# FORENSIC AUDIT REPORT
# ON
# PAKISTAN RAILWAYS
# (FYs 2010-11 to 2019-20)

**AUDIT YEAR 2020-21**

# AUDITOR GENERAL OF PAKISTAN

# PREFACE

Auditor-General of Pakistan conducts audit under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8, 10 and 15 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

The Forensic Audit of Pakistan Railways covering the period from 2010-11 to 2019-20 was carried out by the Directorate General Audit, Railways. The audit office undertook and completed the audit cycle during March-May, 2021. International Standard of Supreme Audit Institutions guided the planning, performance and reporting of the forensic audit assignment.

The Forensic Audit Report is of significant value to all the stakeholders as it attempts to provide an overall assessment of the losses incurred by Pakistan Railways for the period from 2010-11 to 2019-20. It also endeavors to trace out possible causes that continue to hamper its functioning as a financially viable entity. The Report makes recommendations for tangible improvement in the governance and operations of the entity.

The Forensic 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 Parliament (Majlis-e-Shoora).

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

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## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AGP | Auditor General of Pakistan |
| ATP | Auto Train Protection |
| BOD | Board of Directors |
| BPS | Basic Pay Scale |
| C&W | Carriage and Wagon |
| CBI | Computer Based Interlocking |
| CDL | Central Diesel Locomotive |
| CEE | Chief Electrical Engineer |
| CEO | Chief Executive Officer |
| COPS | Chief Operating Superintendent |
| CPEC | China Pakistan Economic Corridor |
| CSF | Concrete Sleeper Factory |
| DE | Diesel Electric Locomotive |
| Locomotive | |
| DEE | Divisional Electrical Engineer |
| DPO | Days Payables Outstanding |
| DRF | Depreciation Reserve Fund |
| DS | Divisional Superintendent |
| DWR | Depot Work Requisition |
| EAD | Economic Affairs Division |
| IOW | Inspector of Works |
| KPI | Key Performance Indicators |
| LC | Letter of Credit |
| Loco | Locomotive |
| MAS | Material Accounting System |
| MGPR | Mughalpura |
| ML | Main Line |
| MoR | Ministry of Railways |
| OEM | Original Equipment Manufacturer |
| P&L | Property and Land |
| PEC | Pakistan Engineering Council |
| PLF | Pakistan Locomotive Factory |

| | |
|---|---|
| PRACS | Pakistan Railway Advisory and Consultancy Services Limited |
| PRFTC | Pakistan Railways Freight Transportation Company Limited |
| PSC | Pre-stressed Concrete Sleeper |
| PSDP | Public Sector Development Programme |
| PSP | Private Sector Participation |
| RAILCOP | Railway Constructions Pakistan Limited |
| RECHS | Railways Employees Cooperative Housing Society Rawalpindi |
| REDAMCO | Railway Estate Development and Marketing Company (Pvt) Limited |
| RMS | Reserve Material Suspense |
| RRA | Railway Regulatory Authority |
| SIP | Senior Inspector Production |
| SqYd | Square Yard |
| WM | Works Manager |

# EXECUTIVE SUMMARY

The Government of Pakistan, through Finance Division, asked the Auditor General of Pakistan to conduct forensic audit of Pakistan Railways for the period 2010-11 to 2019-20.

Pakistan Railways is a State-Owned Enterprise (SOE) which operates from its headquarters at Lahore under administrative control of Ministry of Railways. The core function of PR is to provide passenger and freight traffic services. The Railways Board at Ministry of Railways frames policy and guidelines for functioning of PR. Over the years, PR has also established three subsidiaries namely, RAILCOP, PRFTC and PRACS which are mainly involved in business related to PR. The PR has been running in losses since 1970s and has been kept afloat through grants by the Government of Pakistan.

## KEY FINDINGS

### ToR-1: Segregation of Losses and Contributing Factors

#### 1.1 Policy Induced Losses

i. *Weak Governance and Oversight* - The average composition of the Board comprised 78% of members belonging to PR or to government, and only 22% independent members. For most of the ten year period the sub-committees of Board have not been functional. Minutes of Board meetings show limited focus on strategic issues aimed at sustainable reforms of PR. Board of PR and its subsidiaries lack adequate representation of professionals.

ii. *Public Service Obligation (PSO)* - PR lacks a mechanism for separating PSO related costs from other passenger and freight costs. Grant-in-aid from Federal Government has increased from Rs 32.64 billion to Rs 45 billion (38%) over the period primarily to offset the losses incurred to meet Public Service Obligation.

iii. *Questionable Public Private Partnership Model* - Five cases of PPP (passenger trains) are under litigation, with an estimated amount of Rs 3.468 billion receivables from the private contractors. Furthermore, in a joint venture executed with PRACS in respect of Hazara Express, M/s PRACS revised fares & rates and their earnings increased by 82% from Rs 473.24 million to 859.18 million from 2005 to 2012. However, their effect in the shape of additional revenue was not transferred to PR. PPPs have thus far neither led to increases in revenue, and not being based on cost-sharing model, have nor led to reduction in cost.

**1.2 Market Dynamics**

*Increased Focus of Government on Development of Road Infrastructure* - Federal Government allocated PSDP funds of Rs 44.641 billion (7% of total PSDP allocation) to Road sector in 2010-11 which increased to Rs. 155.967 billion (10% of total PSDP allocation) in 2019-20. In comparison, PR was allocated 2% of the total PSDP allocation in 2010-11 which decreased to1% of the total allocation in 2019-20. This shows successive government prioritization of road sector over railways.

**1.3 Inefficient Management**

*i.* *Ballooning Pension and other Operational Expenditure* -A key reason for accumulated losses of PR is the fact that its expenditures have been rising at a faster pace compared to the revenues. The expenditures of PR rose by 115% over last ten years, from Rs 45.56 billion to Rs 97.7 billion. Pension expenditure in particular, recorded an exorbitant increase of more than 323% during the reporting period. Compared to 2010-11 when it constituted 18.9% of total expenditure of PR, pension's share in total expenditure rose to 37.75% by 2019-20. Overall, the employee and pension related expenditure of PR constituted 66.1% of total expenditure of PR in 2019-20 compared with 52% in 2010-11.

*ii.* *Slow increase in Revenues* -Over the ten year period the overall revenues of PR rose by 156%. In order to cover the rising expenditure or accumulated losses amounting to Rs 333.81 billion the revenue should have increased by almost 100% annually.

iii. *Inefficient Management of Operations* - Over ten-year period the trains were detained for 339,579 hours (39.8% of total hours) out of total 857,751 hours due to engineering speed restrictions, defects in signaling system, and defective rolling stock, resulting into a loss of Rs 666.156 million. Similarly, with an average 133 accidents per annum, PR suffered an estimated loss of Rs 1.559 billion during the reporting period. The overall punctuality of trains hovered around 42%-76% which is reflective of inefficient management and low capability of PR to generate revenues through better service delivery.

iv. *Persistent Fuel Inefficiency* - Over the period, operating fuel inefficiency increased from 3.50 liters in 2010-11 to 4.90 liters (40%) in 2019-20. This resulted in excess expenditure on operating fuel amounting to Rs 7.4 billion in 2019-20.

v. *Failure in Effective Automation/Computerization in PR* - Pakistan Railway could not achieve automation/computerization despite provision in the short term goals set in its Strategic Plan (2018-20) regarding development & implementation of ERP systems, data systems for each department and high-speed data network. For example the FIS/MIS project funded by the World Bank, started in 2005 and Computer Based Interlocking (CBI) & Auto Train Protection (ATP) planned under the PSDP project could not be completed till date.

