will be submitted within seven days after consultation of record but no reply was received.
30.	11614	Civil Engg. Sukkur	outstanding operational and maintenance charges	3.746	The matter was taken up with the management in September 2021. Management replied that all efforts were made to recover the outstanding amount. The remarks were an admittance of audit observation.
31.	11105	Chief Commercial Manager, Headquarters Office, Lahore	under charges and short remittance from STEs and Conductor Guards	3.186	The matter was taken up with the management in June 2021. Management replied that all Divisional Superintendents had been directed to recover the outstanding amount. The remarks were an admittance of audit observation.
32.	11554	Managing Director Concrete Sleeper Factories, PR,HQ, Office, Lahore	undue favour to the contractor	2.897	The matter was taken up with the management in October 2021. Management replied that work was awarded to Manj Brothers but contractor failed to complete the work due to slow progress. Hence,

					contract was terminated with 5% forfeit of security money. However, detailed reply will be submitted later. The remarks were not acceptable as neither the termination charges were recovered nor the amount of bank guarantee was forfeited.
33.	11031	Property & Land, P.R, Quetta	Optical fiber crossing charges	2.795	The matter was taken up with the management in May, 2021 and also discussed in DAC meeting held on 28.01.2022.DAC was informed that the OFC (Wateen Telecom) has deposited Rs 2,795,100/- vide cheque No. 66009003 dated 13-08-2021.DAC directed the PO that recovered amount be got verified from Audit within 15 days. Compliance of DAC directives was awaited.
34.	11334	MD, Carriage Factory, Islamabad	Non recover of rental charges	2.535	The Matter was taken up with management in August 2021. Management replied Worthy CEO/Sr: GM imposed ban on all auctions till further orders (copy enclosed). Moreover, the worthy Federal Minister of Railways in a high official meeting dated 13.07.2021 directed that all agricultural land leases should be extended for 06 months at an enhanced rate of 20%. On lifting of ban from auctions, the expired lease cases will be processed accordingly. The remarks were not acceptable as ban on auctions was imposed on 28.06.2021 whereas auction

					cases for expired lease for approval has been pending since long. Rental charges required to be recovered in advance but neither rental charges nor the 10% surcharge notices have been served to defaulters.
35.	11045	Property and Land Department, Pakistan Railways Rawalpindi	Rental charges from licensees of Railway Agricultural land	2.692	The matter was taken up with the management in May 2021. Management replied that all out efforts were made for recovery of outstanding amount and all field staff also been instructed time to time. The remarks were an admittance of audit observation.
36.	10551	Property & Land Department, Karachi	Non-recovery of rent from lessees	2.502	The matter was taken up with the management in March 2020. Management replied that the necessary notices had been served to defaulters. A meeting was held on March 03, 2020 and the licensee promised to clear all outstanding. The audit will be appraised accordingly. The remarks were not acceptable because further progress of the case was not furnished to Audit.
37.	11544	Divisional Superintendent Workshops Division Mughalpura, Lahore	Non realization of Railway Revenue	2.068	The matter was taken up with the management in October 2021 but no reply was received.
38.	11200	Property & Land department Multan	Rental charges and penalty	1.851	The matter was taken up with the management the management in May 2021. Management replied that efforts were made for recovery of the outstanding. However, correspondence had been made between KFC & PR Multan on

					account of their request for compensation due to covid-19 which was awaited for directives from headquarters office Lahore. The remarks were acceptable because the lessee cannot claim compensation because agreement does not contain any clause for force majeure.
39.	11032	Property & Land, Quetta,	Rental charges against shop holders	1.707	The matter was taken up with the management in May 2021. Management replied that recoveries were in progress and remaining outstanding amount would be recovered very soon. The remarks were an admittance of audit observation.
40.	11037	Property & Land Quetta	Non recover of security money from lessees of shops	1.697	The matter was taken up with the management in November 2020. Management replied that most of the outstanding amount had been recovered and remaining recovery was in process. The remarks were an admittance of audit observation.
41.	10920	Property & Land, Quetta	Rental charges outstanding against licensees of Railway Parking	1.432	The matter was taken up with management in May 2021. Management replied that the concerned officials were strictly directed to recover the outstanding rental charges from the licensees of railway land for parking purpose and the desired/outstanding amount would be recovered soon and payment detail would be submitted accordingly. The remarks were an admittance of audit observation.
42.	10800	Station	Non	1.289	The matter was taken up

		Manager Lahore	recovery of monthly service / rent charges		with the management in April 2018. Management replied that the contractor had deposited the amount. During verification of audit only an amount of Rs 259,000 was got verified leaving balance of Rs 1,288,735 was still recoverable.
43.	10623	Chief Commercial Manager, Lahore	Non recovery of rent and penalty from Allied Bank Ltd	1.164	The matter was taken up with the management in June 2020. Management replied in April 2021 that an amount of Rs 2,473,336 had been recovered from Allied Bank Limited but response for balance amount of Rs 1.164 million was awaited.
44.	11107	CCM	Non- Recovery of detention and overloading charges-	1.37	The matter was taken up with the management in June 2021. Management replied that the contractor has been directed to deposit the overloading and detention charges. In case the parties failed to deposit the amount the same would be deducted from security money of the contractors. The remarks were an admittance of Audit observation.
45.	11172	Property & Land Lahore Division	Non realization of lease charges	1.26	The matter was taken up with the management in March 2020. Management replied that the consolidated remarks on subject Para would be submitted very shortly after scrutinizing the record/file but no reply was received.
46.	11270	Property & Land, Rawalpindi	Non- Recovery of rent from licensee	1.182	The matter was taken up with the management in March 2020. Management replied that the remarks would be offered after checking the record and

					revised policy but no reply was received.
47.	10580	Property & Land, Peshawar	Non recovery of rental charges of extra land	1.039	The matter was taken up with the management in March 2020. Management replied that efforts were being made to recover the outstanding amount as and when recovered would be intimated to audit. The remarks were not acceptable as progress of the case was not furnished to Audit.
48.	10808	Property and land Department, Workshops Division Mughalpura, Lahore	Non realization of sanitation charges from the lessees	0.988	The matter was taken up with the management in February 2020. Management replied that Incharge adda would be intimate latest position of sanitation charges. The remarks were not acceptable as progress of the case was not furnished to Audit
49.	11213	Railways Employees Cooperative Society Peshawar	Rent charges on account of land leased out to PRECHS	0.92	The matter was taken up with the management in June 2020 but no reply was received.
50.	11287	Property & Land Department, P.R, Karachi	Recoverable amount against lessees of Agriculture land 0.709	0.709	The matter was taken up with the management in May 2021. Management replied that the outstanding amount was recovered from the lessees and encroachment. The recovery particulars would be intimated to audit in due course of time. The remarks were an admittance of audit observation.
51.	10879	Civil Engineering Lahore Division,	Non recovery of cost of material issued to the Contractor	0.546	The matter was taken up with the management in September-2020 and also discussed in DAC meeting held on 28.01.2022. DAC was informed that matter has been referred to AEN/