## 1.4 Inefficient Human Resource Management

PR suffered losses due to inefficient HR management especially at PR manufacturing facilities, which led to unjustified payment of Rs 977.74 million on account of overtime and piece-work profit without achievement of given targets. Moreover, a practice was developed to engage temporary labour (TLA) in projects, factories, workshops and divisions indefinitely by renewing their contracts after every 89 days. Thus PR incurred losses due to payment of Rs 496.67 million over the last ten years, on account of unjustified/ irregular engagement of TLA.

## 1.5 Other Inefficiencies

i. *Failure of PR Subsidiaries to generate additional revenue* - The subsidiaries of PR (RAILCOP, PRACS and PRFTC) could not achieve the desired objectives of their establishment except PRFTC and that too due to routine business from government's CPEC projects related to energy that required bulk transport.

ii. *Decommissioning of Companies/Subsidiaries* - PR incorporated Kashmir Railway Private (Pvt.) Limited on 03.06.2014 for establishing the rail link Islamabad-Murree-Muzafferabad, however, after 5 ½ years, the company was wound up without achievement of the intended goals. The expenditure incurred on operations of the company amounting to Rs 67.945 million thus got wasted. Likewise Railway Estate Development and Marketing Company (Pvt.) Limited (REDAMCO) was incorporated on 12.03.2012 for commercialization of Railway land but same was also closed without achievement of its intended goals.

iii. *Inefficient Infrastructure Management* - Since 2007 PR has spent an amount of Rs15.16 billion for electronic interlocking, auto block system, centralized traffic control, automatic train protection, and cab signaling system, under the project "Replacement of Old and Obsolete Signal Gear (LON-SDR)", it suffered a time over-run of nine years and cost over-run of Rs. Rs 7.626 billion (71.14% over original cost). Another significant instance of inefficiency in project management related to infrastructure, and waste of resources pertains to the project regarding "Doubling of Track (DOT) on Khanewal-Raiwind Section" on the main line. The project suffered cost overrun of Rs 7.802 billion (142%) and time overrun of 10 years, apart from non-achievement of project objectives.

**ToR-2: Potential Red Flags**

i. *Increases in Pension Rates and Rules determined by Federal Government* - The average pension rate increased by 323% from Rs. 69,930 per annum per pensioner in the FY 2010-11 to Rs. 296,269 per annum per pensioner in FY 2019-20, leading to increasing cost burden on PR.

ii. *Increasing Employee Related Expenses* - The employee related expenditure doubled from Rs 14.99 billion to Rs 28.21 billion during the period, although the number of employees decreased by 18% from 82,424 in 2010-11 to 67,406 in 2019-20. However, over the period of last decade, average increase in pay bill was by 9.09% whereas average increase in inflation in the same period was 6.04%.

iii. *Mismanagement of Railway Land* - As per record available, an area of 4741.08 acres out of total land owned by PR is under encroachment, non-mutation of procured land, and un-authorized conversion of residential plots into commercial plot having an estimated value of Rs 30.01 billion.

iv. *Fake Invoices* **-** Over the period, Audit identified payments against fake invoices and misappropriation of cash amounting to Rs 180.43 million.

v. *Theft of Assets* **-** During last decade, Audit identified theft and misappropriation of costly parts of rolling stock and track material valuing Rs 1.173 billion in sixteen (16) formations. This reflects weak controls that raise red flag on many more undetected thefts.

vi. *Single Source Procurement* **-** Over the period, PR procured rolling stock valuing Rs 43.817 billion out of which the procurement of rolling stock amounting Rs 31.17 billion (71% of total) was made through single local agent.

vii. *Poor Treasury Management* **-** Audit observed un-authorized utilization of station earnings of Rs 2.695 million, significant balance of outstanding station earnings of Rs 1.6 billion and incidents of cash looting totaling Rs 7.73 million at different stations.

**ToR-3: Misrepresentation and Errors / Omissions in the Financial Statements**

*i.* The accounting practice of recording of interest of GPF balances as receivable from the Federal Government has led to overstatement of current assets to the tune of Rs 15.1 billion as on June 30, 2020, which is inconsistent with International Accounting Standard (IAS-1).

*ii.* Non-recording of pension/ gratuity/ commutation/ arrears in the Financial Statements understated the liabilities to an extent of Rs 4.706 billion.

**ToR-4: Comments on Fairness in the Financial Statements**

*i.* The Financial Statements of Pakistan Railways have remained inconsistent with International Financial Reporting Standards (IFRS-10), as consolidation of the subsidiaries in the financial statements of PR was not being done. Thus, due to non-preparation of "Consolidated Financial Statements" the financial statements do not reflect true and fair view of the affairs of the Pakistan Railways.

*ii.* The store balances being shown in the financial statements are not reconciled with the record maintained in the IT-based Material Accounting System. Resultantly, there is a gap of Rs 10.988 billion in the two data sets.

*iii.* The unnecessary accumulation/non-adjustment of suspense balances under the '*inventory*' account stands at a whopping

Rs 9.277 billion. Moreover, The PR is yet to adopt the New Accounting Model although it was required to be implemented w.e.f. 1st July, 2005.

**ToR-5: Fraud due to Negligence**

*i.* *Fraud Detected* - Nine cases of embezzlement & fraudulent payment amounting to Rs 123.681 million were observed pertaining to the ten year period under audit. This shows weak internal controls in PR.

*ii.* *Negligence Identified* - Tendering/sale order of scrap involving Rs 67.773 million in the year 2019 revealed practice of non-fixation of base price by survey committee, use of inappropriate benchmarks such as comparison with Last Sale Rate (LSR) / Filed Rate, negotiation and sale of scrap at lower rates manifested negligence by the concerned authorities causing financial loss to PR.

**ToR-6: Major Internal Control Inefficiencies**

PR suffers from weaknesses in risk identification, as well as in implementation of operational, reporting and compliance controls. Major internal control inefficiencies in the area of fianncial management, procurement management, inventory management, assets amangement, project management and in train safety controls contributed towards recurring losses.

**Recommendations**

Based on the above findings, audit recommendations are as under:

*i.* Introduce contributory pension fund to alleviate the burden of pension expenditure from PR and engage professionals for effective fund management.

*ii.* Collection on account of sale of tickets in respect of outsourced passenger trains be managed by PR in order to avoid overdue receivables.

*iii.* Revive the non-existing vital cost management expertise within PR to help and develop costing models for optimal utilization of track infrastructure through a proper mix of freight and passenger trains.

*iv.* Under PPP model, track access should be given to private sector/ freight services to have their own rolling stock to reduce the burden of operational cost of PR.

*v.* Establish Railway Regulatory Authority to ensure transparent and even playing field for public private partnership arrangements, to promote competitive railway services, and ensure optimal railway infrastructure usage.

*vi.* Establish an effective governance regime through increase in representation of professional, non-executive directors on the PR Board, in its sub-committees, and in the Boards of PR subsidiaries to inject business model thinking at policy levels with an aim to get railways out of losses.

*vii.* Bring greater transparency in PPP contracts, and ensure that through such contracts the private party either reduces burden of labor and maintenance cost of PR, or increases revenue by bringing in new business over and above the business already being generated by PR.

*viii.* Establish an integrated MIS instead of different patches of un-integrated software systems like MAS, DCS, GIS and FIS/MIS. The one integrated MIS can have multiple entities which can help to provide reliable real time information for decision making to put railways on efficient track.

*ix.* PR must generate train-wise, route-wise costing data for determination of freight rates, passenger fares and to bench-mark/ base price for outsourcing the commercial management of trains.

*x.* Ensure ISO/TS 22163 quality certification for PR including factories & workshops in order to align with international railroad quality industry standards.

*xi.* Reduce losses on account of sale of electricity at cheaper rates and distribution losses by installing electricity meters through respective DISCOs.

*xii.* Complete automation of safe and efficient train operations through synchronization of CBI & ATP to ensure safety of operations and to avoid losses on account of train accidents.

*xiii.* Ensure corporate HR and operational practices especially in the PR factories and workshops for their efficient functioning.

*xiv.* Ensure proper implementation of internal control mechanism by forming Internal Audit Committee (IAC) to oversee internal audit reports with an aim to strengthen the internal control environment to plug the grey areas in PR.

# SECTION-I

## Introduction

### A: Background

The Federal Government assigned forensic audit of four (04) major loss making state owned enterprises, including Pakistan Railways (PR) to the Auditor General of Pakistan in February, 2021. The Directorate General of Audit, Railways Lahore conducted the Forensic Audit of PR for the financial years 2010-11 to 2019-20. The field audit was carried out during March-May, 2021 in accordance with International Standards of Supreme Audit Institutions and as per the TORs communicated by Finance Division, Government of Pakistan. The primary objective was to identify the factors leading to the recurring losses incurred by the PR during financial years 2010-11 to 2019-20, identify underlying factors and to suggest recommendations for improvement in PR. Audit also focused on analysis of the potential red flags, identification of deliberate misrepresentation, misstatement or omissions in financial statements' data, and a review of its internal control structure.

### B: Terms of References (TORs)

The following Terms of Reference, provided by the Government, constituted the scope of forensic audit assignment and required to:

i. Undertake segregation of losses due to various factors like policy induced losses, owing to market dynamics, inefficient management, overstaffing/inefficient HR, misappropriation, and inefficiency.

ii. Review and analyze the potential red flags that may indicate misappropriation of assets, inappropriate use of assets, misappropriation of cash, fake invoices and payments made to non-existing suppliers or employees, misuse of assets or theft of inventory.

iii. Identify deliberate misrepresentation, misstatement, or omission of financial statement data for the purpose of misleading the reader and creating a false impression of an organization's financial strength.

iv. Evaluate whether financial statements prepared and published by the entities give a true and fair view of the affairs of the company and are in compliance with relevant accounting and reporting standards.

v. In case frauds are detected or negligence identified, fix responsibility on the perpetrators.

vi. Conduct an Internal controls review and evaluate the systems and controls in place at the SOEs and recommend ways that these can be strengthened to improve the operations of the SOEs and to prevent leakages and fraud.

## C: Audit Scope and Limitations

The forensic audit intended detailed examination of financial, operational data and information of last ten years i.e. from FY 2010-11 to 2019-20. However, following limitations were faced during the forensic audit:

- Time constraints for forensic audit (only two months for the Field Audit Team w.e.f. 03.03.2021 to 02.05.2021) for financial years from 2010-11 to 2019-20.
- Pandemic (COVID-19).
- Non-automated data of the organization (Manual Record).

## D: Audit Methodology

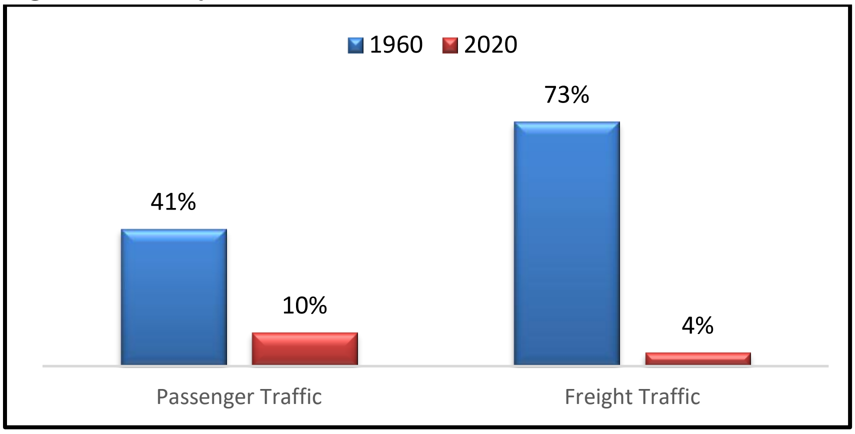
The forensic Audit was conducted in line with the International Standards of Supreme Audit Institutions (ISSAIs) developed by the International Organization of Supreme Audit Institutions. Specifically, the requirements of ISSAI 100 (Fundamental Principles of Public-Sector Auditing) and ISSAI 400 (Fundamental Principles of Compliance

Auditing) have been kept in view while planning and performing the audit with the objective of reporting on compliance of audit entity with applicable regulatory regimes and adherence to the established criteria. Additionally, the requirements of International Standards on Auditing 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements) also guided the audit work in view of the forensic nature of audit assignment. DAGP employed the COSO Framework in making preliminary assessments of the PR internal controls besides utilizing the relevant tools available in its Financial Audit Manual (Audit Working Paper Kit). Since the reporting period comprised of last 10 years, hence professional judgment guided the review of previous financial, compliance, special and performance audit reports of PR.

## E: Sectoral Analysis

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. This is also the case for Pakistan Railways. However, over the years, the government's funding focused more on road sector in comparison to railways which greatly impacted Railway's share in inland traffic. A comparison of this gradual decline is given as under:

**Figure-1: Railways share of inland traffic from 1960 to 2020**




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.

## F: Introduction of Pakistan Railways

Pakistan Railways (PR) is a State Owned Enterprise (SOE) that operates from its headquarters at Lahore. It exists to provide passenger and freight traffic services through its available track of 11,881 km length and supported by operational rolling stock of 16566[1]. Ministry of Railways is the controlling ministry and sets the policy for the PR while at the strategic and operational level, the Railways Board performs its functions under the Ministry. Historically, however, when a dedicated Ministry of Railways was created during 1974, the Railways Board was kept out of it and enjoyed considerable leverage in policy formulation, operational management and ancillary technical and safety related policies while exercising overall control of the Pakistan Railways. In 1982, the Railways Board was merged with Ministry of Railways, and in 1998, its full-time technical members were replaced with ex-officio members except one member i.e. the Member Finance.[2] PR is a vertically integrated organization and each specialized area is managed by an additional general manager who reports to the Chief Executive Officer (CEO). Over the years, organization has also established three subsidiaries viz. RAILCOP, PRFTC and PRACS which are mainly involved in businesses related to Railways itself. The PR has been in bad shape since the 1970s and has been plagued with a plethora of issues like defective if not outright absence of strategic decision making, inefficient operations, poor financial management, embezzlement and fraudulent activities, misappropriation and misuse of assets, etc. True that there has been a steady increase in revenues over the last ten years. However, as this report

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1 Year Book 2019-20 (Locomotives=473, Coaches =1375, other coaches=270 and Wagons=14448)

2 Presidential Directive # 95 of 1982. Again during 1998

is written, the accumulated losses stand at a whopping Rs 334 billion. These losses are about 250% higher compared with the losses in 2010. To cover PR losses the federal government injected into the Railways about Rs. 200 billion in the last decade alone, through grant-in-aid and PSDP projects. Practically the PR is sustaining its operations through consistent and periodic fund transfers from the federal government, with an average of Rs 36.14 billion being transferred per year over the last ten years. This state of affairs raises *serious questions about PR's status as a going concern.*

## G: Summary Statistics and Financial Performance of PR

Following are the major components of revenues and expenses out of revenue account as depicted in the financial statements of Pakistan Railways for the years 2010-11 to 2019-20.