					RND for detailed reply and final bill of the contractor is held up in this office till the subject matter is not resolved. DAC directed the PO that copy of the completion report and documentary evidence in support of non-clearance of final bill of contractor be furnished to Audit within 07 days. Compliance of DAC directives was awaited.
52.	10744	Property & Land Department, Peshawar	Non recovery on account of rental charges of Railway land	0.484	The matter was taken up with the management in March 2020. Management replied that efforts were made to recover the outstanding amount. Particulars of amounts as and when recovered would be intimated to audit. The remarks were not acceptable as progress of the case was not furnished to Audit
53.	11022	Property & Land Department, Workshops Division Mughalpura, Lahore	Non recover of escalation charges	0.456	The matter was taken up with the management in May 2021. Management replied that effort would be made to recover rent as per policy of increased rent. The remarks were not acceptable as annual increase in rent was not recovered
54.	11128	Commercial & Transportation department. Peshawar	Rental charges of parking stands	0.365	The matter was taken up with the management in May 2021 and also discussed in DAC meeting held on 15.02.2022. DAC directed that the recovered amount be got verified from Audit and efforts be made for recovery of balance amount under intimation to DAC. Compliance of DAC directives was awaited.
55.	10945	Property &	Non	0.330	The matter was taken up

		Land Department, Peshawar	recovery of land utilization charges from licensees		with management in May 2021. Management replied that notices had already been served in favor of Railway licensees for payment of rental charges as withheld against these licensees of railway land which would be recovered soon and payment document would be communicated accordingly. The remarks were not acceptable as progress of the case was not furnished to Audit.
Total				1016.88	

Annexure-V
(Para # 2.5.70)

Non-recovery from Employees

(Rs in million)

Sr. #	DP #	Formation	Description	Period of Audit	Amount	Remarks
1.	11497	FA&CAO/ Revenue	Evasion of storage charges at Lahore Dry Port	Oct-2021	1.49	The matter was taken up with the management in October 2021 but no reply was received.
2.	11474	DS, Lahore Division	Non-deposit of monthly subscription of GPF and recovery of GPF advance in a/c XXI	May 2021	108.93	The matter was taken up with the management in October 2021 but no reply was received
3.	11317	Deputy General Manager (DGM),	Non recovery of cost of conservancy charges	Aug-21	24.38	The matter was taken up the management in August 2021 but no reply was received.
4.	11229	MoR (Railway Board), Islamabad	Non recovery of loans and advances	Aug-2021	24.32	The matter was taken up with the management in August, 2021 but no reply was received.
5.	11300	MD, Carriage Factory, Islamabad	Short-recovery of Sui Gas bills from consumers		14.63	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 15.02.2022. DAC was informed that out of 302 meters, 275 meters had been installed and leaving a balance of 27 meters which would be installed shortly. DAC directed the PO that strenuous efforts be made for installation of

						27 Sui gas meters and handed over the entire supply of gas to SNGPL and report to DAC within 60days. Compliance of DAC directives was awaited
6.	10857	Accounts Department Multan	Non-recovery of loans & advances	Nov-2019	9.51	The matter was taken up with the management in November 2019. Management replied that the record of Loan & Advances was properly maintained in the Accounts Office Multan and that a letter had already been written to DPO/Multan to recover the said amount and the same would be recovered from the salaries of concerned employees in equal installments. The remarks were not acceptable as further progress of the case was not furnished to Audit.
7.	10553	Divisional Accounts Officer, Multan	Non-recovery of loans & advances from the Railway employees	Sep-20	7.87	The matter was taken up with the management in September 2020. Management replied that DPO Multan had been advised to recover the Loan and Advances from the remaining officials and submit full particulars department wise to this office for smooth recovery. The remarks were not tenable as the data in question was

						compiled by audit from the accounts record and no detail of any discrepancy in this regard was provided to audit.
8.	11090	Superintendent of Railway Police Sukkur	less recovery of electrical charges from Police personnel	Oct-2019,	6.82	The matter was taken up with the management in December 2021. Management replied that the request was made to DEE/Sukkur to provide the copies of Electric bills issued to SRP office during the period from July 2017 to July-2019 for further disposal. Now, electric bills were being received from the concerned department and being deducted from the salaries of PRP staff regularly. The remarks were an admittance of audit observation.
9.	11460	FA&CAO/ Revenue	Non-recovery of Railways dues	Oct-2021	6.80	The matter was taken up with the management in October 2021 but no reply was received.
10.	10741	Police, Signal & Accounts Departments Sukkur Division	Non recovery of outstanding amount on account of GPF advance	Oct-2019	6.54	The matter was taken up with the management in October 2019 but no reply was received.
11.	11689	Ministry of Railway	Non recovery of outstanding amount on account of MCA, HBA and GPF advance	Dec, 2021	5.24	The matter was taken up with the management in December 2021 but no reply was received.
12.	11251	Ministry of	non-recovery	Aug-	4.38	The matter was taken

		Railway	of balance amount donated for PM relief fund	2021		up with the management in August 2021 but no reply was received.
13.	11333	Deputy General Manager (DGM)	less recovery of rest house charges	Aug-21	3.64	The matter was taken up with the management in August 2021 and also discussed in DAC meeting held on 15.02.2022. DAC directed the PO that a revised policy in respect of allotment of rest house at reasonable rates to regular and contractual employees be formulated and furnished the same to Audit for examination. Compliance of DAC directives was awaited.
14.	11512	Superintendent Railway Police (SRP), MGPR, Lahore	Non-recovery of Railways dues/ contribution	Oct-2021	3.03	The matter was taken up with the management in October, 2021 but no reply was received.
15.	11658	Ministry of Railway, Isb	Overpayment of HBA	Sept-2021	1.97	The matter was taken up with the management in September 2021. Management replied that detailed reply would be furnished in due course of time but no reply was received.
16.	10759	Integrated Audit of Sukkur	Less Recovery on account of House Building Advance.	Sept-2020	1.86	The matter was taken up with the management in September 2020. Management replied that matter pertained to Personnel & Account Departments. The remarks were not

						acceptable as it was the responsibility of Railway management to furnish reply to Audit.
17.	10602	MD, Carriage Factory Islamabad	Non-recovery of amount transferred to the banks for disbursement to deceased pensioners -	Sept-2020	1.28	The matter was taken up with the management in September 2020. Management replied that correspondence regarding refund of over payment to deceased pensioners was being carried out. Series of reminders have been issued to the concerned banks but no response was received. The remarks were an admittance of audit observation.
18.	11210	Ministry of Railways, Islamabad	Non recovery of HBA	2020	0.69	The matter was taken up with the management in January 2020. Management replied that a copy of LPC issued on 05-09-2019 was forwarded to the office of the Auditor General of Pakistan (copy enclosed) with the request to recover the outstanding amount @ Rs. 70,000 PM, and arrange to pay to AO/Payments Islamabad. DDO Auditor General Office is responsible for making deduction from the salary of the officer. The remarks were not acceptable because as per record the recovery had not

						been started.
19.	11444	Mechanical Department, Peshawar Division	Loss due to overpayment of pay	Oct-2021	0.57	The matter was taken up with management in October 2021. Management replied that that office was not empowered to fix the pays and allowances of any employee. The same was done by the offices of DPO/PSC and that office only charges pays as per the salaries / allowances fixed by the aforesaid offices. In view of the above, the instant matter did not fall within the purview of that office. The remarks were not acceptable as it was the responsibility of the head of concerned cost center to recover the over payment.
20.	10534	Divisional Personal Officer, Sukkur Division	Health allowance to the doctors appointed on contract basis	July, 2020	0.74	The matter was taken up with the management in September 2020. Management replied that matter had been referred to DPO, Sukkur in reference to preliminary audit observation and reply would be communicated as and when received but no reply was received.
Total					234.69	