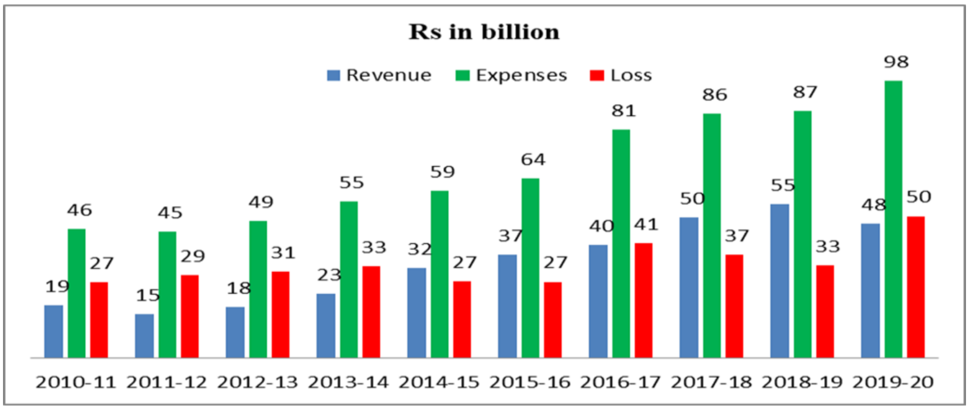
**Table-1 Profit & Loss Accounts (2010-11 to 2019-20)**

*(Rupees in Billion)*

**Table : Profit & Loss Account**

| Description | 2010-11 | % | 2011-12 | % | 2012-13 | % | 2013-14 | % | 2014-15 | % | 2015-16 | % | 2016-17 | % | 2017-18 | % | 2018-19 | % | 2019-20 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Passengers | 12.98 | 70% | 12.17 | 79% | 14.52 | 80% | 16.94 | 74% | 19.27 | 60% | 22.48 | 61% | 23.73 | 59% | 26.33 | 53% | 31.18 | 57% | 24.48 | 51% |
| Frieght/ goods | 3.34 | 18% | 1.58 | 10% | 1.99 | 11% | 3.56 | 16% | 8.35 | 26% | 10.77 | 29% | 12.42 | 31% | 19.00 | 38% | 18.85 | 35% | 19.21 | 40% |
| Sundry | 2.29 | 12% | 1.70 | 11% | 1.56 | 9% | 2.31 | 10% | 4.30 | 13% | 3.33 | 9% | 3.92 | 10% | 4.24 | 9% | 4.47 | 8% | 3.90 | 8% |
| **A** | **18.61** | **100%** | **15.45** | **100%** | **18.07** | **100%** | **22.80** | **100%** | **31.92** | **100%** | **36.58** | **100%** | **40.07** | **100%** | **49.58** | **100%** | **54.51** | **100%** | **47.59** | **100%** |
| | | | | | - | | - | | - | | - | | - | | - | | - | | - | |
| Employee costs | 14.99 | 33% | 17.96 | 40% | 20.31 | 42% | 21.79 | 39% | 22.43 | 38% | 23.81 | 37% | 26.16 | 32% | 26.34 | 31% | 26.16 | 30% | 28.21 | 29% |
| Pension | 8.65 | 19% | 11.73 | 26% | 12.86 | 26% | 14.88 | 27% | 16.46 | 28% | 20.40 | 32% | 28.77 | 36% | 31.86 | 37% | 31.42 | 36% | 36.90 | 38% |
| Fuel | 9.92 | 22% | 8.51 | 19% | 8.71 | 18% | 10.98 | 20% | 11.09 | 19% | 11.03 | 17% | 11.11 | 14% | 13.89 | 16% | 16.17 | 19% | 18.64 | 19% |
| Repair & Maintennace | 5.27 | 12% | 3.92 | 9% | 3.64 | 7% | 3.85 | 7% | 4.99 | 8% | 4.04 | 6% | 8.31 | 10% | 7.48 | 9% | 5.64 | 6% | 8.10 | 8% |
| Other costs | 6.73 | 15% | 2.67 | 6% | 3.05 | 6% | 3.82 | 7% | 4.20 | 7% | 4.29 | 7% | 6.40 | 8% | 6.63 | 8% | 7.89 | 9% | 5.90 | 6% |
| **B** | **45.56** | **100%** | **44.80** | **100%** | **48.57** | **100%** | **55.33** | **100%** | **59.17** | **100%** | **63.57** | **100%** | **80.77** | **100%** | **86.20** | **100%** | **87.28** | **100%** | **97.74** | **100%** |
| **(Loss) for the year C=A-B** | **(26.95)** | | **(29.35)** | | **(30.50)** | | **(32.53)** | | **(27.25)** | | **(26.99)** | | **(40.70)** | | **(36.62)** | | **(32.77)** | | **(50.15)** | |
| **Accumulated Losses of Last Ten Years** | | | | | | | | | | | | | | | | | | | **(333.81)** | |

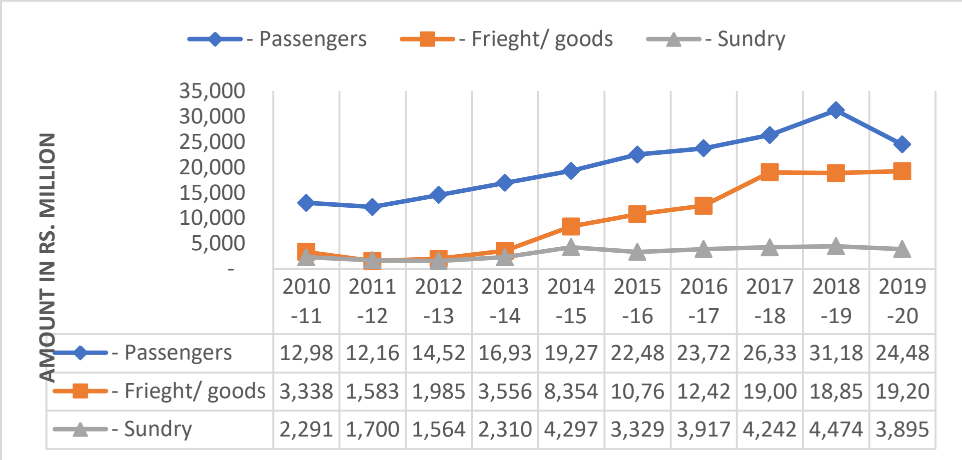
**Figure-2: Year wise Comparison of Revenue, Expense & Loss**




## The Revenue Side:

**Pakistan Railways overall revenue has seen 156% increases during the reporting period. While Freight Revenue has contributed to this increase, revenue from passenger and sundry sources has declined:** The tabular data above shows that the total revenue of Pakistan Railways significantly increased from Rs 18.61 billion (2010-11) to Rs 47.59 billion (2019-20), registering an increase of 156%. The revenue from passengers almost doubled, from Rs 12.98 billion to Rs 24.48 billion. Nevertheless, in relative terms, contribution of passenger revenue to total revenue stands reduced from 69.76% to 51.45%. On the freight side, revenue saw a considerable jump, both in nominal terms (from Rs 3.34 billion to Rs 19.21 billion) as well as in terms of overall contribution to the total revenue (from 17.93% to 40.36%) during the same reporting period. Sundry earnings comprising of revenue collected from sale of scrap, land lease charges, rent of shop/vending stalls, deduction of 5% house maintenance charges from employees etc. have seen a considerable decline from 12.31% to 8.19% from 2010-11 to 2019-20. The Graph depicts this in more details:

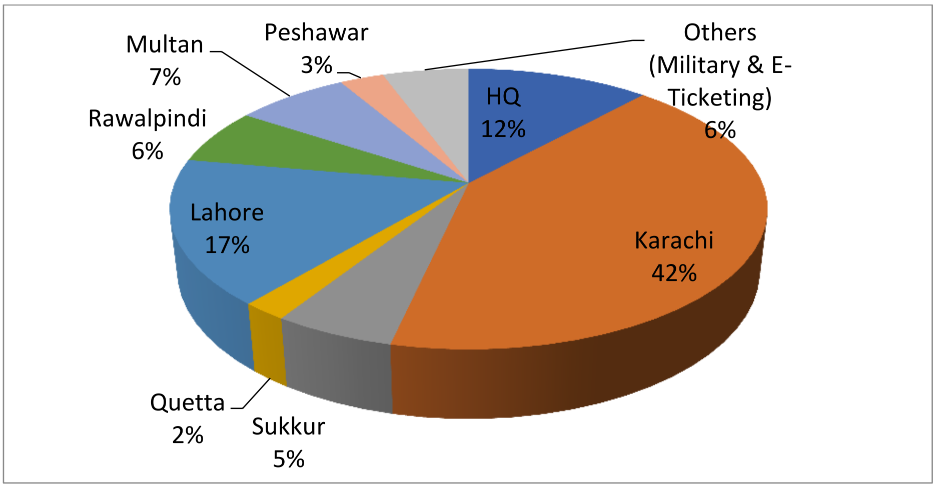
**Figure-3: Component of Railway Revenue during 2010-11 to 2019-20**




| | 2010 -11 | 2011 -12 | 2012 -13 | 2013 -14 | 2014 -15 | 2015 -16 | 2016 -17 | 2017 -18 | 2018 -19 | 2019 -20 |
|---|---|---|---|---|---|---|---|---|---|---|
| - Passengers | 12,98 | 12,16 | 14,52 | 16,93 | 19,27 | 22,48 | 23,72 | 26,33 | 31,18 | 24,48 |
| - Frieght/ goods | 3,338 | 1,583 | 1,985 | 3,556 | 8,354 | 10,76 | 12,42 | 19,00 | 18,85 | 19,20 |
| - Sundry | 2,291 | 1,700 | 1,564 | 2,310 | 4,297 | 3,329 | 3,917 | 4,242 | 4,474 | 3,895 |

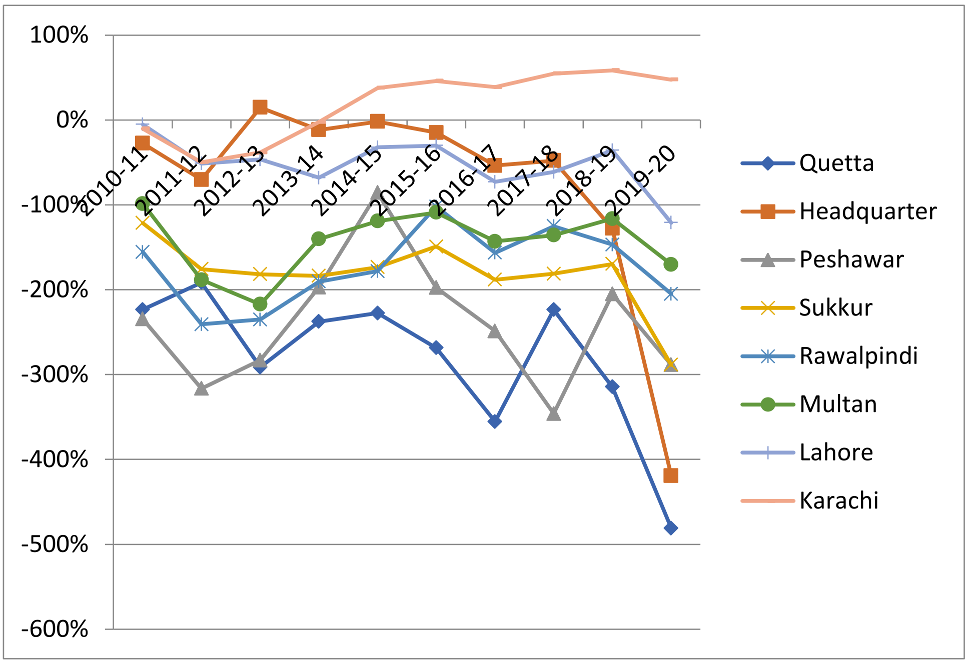
**Analysis of Division Wise Revenue Share (Passenger, freight, sundry) of PR indicates that major share (42%) of the total revenue was collected/earned by the Karachi Division.** Major share of revenue (42%) of the total revenue of last ten years was generated by the Karachi Division and 17% revenue was earned by the Lahore Division while (41%) revenue was generated by the remaining divisions and sources.

**Figure-4: Division wise Revenue Share**



Above mentioned graph represents that increasing trend of net losses in all the Divisions except Karachi Division. Karachi Division earned net loss in 3 consecutive years i.e. 2010-11 to 2013-14. Thereafter, there was persistent increase of up to 58% in net profit/earnings till 2018-19 and net profit decreased to 47% in the year 2019-20 due to curtailment of train operations for a short span of time due to Covid-19. The Quetta Division was on top in terms of loss, with increase in net loss from 224% in FY 2011-12 to 481% in FY 2019-20. Likewise, net losses in Peshawar Division rose from 235% in FY 2010-11 to 289% FY 2019-20.

**Figure-5: Division wise Trend of Losses**



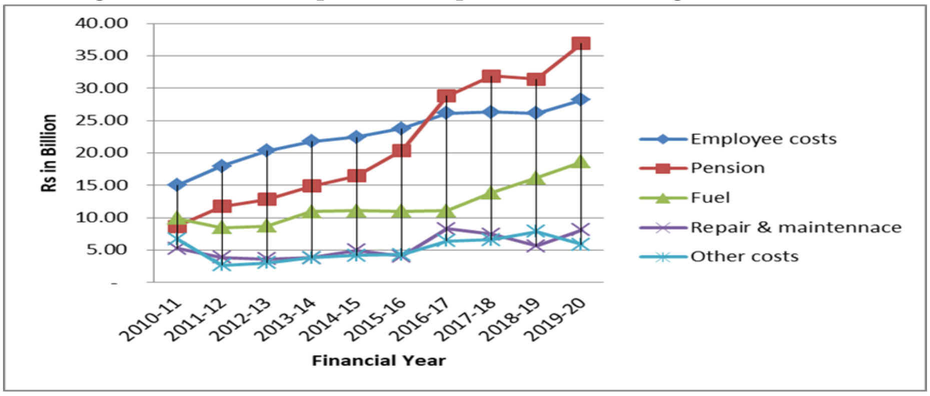

## The Expenditure Side:

**Total expenditure of Pakistan Railways increased at a faster rate than revenues and more than doubled in the last ten years. The pension expenditure has seen more than 300% increases during the reporting period and presently constitutes 37.75% of total**

**expenditures. The core employee related, fuel and repair maintenance expenditures are showing a declining trend:**

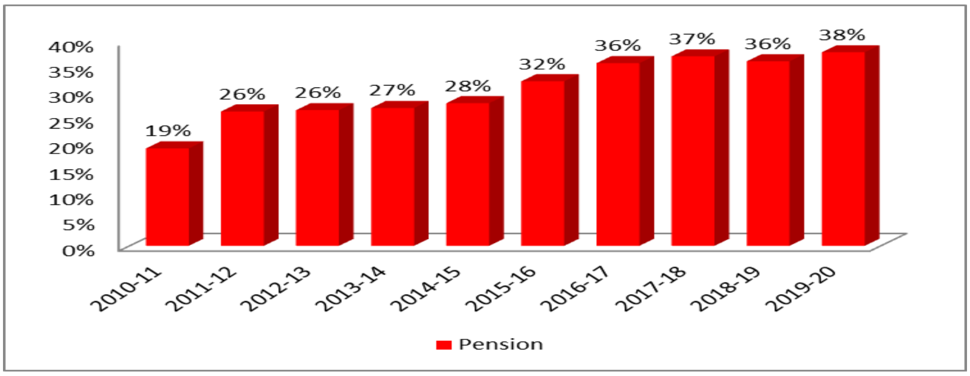
Total expenditure of Pakistan Railways in the year 2010-11 was Rs 45.56 billion and in 2019-20, it stood at Rs 97.74 billion, marking it a 115% increase.