Annexure-W
(Para # 2.5.71)

Loss due to non-recovery of liquidated damages charges

(Rs in million)

Sr. #	DP. #	Formation	Delay involved (in month)	Amount	Remarks
1.	10589	PD, Locomotive Rehabilitation, Workshops Division. Mughalpura, Lahore	29	184.06	The matter was taken up with the management in December 2020. Management replied in February, 2022 that firm has agreed for payment of LD charges to Pakistan Railways. The remarks were not acceptable as LD charges has not been recovered so far.
2.	11542	MD, Concrete Sleeper Factories, Lahore		12.27	The matter was taken up with the management in October 2021. Management replied that firm had offered their material within delivery period for inspection. The remarks were not based on facts as no material was provided within delivery period and the firm wrote on 05.05.2020 and 21.05.2020 for inspection of material after expiry of time period which showed that material was provided after due date.
3.	10642	PD, Right Bank Outfall Drain-II	19	10.20	The matter was taken up with the management in December 2020. Management replied that due to certain technical issues the contractor could not carry out the pile load test as per agreement. The remarks were an admittance of audit observation.
4.	10592	MD, Concrete Sleeper Factories, Lahore	03	4.97	The matter was taken up with the management in November 2019. Management replied that firm supplied the remaining material on 20.02.2018 within grace period of 15 days. The remarks were not acceptable as

					the remaining material was supplied in March and April 2018. Further, grace period was also not applicable on extended period.
5.	10990	PD, DOT (Khanewal to Raiwind) Headquarter Office, Lahore	04	3.37	The matter was taken up with the management in November 2019 but no reply in respect of recovery of LD charges was furnished.
6.	10979	PD, Reconstructions of Assets damaged during Flood, 2010	24	2.35	The matter was taken up with the management in October 2020. Management replied that works were not completed within stipulated time period and L.D. charges were imposed. The contractor requested to relax the L.D. charges and his request was in process of decision. The remarks were an admittance of audit observation.
Total				217.22	

MFDAC

Sr. #	DP. #	Subject
1.	10497	Loss due to payment of Extra Tax in Electricity Bills of PLF Risalpur - Rs 0.361 million
2.	10499	Unjustified increase in workshop manufacturing suspense due to delay in completion of works and non-booking of cost – Rs 24.757 million
3.	10500	Irregular expenditure due to installation of windows of wrong specification – Rs 3.631 million
4.	10505	Loss due to non-recovery of overpayment emerged due to reversion of employees - Rs 0.834 million
5.	10509	Loss of revenue due to non-auction of Railway land - Rs 0.618 million per annum
6.	10510	Irregular payment of ballast to the contractors without Verification – Rs 72.984 million
7.	10512	Loss due to suspected theft of electricity - Rs 580.647 million
8.	10513	Wasteful expenditure due to poor performance of Ticket Collectors – Rs 2.842 million
9.	10516	Loss of revenue due to negligence of commercial staff Rs 14.656 million
10.	10514	Mis-procurement due to violation of Rule-10 of Public Procurement Rules, 2004 - Rs 2.707 million
11.	10518	Un-authorized expenditure on account of execution of excess quantities of CSR items than agreement – Rs 157.079 million
12.	10519	Loss due to award of contract at higher rates – Rs 1.829 million
13.	10520	Loss of millions of rupees due to damages of roads by PD-III, Metro Train Project
14.	10521	Loss due to non-accountal of released material – Rs 223.843 million
15.	10522	Unauthorized Special Repair of officer bungalows - Rs 1.798 million
16.	10523	Loss due to irregular regularization of Railways Land as Katchi abadi and non-recovery of cost land Rs 24.213 million
17.	10525	Misappropriation of scrap material– Rs 0.558 million
18.	10526	Irregular/unauthorized bidding of Car Parking Stand through negotiation due to violation of PPRA Rules - Rs. 7.380 million
19.	10527	Irregular expenditure due to non-adherence of PPRA Rules - Rs 1.119 million
20.	10528	Irregular/unjustified expenditure on account of pay & allowances - Rs 3.365 million
21.	10531	Wasteful Expenditure due to abandonment of DOT-III Project - Rs. 682.269 million

22.	10533	Loss of due to non-execution of agreement non-recovery of rent from Royal Palm Railway Golf Country Club – Rs 0.762 million
23.	10536	Loss due to purchase of dowel bars at higher rates - Rs 1.466 million
24.	10537	Irregular splitting up of similar nature procurement - Rs. 0.297 million
25.	10539	Loss due to non-payment of Government taxes due to undue favor of Pakistan Railways – Rs 12.366 million
26.	10543	Irregular payment to the contractor for substandard/ defective work - Rs 15.590 million
27.	10544	Unjustified Expenditure out of revenue budget due to supply of diesel to CBI Stations - Rs 40.173 million
28.	10546	Loss due to fire accident - Rs 5.820 million
29.	10549	Irregular purchase of DE Loco Spare Parts from defaulting firm -Rs 4.718 million
30.	10550	Loss due to undue favour to the contractor against goods tariff – Rs 291.024 million
31.	10558	Time overrun resulted into cost overrun – Rs 2,993.982 million
32.	10559	Irregular payment of commission to incorrect local agent/ payee – Rs 18.930 million
33.	10561	Irregular Payment of salaries in cash instead of bank accounts – Rs 17.696 million
34.	10562	Wasteful expenditure on procurement of tapered roller bearing – Rs 7.691 million
35.	10564	Irregular/uneconomical awarding of contract without competition - Rs 6.450 million
36.	10565	Non-forfeiture of performance security despite abandonment of work by M/s Techno time construction – Rs 10.321 million
37.	10566	Loss of potential earning - Rs 2.228 million
38.	10571	Irregular expenditure on a/c of mis-utilization of staff - Rs 0.453 million
39.	10572	Irregular/suspected bogus expenditure - Rs 5.609 million
40.	10573	Non-adjustment of cost of items manufactured for other units – Rs 126.010 million
41.	10574	Blockage of capital due to stocking the store beyond maximum limit – Rs 3.201 million
42.	10575	Mis procurement due to splitting up of purchases of similar items Rs 6.659 million
43.	10579	Suspected bogus payment on account of non-supply of material – Rs 4.661 million
44.	10582	Irregular/ unauthorized grant of Cash advances to employees for expenses - Rs 334.927 million
45.	10583	Loss due to procurement of material at higher rate – Rs 180.199 million
46.	10585	Irregular procurements from foreign firms instead of local manufacturers –Rs 3.146 million