**Figure-6: Component of expenses of PR during 2010-11 to 2019-20**



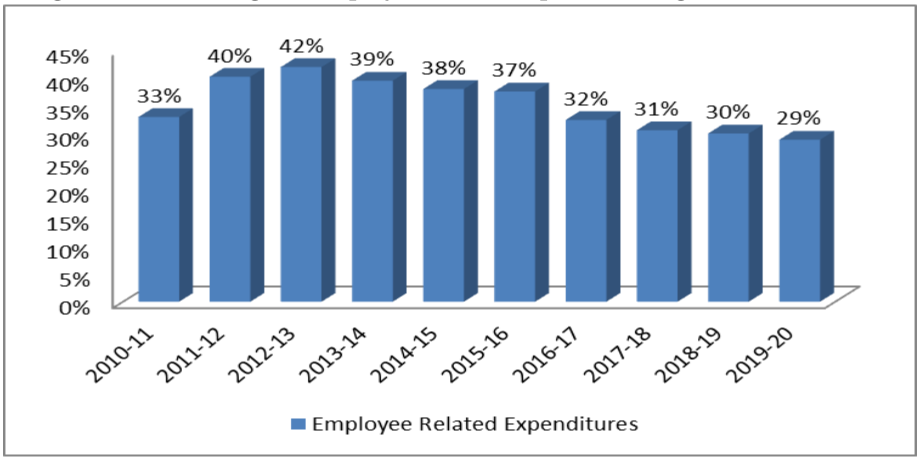

**Pension expenditure**, among all the line items, ballooned from Rs 8.65 billion (18.99%) of total expenditures in the year 2010-11 to Rs 36.59 billion (37.75%) in the year 2019-20, registering an increase of 326.47%, in sharp contrast to the overall 115% increase in revenues.

**Figure-7: Percentage of Pension Expenditures during 2010-11 to 2019-20**



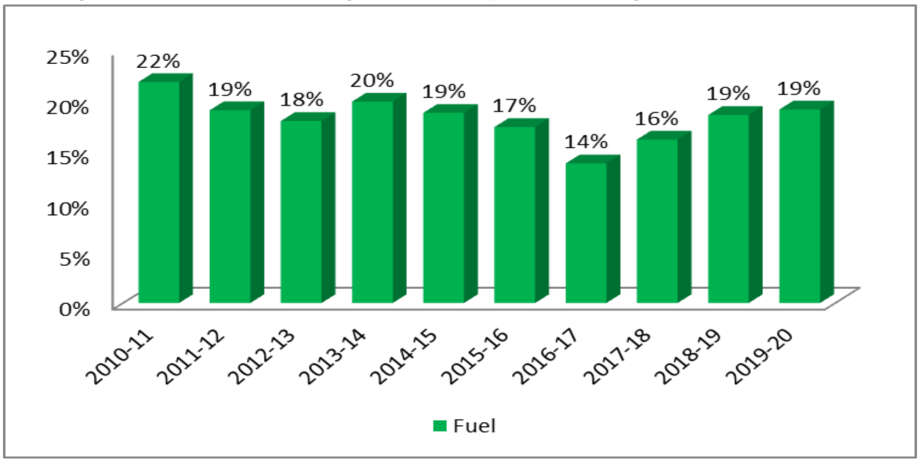
**Employee related expenses** escalated by 88.14% in absolute terms, from Rs 14.99 billion to Rs 28.21 billion during the reporting period. However, in terms of their share in total expenditure these have reduced from 32.90% of total expenditures in 2010-11 to 28.86% in 2019-20.

**Figure-8: Percentage of Employee related expense during 2010-11 to 2019-20**



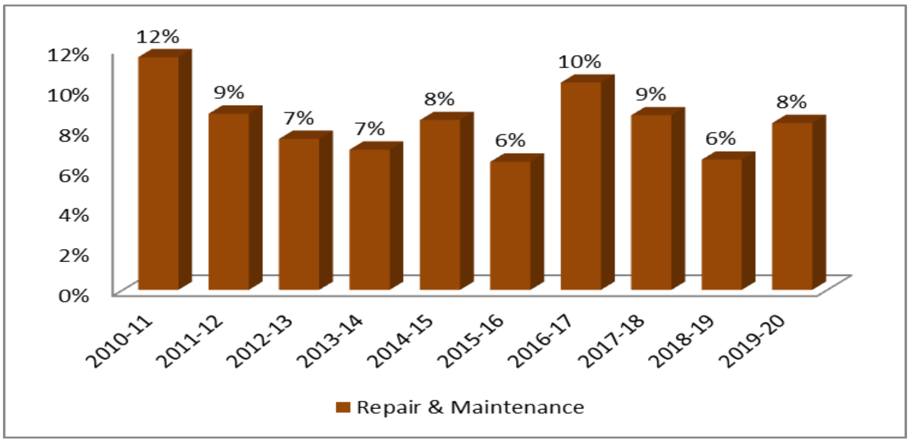

Share of **Fuel expenses** slightly reduced from (21.78%) of total expenditure to (19.07%) in 2019-20, but in absolute terms, increased the by 87.84% (from Rs 9.92 billion to Rs 18.64 billion).

**Figure-9: percentage of Fuel expenses during 2010-11 to 2019-20**



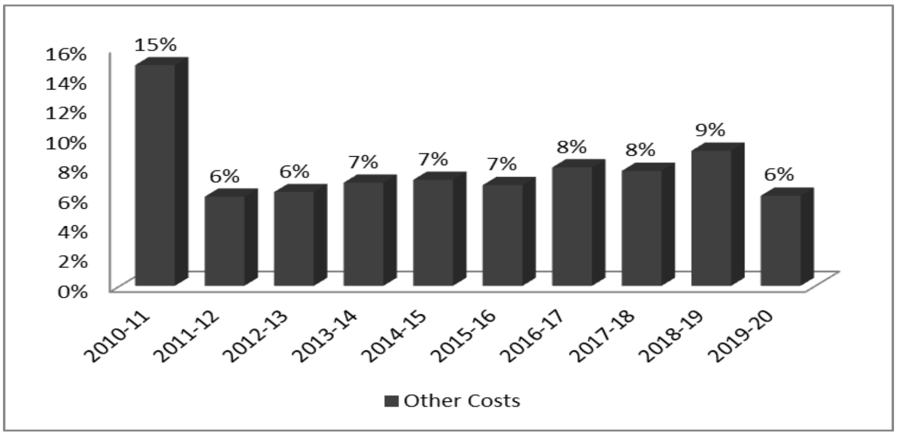
**Share of Repair and maintenance costs** in total expenditures declined from 11.56% of total expenditures in 2010-11 to 8.28% in 2019-20. These costs, nevertheless, increased by 53.76% (from Rs 5.27 billion to Rs 8.10 billion).