47.	10587	Irregular expenditure due to splitting up of works of same nature Rs 1.400 million
48.	10588	Supply of Traction Motors of incorrect specification – Rs 397.538 million
49.	10591	Irregular expenditure on account of splitting up of purchases Rs 676.363 million
50.	10596	Irregular expenditure by splitting up the procurement Rs 3.482 million
51.	10597	Loss due to supply of defective material - Rs 31.215 million
52.	10598	Unauthorized / irregular expenditure on supply of Coal Tar for L-Xings - Rs 0.961 million
53.	10600	Non-recovery of electricity bills of Official Rest House Samasata - Rs 0.380 million
54.	10601	Unjustified payment on account of electricity charges for service buildings - Rs 438.812 million
55.	10603	Suspected fraudulent payment on account of short supply of ballast - Rs 1.443 million
56.	10605	Irregular expenditure due to splitting up of similar nature of works Rs 7.844 million
57.	10606	Irregular and unauthorized issuance of ballast to the sectional PWIs - Rs. 4.561 million
58.	10609	Suspected misappropriation of HSD oil - Rs 4.556 million
59.	10610	Loss due to less charging and non-inclusion of cost of material in estimates- Rs 3.219 million
60.	10611	Irregular procurement of material due to mentioning of brand name in tender – Rs 2.322 million
61.	10615	Temporary misappropriation of station earnings Rs 3.798 million
62.	10617	Irregular expenditure due to inordinate delay in measurement of work - Rs 0.998 million
63.	10618	Irregular expenditure on medical reimbursement – Rs 1.505 million
64.	10619	Suspected Misappropriation of Railway Material – Rs 62.324 Million
65.	10622	Loss due to non-obtaining of security money – Rs 3.955 million
66.	10627	Loss due to non-observance of costing systems for public private partnership (PPP) – Rs 10,342 million
67.	10629	Unauthentic pension payment due to not obtaining no marriage/re-marriage certificate from pensioners - Rs 1,176.246 million
68.	10630	Non-disposal of released/ surplus material – Rs 1.225 million
69.	10632	Loss due to award of contract at exorbitant higher rates – Rs 1.599 million
70.	10635	Non deduction of withholding tax Rs 1195.31 million

71.	10637	Non-achievement of targets despite huge payments on account of piece work and overtime allowance – Rs 240.066 million
72.	10640	Irregular procurement due to non observance of PPRA rules Rs 1.406 million
73.	10651	Irregular expenditure due to splitting of work Rs 1.98 million
74.	10659	Un-authorized expenditure due to non-allocation of funds - Rs 6.423 million
75.	10662	Material purchase through local purchase instead of annual procurement plan and splitting up of purchases Rs 1.578 million
76.	10685	Non-obtaining of released material for replacement of tube well work - Rs 6.351 million
77.	10688	Extra ordinary expenditure on account of abnormal rate of oncost – Rs 3,520.855 million
78.	10689	Irregular payment to the contractors due to non-obtaining of sales tax invoices - Rs 1.433 million
79.	10690	Less receipt of money due to incorrect application of rates – Rs 37.408 million
80.	10691	Irregular execution of project work under non-technical officers – Rs 2,238.434 million
81.	10694	Blockage of capital due to excess procurement of material – Rs 13.632 million
82.	10697	Non-recovery of LD charges – Rs 1.054 million
83.	10698	Non-clearance of huge amount from Deposit Miscellaneous - Rs 3,994.715 million
84.	10699	Loss due to imposition of low power factor penalty - Rs 0.657 million
85.	10700	Irregular payment of TA/DA without approved tour programme – Rs 0.534 million
86.	10701	Unauthorized withdrawal of huge amounts from banks and deposited back – Rs 210.389 million
87.	10702	Loss to Public Exchequer due to non-recovery of GST from the Parking Stand – Rs 2.301 million
88.	10703	Wasteful expenditure on construction of offices for staff of new GEU-20 Locomotives in Loco Shed, Quetta - Rs 1.967 million
89.	10704	Loss of potential revenue due to short composition of trains – Rs 283.958 million
90.	10705	Unrealistic estimates and inordinate delay for drawal of completion report – Rs 114.064 million

91.	10706	Non-obtaining of Mortgage deeds for HBA and MCA - Rs 40.073 million
92.	10707	Recurring loss due to payment of low power factor penalty – Rs 9.261 million
93.	10708	Irregular payment of house requisition to other than bonafide person - Rs 0.399 million
94.	10709	Mis-appropriation on account of Miscellaneous Advance – Rs 0.724 million
95.	10710	Blockage of capital due to non-utilization of Ambulance since long – Rs 0.807 million
96.	10711	Non insurance of imported goods / materials - Rs 2,521.126 million
97.	10712	Loss due to payment of salaries to the idle staff –Rs 10.115 million
98.	10713	Expenditure excess over sanctioned estimate - Rs 60.108 million
99.	10714	Irregular expenditure on account of regularization of TLA over and above the sanctioned strength – Rs 618.260 million
100.	10715	Irregular expenditure from Revenue instead of Deposit work - Rs 0.953 million
101.	10716	Un-justified issue of H.S.D oil to the power plants of 39-DN & 4-DN without sanctioned quota - Rs 1.045 million
102.	10717	Non preparation of capital budget against expenditure - Rs 68.324 million
103.	10718	Temporary mis-appropriation/ embezzlement of government money - Rs 2.157 million
104.	10719	Irregular expenditure due to change in scope of work - Rs 4.559 million
105.	10720	Irregular expenditure due to splitting up procurement of material - Rs 1.676 million
106.	10721	Irregular adjustment of expenditure - Rs 89.838 million
107.	10722	Loss of potential earning due to negligence of Railway Management - Rs 0.617 million
108.	10723	Irregular procurement of material due to splitting up actual requirement - Rs 1.287 million
109.	10724	Loss of potential revenue due to short composition of trains - Rs 3.987 million
110.	10725	Irregular expenditure on the repair of roller machine without proper tendering - Rs.0.450 million
111.	10726	Loss of potential earning due to late handing-over possession of auctioned premium shops - Rs 0.707 million
112.	10727	Blockage of capital due to non-disposal of old scrap – Rs 14.72 million

113.	10728	Suspicious/infructuous payment on account of TA - Rs 1.337 million
114.	10729	Irregular execution of work due to non-fixing of sanitary fittings by the contractor – Rs 0.985 million
115.	10730	Blockage of capital on account of purchase of material - Rs 0.603 million
116.	10746	Loss due to mis-utilization of amount received from Bus Rapid Transit Peshawar – Rs 339.462 million
117.	10749	Unnecessary procurement of material – Rs 478.274 million
118.	10754	Infructuous expenditure due to non-completion of work -Rs 12.302 million
119.	10768	Loss due to inefficiency as well as non-revision of overhead rates – Rs 34.622 million
120.	10774	Wasteful expenditure on sub-standard repair of locomotives – Rs 229.93 million
121.	10778	Irregular expenditure by splitting up the procurement of similar items Rs 3.851 million
122.	10782	Irregular expenditure due to splitting of certain purchases - Rs 2.059 million
123.	10788	Loss due to imposition of default surcharges – Rs 564.416 million
124.	10790	Irregular execution of works due to splitting of certain works Rs 10.88 million
125.	10793	Defective estimation due to quoting low prices of Permanent Way material – Rs 3.014 million
126.	10794	Loss due to splitting of works over Sukkur Division –Rs 16.245 million
127.	10797	Undue favor to contractor and non-recovery of rent and utility charges - Rs 1.57 million
128.	10798	Mis-procurement due to substitution of local agent in Purchase Order – Rs 75.787 million
129.	10813	Undue favour to the lessee due to suspicious reduction of Railway land resulting in loss – Rs 0.112 million
130.	10814	Irregular absorption of an employee due to violation of instructions issued by CPO's Office, resulting in financial loss to Railway administration - Rs 0.380 million
131.	10815	Excess Payment to electric companies – Rs 2.395 million
132.	10817	Unnecessary procurement and irregular transfer of project vehicles - Rs 4.687 million
133.	10820	Non-remittance of withholding tax –Rs 14.859 million
134.	10822	Non-clearance of Station Outstanding – Rs 505 .235 million
135.	10823	Non-clearance of Station outstanding - Rs 1405.289 million
136.	10824	Non drawl of completion reports - Rs 488.954 million

137.	10825	Loss due to charging of insurance premium at prevailing exchange rate – Rs 18.302 million
138.	10826	Unauthentic issuance of fuel – Rs 2220.070 million
139.	10828	Irregular payment by preparing the Pay orders without recording head of account - Rs 1.39 million
140.	10829	Blocking of capital due to un-necessary procurement of material - Rs 1.420 million
141.	10830	Loss due to procurement of low-quality material - Rs 5.01 million
142.	10831	Irregular expenditure on repair of office Latrines in DS office Lahore and Bungalow No. E-10 at Wazirabad without availability of Fund - Rs 1.1 million
143.	10832	Irregular utilization of Deposit- Misc Material against Revenue - Rs 1.4 million
144.	10833	Irregular award of contract without generating fair competition – Rs 238.461 million
145.	10836	Illegal utilization of Railway land beyond expiry of leased period – Rs 122.640 million
146.	10839	Fraudulent/misappropriated Sports and Railway Club funds – Rs 1.035 million
147.	10840	Loss of revenue due to Irregular/unauthorized enhancement of contracts - Rs. 2.603 million
148.	10841	Non return of Released P- Way Materials - Rs 25.90 million
149.	10844	Loss due to non-commissioning of Self-propelled Material Lorries - Rs.129.456 million
150.	10845	Non-Recovery of outstanding Rental Charges amounting to On account of Shops over Sukkur Division - Rs.2.491 million
151.	10846	Excess expenditure from allotted fund under head A-03970 others – Rs 5.766 million
152.	10847	Loss due to less levy of LD charges – Rs 28.350 million
153.	10848	Suspected use of HSD oil on generators – Rs 38.829 million
154.	10849	Non-recovery of Outstanding Lease/Rental Charges from the Lessees of Commercial Quarters - Rs. 1.476 million
155.	10853	Loss due to award of ballast contract at higher rates-Rs 6.290 million
156.	10856	Loss due to acceptance of higher rates of ballast – Rs 14.204 million
157.	10860	Non-booking of expenditure to the relevant accounting unit - Rs 12.770 million
158.	10861	Loss to Pakistan Railways due to blockage of capital – Rs 7.553 million

159.	10866	Procurement of material at higher rates - Rs 122.736 million
160.	10868	Loss due to award of ballast contract at higher rate – Rs 10.000 million
161.	10869	Non-recovery of advance declared Bad Debts - Rs 0.492 million
162.	10870	Irregular award of contracts due to negotiation with contractor – Rs 6.018 million
163.	10871	Blockage of released material - Rs 1.190 million
164.	10872	Irregular expenditure due to splitting of civil works Rs 9.815 million
165.	10876	Loss due to non-application of escalation clause - Rs.0.384 million
166.	10880	Loss of freight charges due to supply of unfit/ cracked sleepers - Rs 6.057 million
167.	10895	Irregular splitting of similar nature of work Rs 4.936 million
168.	10901	Unauthorized utilization of PSDP Funds – Rs 2,515.348 million
169.	10902	Blockage of Capital on account of Tools and Plants - Rs 2.04 million
170.	10903	Unauthorized utilization of PSDP funds despite deduction in scope of works Rs 194.288 million
171.	10905	Loss due to extra consumption of lube oil– Rs 11.690 million
172.	10936	Loss on commercial management of Narowal Passenger (211 UP/212 DN) Project – Rs 9.388 million
173.	10938	Loss due to non-inclusion of clause of annual increase in agreement - Rs 3.428 million
174.	10947	Loss due to unjustified extension in mobilization period - Rs 2.8 million
175.	10949	Extra expenditure due to acceptance of higher rates - Rs 10.223 million
176.	10957	Loss due to procurement of UIC 54kg rails on higher rates - Rs 1,073.058 million
177.	10958	Excess expenditure on the purchase of road vehicles – Rs 1.580 million
178.	10963	Loss of earnings due to non-auction of sites vacated by Food Department - Rs 0.962 million
179.	10968	Loss of potential earning due to delay in installation of traction motors in DE locos – Rs 867.564 million
180.	10969	Non-recovery of withholding tax from lessees - Rs. 0.610 million
181.	10970	Loss due to irregular award of radio cab contract at Karachi Cantt: Station - Rs 2.196 million
182.	10971	Non recovery of rent from Malir shops licensees and non-renewal of agreements. - 2.728 million
183.	10972	Un-authorized expenditure after cutoff date of the project – Rs 381.589 million

184.	10973	Non-recovery of on account of withholding tax -Rs 1.382 million
185.	10977	Irregular procurement of material due to splitting up of actual requirement Rs 1.29 million
186.	10980	Unjustified/Doubtful expenditure on account of office & maintenance - Rs 2.542 million
187.	10987	Irregular payment to supplier without physical verification by accounts department – Rs 98.763 million
188.	10989	Non-forfeiture of security from the ballast contractor – Rs 1.579 million
189.	10992	Non recovery of rental charges from contractor of parking stands A.G. Office Quetta – Rs 0.387 million
190.	10995	Non recovery of outstanding rental charges of vending stalls alongwith holding income tax Rs 19.260 million
191.	10998	Loss due to poor estimation on ongoing projects of RAILCOP - Rs 219.677 million
192.	11000	Unadjusted cash advance to contractors and officials for local purchase - Rs 20.19 million
193.	11003	Loss to Government of Pakistan for payment of sales tax without verification / authentication - Rs 26.595 million
194.	11013	Irregular expenditure on procurement of stationery without tendering - Rs 0.864 million
195.	11015	Loss on account of Heritage Cell operation – Rs 3.357 million
196.	11018	Loss on sale of tickets contract – Rs 35.549 million
197.	11034	Un-authorized occupation of valuable commercial land – Rs 40.87 million
198.	11048	Loss due to illegal running of parking instead of auction of plots at Hyderabad - Rs 35.766 million
199.	11051	Irregular transfer of CNG site to Madani Petroleum and CNG Services (Pvt) Ltd – Rs 100.683 million
200.	11052	Illegal running of mobile towers without renewal of agreement – Rs 32.985 million
201.	11053	Loss due to illegal running of shops at Landhi Bachat Bazar – Rs 214.249 million
202.	11069	Mis-procurement of material due to negotiation - Rs 4.531 million
203.	11071	Loss due to non-auction of restaurant at Railway Station Quetta – Rs 0.615 million
204.	11078	Irregular/ uneconomical award of contract while splitting the civil works of same nature Rs 237.269
205.	11082	Unauthorized occupation of land by PRECHS - Rs 280 million

206.	11086	Non adjustment on account cost of material/stores, supplied/issued to other projects, divisions – Rs 58.522 million
207.	11087	Loss due to irregular/unjustified posting of staff at closed section – Rs 53.04 million
208.	11088	Release of CDR before completion of work - Rs 0.448 million
209.	11089	Loss due to award of lease at lower rate - Rs 13.935 million
210.	11097	Fake adjustment of liability and interest - Rs 4,783.913 million
211.	11099	Suspected bogus expenditure - Rs.54.599 million
212.	11100	Unjustified/ bogus expenditure - Rs.16.654 million
213.	11101	Non recovery of outstanding lease charges from Punjab food department Rs 58.32 million
214.	11127	Non auction of cooperative stores over Peshawar division - Rs.0.323 million
215.	11138	Fraudulent clearance of liabilities - Rs 1,094.195 million
216.	11152	Irregular monetization of project vehicle – Rs 1.384 million
217.	11155	Understatement of revenue due to concealments of facts & figures - Rs 185.861 million
218.	11158	Irregular/unauthorized execution of work-Rs 96.15 million
219.	11168	Bogus payment due to non-execution/ completion of works - RS 36.09 million
220.	11174	Loss due to supply of cracked/unfit sleepers - Rs 268.338 million
221.	11176	Irregular expenditure by splitting up of repair works Rs 55.751 million
222.	11177	Blockage of capital due to non-utilization of Permanent Way material appearing in MAS account - Rs 223.643 million
223.	11183	Loss of due to short fueling of locomotives at Zahidan - Rs 6.536 million
224.	11184	Non-deduction of 1/5 th sales tax and deposit to FBR - Rs 5.265 million
225.	11185	Loss of due to cancellation of highest bid of railway land auctioned for stacking - RS.0.499 million
226.	11186	Non-Recovery on account of Fraud Case - Rs. 8.787 million
227.	11188	Irregular payment through cash instead of through cheque - Rs 43.022 million
228.	11189	Non recovery of penalty for deficient loading by M/s Maple leaf Rs 19.160 million
229.	11192	Non-acknowledgement of dispatched material by the recipients - Rs 15.244 million
230.	11194	Irregular expenditure due to splitting of procurement Rs 1.197 million

231.	11195	Loss of Toyota Hi-ace Van – Rs 0.233 million
232.	11196	Irregular expenditure by splitting of purchases Rs 2.685 million
233.	11204	Non-recovery from the contractor on account of non-completion of work – Rs 1.942 million
234.	11211	Non-reconciliation of Railway earning – Rs 1.015 million
235.	11217	Irregular expenditure by splitting up of purchases Rs 29.041 million
236.	11220	Non recovery on account of change in scope/ cost of work - Rs 330 million
237.	11223	Loss of potential revenue due to non-leasing of commercial plot – Rs 667.92 million
238.	11224	Non-implementation of NAM regarding pension payment regulations under direct credit system resulting into unauthentic payment - Rs 3,995.070 million
239.	11227	Non-Selection of relevant field experts for the post of advisors due to defective qualification, eligibility criteria and job description
240.	11230	Irregular expenditure without approval of competent authority - Rs 0.735 million
241.	11235	Irregular procurement due to ambiguous specification – Rs 0.499 million
242.	11237	Irregular payment without sanctioning of revised estimate - Rs.16.200 million
243.	11239	Ambiguous response time resulting into mis-procurement of material – Rs 0.489 million
244.	11243	Excess payment to advocate for the one case of involving more than one person – Rs 3.734 million
245.	11246	Irregular award of contract due to enhancement in quantities and negotiation with bidder- Rs 22.96 million
246.	11250	Irregular award of works to non-responsive firm Rs 18.95 million
247.	11255	Irregular splitting of purchases – Rs 1.381 million
248.	11260	Wasteful / irregular expenditure on construction of new infrastructure - Rs.2.610 million
249.	11261	Loss due to irrational appointment of advisor (business planning) Rs 3.25 million
250.	11262	Irregular Payment to the contractor Rs 0.656 million for the work actually not executed.
251.	11265	Unjustified blockage of surplus material – Rs 110.832 million
252.	11266	Non-regularization of Encroached/ Illegal occupation of Railway Property - Rs 59.148 million

253.	11267	Non recovery of house building advance grant from the employees who failed to submit mortgage deeds - Rs 3.743 million
254.	11268	Loss due to unjustified/ extraordinary increase of works – Rs 16.970 million
255.	11272	Non-replacement of material on account of warranty claims -Rs 15.583 million
256.	11273	Irregular running of vending stall for on temporary basis - Rs. 14.632 million
257.	11274	Loss due to detention of trains on the part of civil engineering department Rs 204.597 million
258.	11277	Loss due to hiring of Locomotives from N.L.C - Rs 1299.929 million
259.	11278	Non-availability of Tools and Plants – Rs 3.208 million
260.	11280	Irregular and un-justified reduction/exclusion of certain item's quantity in civil works - Rs 1.211million
261.	11285	Irregular payment of salaries of Rehabilitation shop – Rs 64.252 million
262.	11286	Non retrieval of 46 Acres Railway Land at Karachi Circular Railway inspite of Supreme Court Orders
263.	11291	Irregular expenditure due to splitting of works Rs 10.659 million
264.	11298	Loss due to acceptance of works and payment at high rates - Rs. 0.878 million
265.	11302	Irregular expenditure due to splitting of works – Rs 52.086 million
266.	11303	Irregular disbursement of cash release without documentation and SOPs - Rs 2,279.688 million
267.	11324	Uneconomical award of contract while splitting cases of same nature Rs 26.059 million
268.	11330	Missing annual procurement planning in violation of PPRA rules - Rs 0.677 million
269.	11332	Irregular expenditure due to splitting of works Rs 1.898 million
270.	11339	Mis-procurement and irregular award of contract in violation of ppra rules Rs 0.850 million
271.	11347	Irregular/un-justified increase in B.O.Qs during execution of civil works - Rs 8.413 million
272.	11354	Vulnerability of railway track due to non-recoupment of stone ballast already procured but lying uselessly at Drigh Road and Hyderabad - Rs.11.864 million
273.	11355	Suspicious payments – Rs 0.224 million
274.	11356	Loss due to non-imposition of LD charges by extending undue favour to the contractor - Rs 5.908 million

275.	11358	Non-Imposition of L.D Charges - Rs 7.605 million
276.	11359	Irregular issuance of purchase orders without allocation of funds - Rs 48.37 million
277.	11360	Non-debiting the cost of items manufactured for depots/ other divisions - Rs 890.861 million
278.	11361	Non-manufacturing/ repairing of materials - Rs 40.560 million
279.	11362	Loss of potential earning due to non-decanting of loaded wagons by PSO - Rs 26.399 million
280.	11363	Loss of potential earnings of goods wagons due to non-arrival back within short test time - Rs 183.692 million
281.	11364	Loss due to payment of 17% Sales Tax by Pakistan Railways instead of deduction from seller - Rs 0.443 million
282.	11365	Irregular expenditure due to splitting up the procurement of medicine - Rs 0.581 million
283.	11367	Irregular expenditure by splitting of procurement of similar items and loss due to higher rates Rs 4.225 and Rs 0.555 million respectively.
284.	11370	Irregular award of contracts after expiry of bid validity period - Rs 1.13 million
285.	11374	Loss due to less/non-recovery of train detention charges - Rs 4.33 million
286.	11375	Non recovery of liquidated damages (LD) charges - Rs.0.237 million
287.	11378	Non disposal of huge quantity scrap - Rs.42.617 million
288.	11379	Loss due to unnecessary retention of surplus materials in stores – Rs 47.532 million
289.	11382	Unauthentic/ improper measurement of high-speed diesel - Rs 9243.040 million
290.	11384	Loss due to shortage in pitching stone - Rs.0.678 million
291.	11385	Floating of tenders without advertisement - Rs.6.340 million
292.	11388	Loss due to award of contract for removal of sand dunes along the railway track on SSH-KDA Section - Rs 2.341 million
293.	11389	Un-authorized execution of works without administrative approval – Rs 3.42 million
294.	11416	Acceptance of material without prescribed laboratory tests - Rs 20.431 million
295.	11420	Mis-procurement due to awarding contracts at negotiated rate -Rs 2.265 million
296.	11425	Loss due to award of contract at escalated rates – Rs 4.752 million
297.	11427	Unjustified award of contract to other than the lowest bidder – Rs 1.509 million

298.	11428	Unjustified engagement and unauthorized utilization of loco muawans on TLA – Rs 1.322 million
299.	11432	Un-justified issue of HSD Oil - Rs.0.803million
300.	11435	Unauthorized procurement of material - Rs 1.666 million
301.	11437	Loss due to rejection of lowest bids - Rs 0.312 million
302.	11442	Non-clearance of liabilities against Prime Minster Assistance Package - Rs 1738.180 million
303.	11452	Irregular utilization of staff per annum – Rs 2.202 million
304.	11456	Loss due to irregular enhancement of individual quantities and addition of new items – Rs 5.560 million
305.	11457	Bogus payment for repair of luggage scanning machine at Karachi Cantt - Rs 0.94 million
306.	11462	Unjustified increase in manufacturing suspense – Rs 105.00 million
307.	11463	Mis-utilization of staff engaged on TLA basis – Rs 1.075 million
308.	11464	Mis-procurement due to negotiation & escalated rates - Rs 1.20 million
309.	11468	Loss due to award of civil works through splitting at higher rates Rs 3.05 million
310.	11469	Irregular expenditure on engagement of TLA without provision of PC-I Rs 7.83 million
311.	11470	Irregular and uneconomical procurement of electric items due to regrouping/ splitting and mentioning of Rate Rs 3.934 million
312.	11471	Irregular grant of Motor Cycle Advance to XEN/CSF – Rs 0.100 million
313.	11472	Loss due to award of signal contracts at higher rate – Rs 1.32 million
314.	11473	Irregular expenditure in excess of sanctioned estimate -Rs 0.225 million
315.	11478	Irregular award of contract due to unauthenticated bidding results on account of various works – Rs 12.880 million.
316.	11481	Irregular expenditure on account of current charge pays - Rs 8.064 million
317.	11484	Non-payment of PTV License fee valuing - Rs 1.125 million
318.	11485	Irregular payment on account of Pay and allowances of Railway police officials Rs 12.137 million
319.	11489	Non-revival and operationalization of KCR Project as per Supreme Court of Pakistan’s given timelines - Rs 1,850 million
320.	11491	Lapse of funds - Rs. 31.118 million
321.	11494	Irregular deduction & non-transfer of Dam Fund -Rs 178.754 million

322.	11495	Non deduction before finalization of pension case of Mst. Kalsoom Akhtar - Rs 0.304 million
323.	11498	Overstatement of Revenue of Pakistan Railways due to incorrect recognition of inter-railway transactions - Rs 912.209 million
324.	11500	Non-achievement of budgeting target - Rs. 3,500.411 million
325.	11501	Irregular payment of house rent allowance and non-recovery of house rent - Rs 0.245 million
326.	11502	Mis-procurement / irregular award of contract – Rs 15.805 million
327.	11505	Irregular/unjustified expenditure on account of TA/DA – Rs 2.992 million
328.	11513	Irregular consecutively of canteen resulting financial loss to PR - Rs 1.575 million per annum
329.	11514	Non-clearance of outstanding payment - Rs 208.012 million
330.	11516	Irregular issuance of HSD oil without installation of dispensing meters – Rs 269.58 million
331.	11517	Unauthorized local purchases for railway quarters - Rs 0.331 million
332.	11518	Non debiting the cost of items sent to Rawalpindi division - Rs 0.311 million
333.	11519	Unjustified & unauthorized procurement of telephone sets and SWG wire - Rs 0.487 million
334.	11520	Irregular expenditure due to splitting of procurement cases Rs.5.309 million
335.	11523	Loss due to acceptance of material bearing wrong specifications - Rs 2.793 million
336.	11524	Lapses of funds due to mismanagement - Rs.26.269 million
337.	11527	Provision of disputed site to contractor resulting into inordinate delay of work – Rs 41.421 million
338.	11528	Loss due to non-inclusion of liquidated damages (LD) clause – Rs 38.766 million
339.	11533	Loss due to award of signal works to splitting at higher rates Rs 1.70 million
340.	11538	Irregular expenditure against the provisions of approved PC-I – Rs 118.271 million
341.	11541	Loss of pay & allowances on account of suspension of production of sleepers – Rs 13.439 million
342.	11545	Mis procurement due to splitting up of identical items Rs 1.071 million
343.	11547	Irregular expenditure due to engagement of TLA in excess of provision of PC-I Rs 9.599 million

344.	11549	Loss due to unjustified payment on account of salaries to staff of CSF/Kotri – Rs 4.271 million
345.	11552	Loss due to wrong costing of sleepers Rs 155.067 million
346.	11553	Non-recovery of receivables from government departments and autonomous & private bodies - Rs 4,866.15 million
347.	11556	Loss due to late payment surcharge – Rs 1.25 million
348.	11557	Irregular purchase of goods/ material from non-sales tax registered Supplier - Rs 0.225 million
349.	11558	Irregular award of works without sanction of estimate – Rs 0.374 million
350.	11559	Execution of substandard work- Rs 1.197 million
351.	11562	Irregular award of work on through rate without approval of competent authority – Rs 1.325 million
352.	11564	Wasteful suspicious expenditure on TLA due to non-execution of complete track renewal - Rs 6.215 million
353.	11571	Recovery outstanding against different individuals & divisions – Rs 0.681 million
354.	11579	Non-deduction of general sales tax - Rs 4.849 million
355.	11581	Irregular payment of overtime allowance – Rs 5.814 million
356.	11582	Irregular expenditure due to splitting of purchases – Rs 14.413 million
357.	11583	Purchase of substandard material - Rs.1.671 million
358.	11588	Loss due to unjustified payment of Sui Gas Bills of the Officers Club & Vacant Houses at PLF Colony Risalpur - Rs.1.886 million
359.	11589	Irregular Procurement without Annual Procurement Planning - Rs. 2.719 million
360.	11591	Loss due to non-shifting of electric supply connections of PLF Colony to WAPDA (PESCO) - Rs 7.703 million
361.	11592	Non-deduction of general provident fund - Rs. 0.532 million
362.	11593	Non depositing of 5% security money amounting by the successful bidders/ suppliers - Rs.2.350 million
363.	11597	Unjustified expenditure on account of pay and allowances due to unnecessary posting of Staff at AC Plant - Rs.1.456 million per annum
364.	11598	Loss to Pakistan Railways due to award of signaling contract at escalated rates - Rs 0.790 million
365.	11599	Loss to Railway Admin amounting due to non-repair of Overhead Cranes - Rs.4.587 million

366.	11600	Temporary embezzlement of cash due to non-adoption of banking channel for payments - Rs. 0.486 million
367.	11601	Irregular booking of pay & allowances of other division - Rs. 0.643 million
368.	11602	Loss due to maintenance agreement of Telephone Exchange of PLF Risalpur -Rs 0.355 million
369.	11605	Non recovery of Fork Lifter from CFI –Rs 0.4 million
370.	11608	Suspicious local purchases- Rs. 1.407 million
371.	11620	Loss due to sale of scrap at lower rates – Rs 20.550 million
372.	11636	Irregular drawl of monetization vehicle allowance – Rs 3.958 million
373.	11643	Irregular payment out of Railway to PM relief fund for Covid-19 - Rs 50.185 million
374.	11644	Non-Execution of Service Level Agreements (SLA) of Pension Servers
375.	11645	Irregular expenditure due to splitting of local purchase cases – Rs 0.544 million
376.	11647	Loss of pay and allowances on the idle staff – Rs 68.087 million
377.	11649	Un-authorized expenditure due to irregular issuance of Pay order in the name of Divisional Accounts Officer – Rs. 2.049 million
378.	11653	Loss due to receipt of expired paint - Rs 1.44 million
379.	11654	Overstatement of revenue of PR due to incorrect recognition policy on sale of other scrap Rs 400.653 million
380.	11660	Irregular/unauthorized local purchase without approval of competent authority- Rs 2.361 million
381.	11678	Unjustified expenditure due to thrust boring instead of excavation -Rs 2.045 million
382.	11683	Loss due to un-authorized excess payment to PSO on account of HSD oil -Rs 32.033 million
383.	11684	Mis-procurement of wood crossing timber due to splitting up of requirements -Rs 224.522 million
384.	11685	Mis-procurement due to amendment in specifications of the material after acceptance of purchase order - Rs 11.654 million
385.	11686	Non-Protecting of Railway interest due to non-extension in validity of bank guarantees by suppliers – Rs 7.491million
386.	11700	Fraudulent award of tenders due to injudicious evaluation of bids by technical committee Rs 147.916 million

Annexure-(Y)

Statement showing the detail of bookings by PR and Private Cargos during the month of June, 2021 under RWP Division

(Part-I)

Sr. #	Train Name	Train No	Private Cargo booking details				
			L/Van B/Van	Capacity Level allowed	Capacity level Utilized	QTY Booked	Total Weight
1	Khyber mail	1UP/ 2DN	B/VAN	2.1 ton per day or 63000kg	53.30%	2309	33,582
2	Green line	5UP/ 6DN	B/VAN	2.1 ton per day or 63000kg	65.74%	2709	41,418
3	Awam Express	13UP/ 14DN	B/VAN	2.1 ton per day or 63000kg	34.41%	977	21,680
4	Sir Syed Express	35UP/ 36DN	B/VAN	2.1 ton per day or 63000kg	51.34%	1648	32,344
-	-	-	Total Weight Booked by Private Cargo				129,024

(Part-II)

Sr. #	Train Name	Train No	Pakistan Railway booking details					Variation		
			L/Van B/Van	L/Van B/Van	Capacity level Utilized	QTY Booked	Total Weight	Capacity level Utilized	QTY Booked	Total Weight
1	Khyber mail	1UP/2DN	B/VAN	B/VAN	18.44%	886	11,615	34.86%	1423	21,967
2	Green line	5UP/6DN	B/VAN	B/VAN	30.53%	993	19,233	35.21%	1716	22,185
3	Awam Express	13UP/14DN	B/VAN	B/VAN	12.56%	412	7,912	21.85%	565	13,768
4	Sir Syed Express	35UP/36DN	B/VAN	B/VAN	24.95%	666	15,720	26.39%	982	16,624
Total weight booked by PR							54,480	-	-	74,544
More Booked by Private Cargo										74544
More in % of PR										136.8%

Annexure-(Z)

On board (trains) Passenger Facilitation (Annex 4 of business

Sr. #	Planned Activity	Initiatives	Audit Findings
1	Customer Care	Posting of Train Managers on important trains	Train Managers were not deputed on trains.
2	Safety	Walk through gates, luggage scanners and metal detectors at major Railway stations	These facilities could not be provided at railway stations.
3	Punctuality	Live tracking app introduced	Live tracking application was introduced but it was observed that occasionally the application does not work properly, and live tracking misguides the customers.
4	Cleanliness	Territorial staff provision on selected trains	There was no cleanliness in coaches of live trains and passengers also complained about cleanliness of coaches and toilets.
5	Wifi Facility	I.T will arrange	There was no wifi facility at stations and in train.

On board (trains) Passenger Facilitation (Annex-4/1 of business plan 2020)

Sr. #	Planned Activity	Initiatives	Audit Findings
1	Upgradation of Railway Stations	Upgradation of Railway Stations	Railway stations were upgraded but the target of potential earnings and public facilitation could not be achieved.
2	Provision of Comfortable Waiting Area	Upgradation of Railway Stations	Audit observed that there were no comfortable waiting areas at major stations of Pakistan Railways and during peak hours the passengers were suffering badly.
3	Improved Reservation Facility	Online reservation contract with UBL	The contract was not executed.

4	Customer Care Information desk	Orderly officers, lounge Managers	The information desk was not made available for customer care.
5	Train Movement Information	Live tracking appointment	The system was not introduced.
6	Display	Electronic boards on entrance on major railway station	Audit observed during physical inspection that there were no electronic LED boards in Peshawar and Sukkur and Karachi. Moreover, the boards at Multan and Quetta were out of order.
7	Customer Friendly vending stalls	Redesigning of vending stall on major railway station	Target could not be achieved.
8	Automated policy facility with drop lanes	Establishment of policy stands on BOT basis at major railway station	Target could not be achieved.

Summary of proposed PSDP projects for upgrade of I.T (Annex-5 of business plan 2020)

No.	Initiatives	Purpose	Audit Findings
1	Hand handled devices for Train tickets	100% digitalization of ticketing system. Increase revenue Transparency	These planned targets could not be achieved.
2	Train automation system	Digitalization of Railway tracks and geo fencing	--do--
3	Call Centre with Control room	Facilitate Customer queries better customer services policy guidelines related to funds train timetable and current status	--do--
4	Trade Management System	Automate logistics booking tracking of logistics trains Reservation status	--do--
5	E-Vending	Availability of tickets on railway station less human involvement. Availability of tickets even before the departure	--do--

Annexure-(AA)

Statement showing the detail of loss on account of detention of tank wagons

Sr No	Wagon Type	Wagon No	Place of detention	Date of detention	Period of detention in days	Turnaround days of each wagon	Fare of each wagon	Total Loss 7*8
1	2	3	4	5	6	7	8	9
1	BTK	6666	LLPR / PSO	20.02.2017	1649 days	1649/3.5 = 471 days	154,280	72,665,880
2	BTK	6796	LLPR/ PSO	21.08.2017	1465	1465/3.5 = 418	156,940	65,600,920
3	ZBTO	80193	TPS Muzafargarh	18.07.2017	1508	1508/3.5 = 430	228,000	98,040,000
Total								236,306,800

**Statement showing the detail of receivables
from Government departments**

Rs in million

Sr No	Division Name	Outstanding Receivables
1	Multan Division	914.08
2	Quetta Division	774.01
3	Peshawar Division	686.00
Total		2,374.09