**Figure-10:Percentage of Repair of Maintenance cost PR during 2010-11 to 2019-20**




**Other Costs** were 14.77% (Rs 6.73 billion) of total expenditures during 2010-11 which have now considerably reduced to 6.04% (Rs 5.90 billion) in 2019-20, also reducing by 12.32% in absolute terms. Graphical presentation of expenses for the last ten years is as under:

**Figure-11: Percentage of Other Costs during 2010-11 to 2019-20**



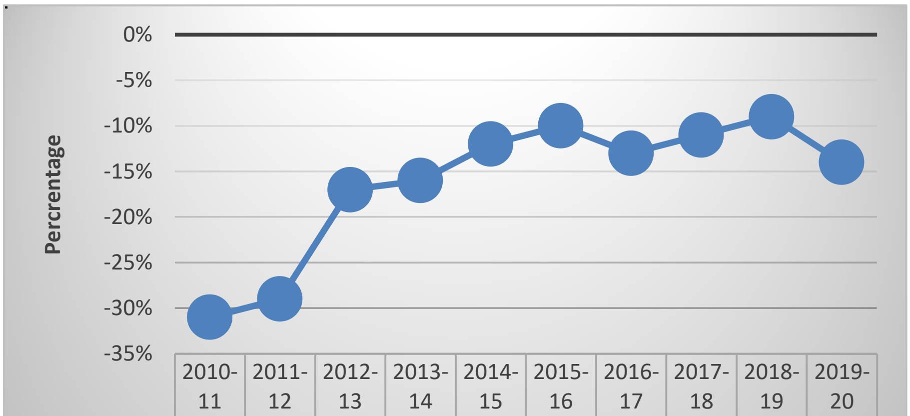
## Financial Performance

Audit performed trend analysis spanning a period of 10 years (2010-11 to 2019-20), using some 20 key financial ratios and vital signs of Pakistan Railways, focusing on performance and financial stability, in order to arrive at a preliminary assessment of the state of affairs of the organization **(Annex-1).** The results of the analysis are produced below. As can be seen, the ratios reflect a dismal state of affairs at PR in terms of its profitability and financial health.

## Category-A: Profitability Vitals

**Return on Capital Employed (ROCE) has remained negative:** The return on capital employed has consistently remained negative due to losses since 2010-11 as is shown through the graph below:

**Figure-12: Return on Capital Employed**

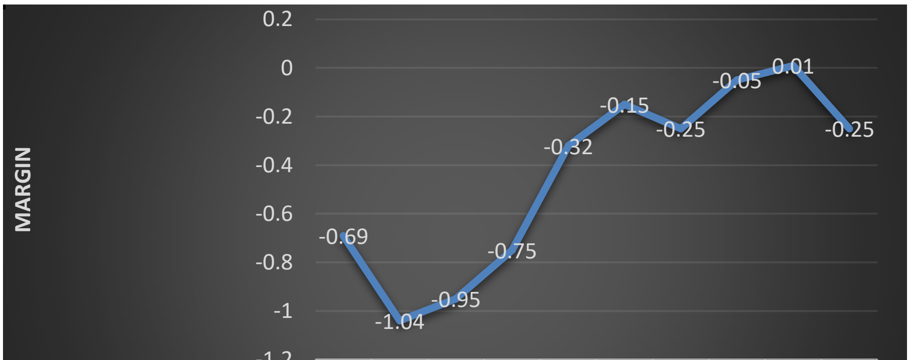



| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| ROCE | -31% | -29% | -17% | -16% | -12% | -10% | -13% | -11% | -9% | -14% |

The return improved gradually from -31% (2010-11) to -9% (2018-19) but once again fell steeply to -14% (2019-20). The employment of more capital has resulted in reduced losses in terms of percentage but PR has not been able to generate any profits out of it. The improvement in ROCE, while remaining negative, was due to increase in capital employed by Federal Government through PSDP over the period from Rs 87 billion to 365 billion, rather than due to efficiency gain in utilization of capital. Simultaneously, the net annual loss doubled from Rs 26 billion in 2010-11 to Rs 50 billion in 2019-20. It merits mentioning that the ROCE does not depict factual position, as most of the assets i.e. fixed assets, deferred assets, receivables and inventory of PR are overvalued (as will be highlighted in subsequent sections).

**Gross Profit Margin (GPM) has remained negative most of the time:** As shown in the graph below, the Gross Profit margin remained negative and improved to a positive value (0.01) in 2018-19 only to fall again to a negative figure of -0.25 in the year 2019-20. PR was not generating enough revenue to cover even its working expenses (excluding pension, improvement & welfare expenditure and interest on debt).

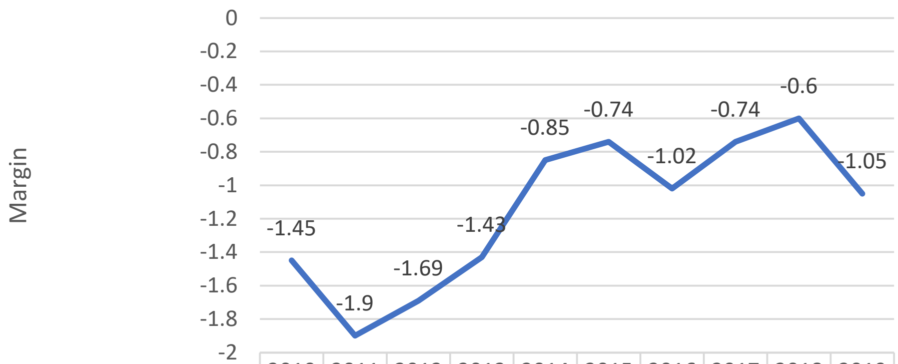
**Figure-13: Gross Profit Margin**




| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross profit margin | -0.69 | -1.04 | -0.95 | -0.75 | -0.32 | -0.15 | -0.25 | -0.05 | 0.01 | -0.25 |

**Net Profit Margin (NPM) is negative and PR is spending more than one rupee to earn one:** PR was generating net profit margin of -1.45 in 2010-11 which indicated that for every rupee generated PR had to incur an expenditure of Rs 2.45. As the graph below indicates, the margin improved gradually to -0.60 in 2018-19 but dropped quickly back to -1.05 in 2019-20. The revenues have not increased proportionately over the decade and the result is that PR is spending twice the amount of its revenues which is not sustainable for any commercial organization.

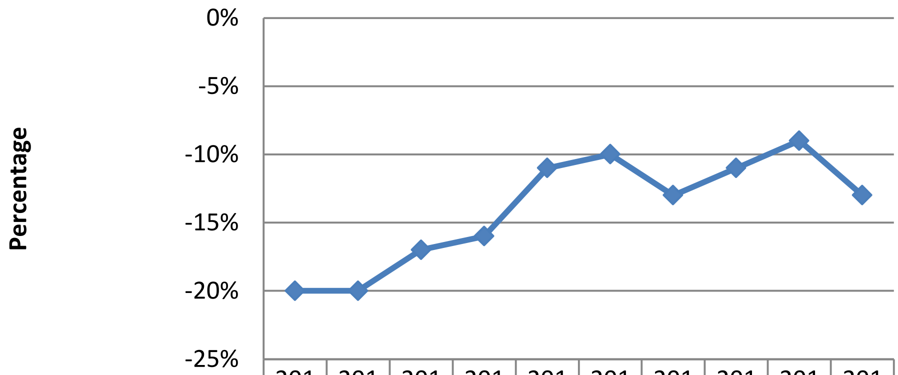
**Figure-14: Net Profit Margins**




| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net profit margin | -1.45 | -1.9 | -1.69 | -1.43 | -0.85 | -0.74 | -1.02 | -0.74 | -0.6 | -1.05 |

**Return on Asset (ROA) has remained negative:** PR had -20% ROA in 2010-11 which came down to -9% in 2018-19 but deteriorated again in 2019-20 to (-13%). Consistently and throughout the decade, the ROA remained negative as depicted in the graph below:

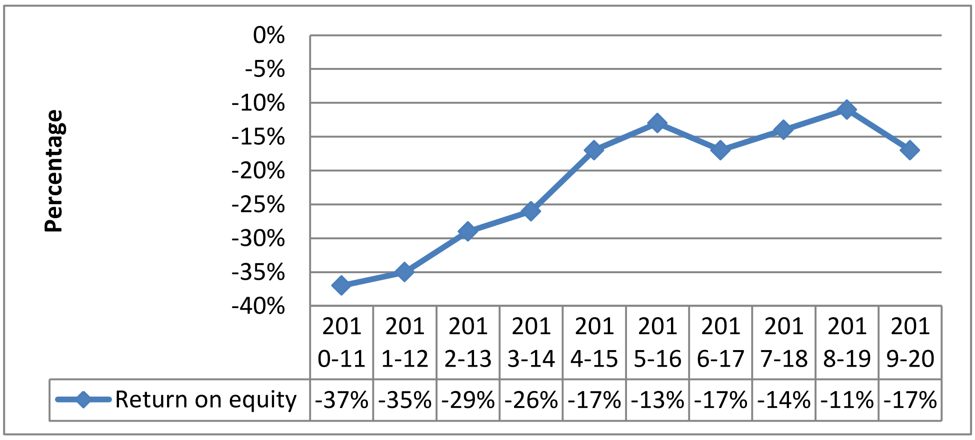
**Figure-15 Return on Assets**




| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Asset | -20% | -20% | -17% | -16% | -11% | -10% | -13% | -11% | -9% | -13% |

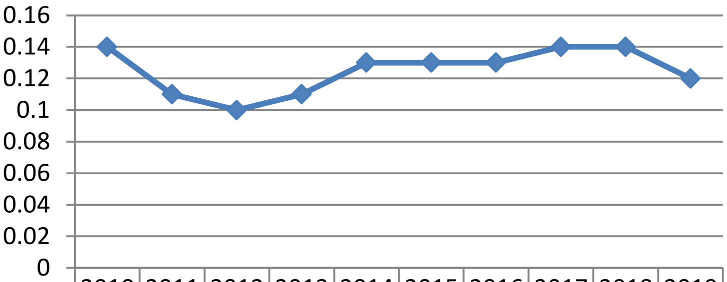
**Return on Equity is also in the negative**: Return on equity (ROE) measures the profitability of an organization in relation to stockholders' equity. In case of PR equity equates with the investment by Government of Pakistan, cumulative surplus (deficit), depreciation reserve fund, improvement fund and railway reserve fund. PR had -37% ROE in 2010-11 which improved gradually to -11% in 2018-19. However, it deteriorated again to -17% in 2019-20. This implies that the equity has eroded due to losses over the period of 10 years. Graphical representation of Return on Equity is as under:

**Figure-16 Return on Equity**




**Asset Turnover**: The Graph below depicts that the PR has been declining on this critical indicator during the reporting period. The turnover fell from 0.14 in 2010-11 to 0.12 in 2019-20 implying that the assets remained idle and were being sub-optimally utilized. The composition of assets of PR shows that by value the major percentage of assets is constituted by tangible assets (40%), deferred assets (36%), inventories (6%), accounts receivables (3%), pre-payments and advances (3%), cash in hand and at bank (4%) besides balance of amount in current account with Government.

**Figure-17: Asset Turnover**



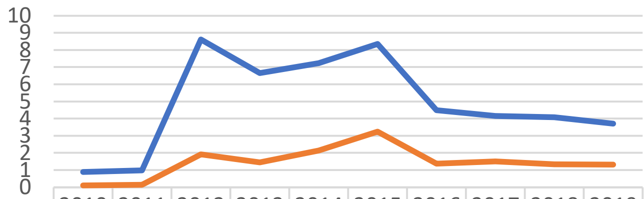

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Asset turnover | 0.14 | 0.11 | 0.1 | 0.11 | 0.13 | 0.13 | 0.13 | 0.14 | 0.14 | 0.12 |

## Category-B: Short Term Liquidity Ratios

**Current ratio has remained uneven and follows an inconsistent pattern:** The current ratio helps understand more about organization's ability to cover its short-term liabilities with its current assets. This ratio indicates that PR had no liquidity problem in last ten years to meet its short-term liabilities. However the ratio remained quite uneven with ups and downs during the period. While receivables and inventory have increased, at the same time the recovery of receivables has deteriorated and inventory is not valued correctly. In 2011, receivables were at Rs 3.20 billion and made up 7.86 % of current assets; in FY 2020 the receivables totaled Rs 9.86 billion and constituted 13.10 % of total current assets. Additionally, the expenses are recorded on cash basis in the financial statements as under prevalent accounting system of PR only receipts are being recorded on accrual basis.

**Quick ratio prima facie reflects sufficient resources to meet short term obligations; the picture however changes if we account for overstatement of assets:** The quick ratio measures an organization's capacity to pay its current liabilities without needing to sell its inventory or obtain additional financing. As shown by the graph below, the quick ratio of PR was 0.11 in 2010-11 which in 2019-20, stands at 1.31. This prima facie implies that PR has sufficient resources to meet its short-term obligations. However, the ratio does not depict the factual position as most of the current assets such as receivables of PR were overstated. Receivables of PR are overstated as these include bad debts. About 4.91% of the receivables pertain to period prior to 2010-11. If these aged receivables are counted as bad debts and recognized as such, then the discounting for it would bring the quick ratio down to 1.29 in FY 2019-20.

**Figure-18: Current and Quick Ratios**



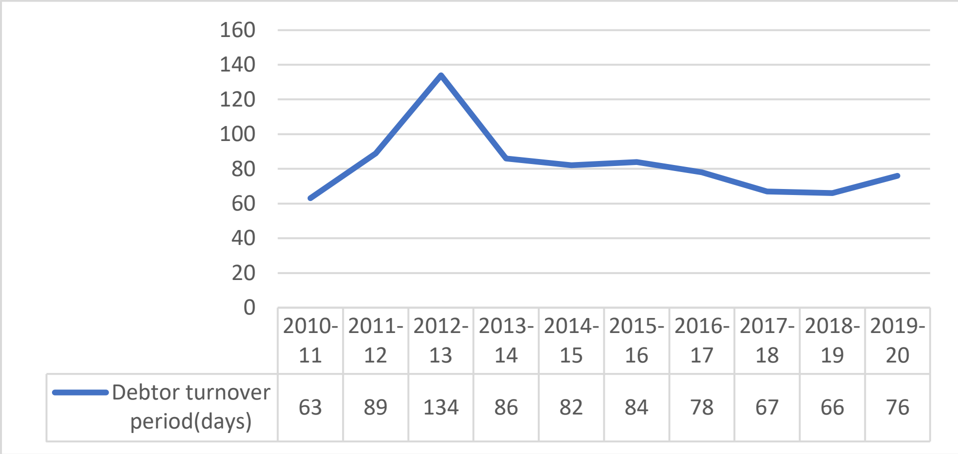

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Current Ratio (working capital ratio) | 0.88 | 0.98 | 8.61 | 6.66 | 7.24 | 8.35 | 4.49 | 4.16 | 4.08 | 3.71 |
| Quick Ratio(acid test ratio) | 0.11 | 0.15 | 1.92 | 1.44 | 2.14 | 3.24 | 1.38 | 1.5 | 1.34 | 1.31 |

Current Ratio (working capital ratio)   Quick Ratio(acid test ratio)

## Category-C: Working Capital Key Indicators

**Debtor Turnover Period (days) is between 63-76 days and is considered on the higher side:** This figure is calculated by using the Days Sales Outstanding (DSO), which divides average accounts receivable by revenue per day. A lower value is preferred for DSO, which indicates that the company is able to collect capital in a short time, in turn enhancing its cash position. PR had 63 days Debtor Turnover in 2010-11 which worsened gradually to 76 days in 2019-20. However, this DSO value is based on the practice of recognizing PR revenues on accrual basis.

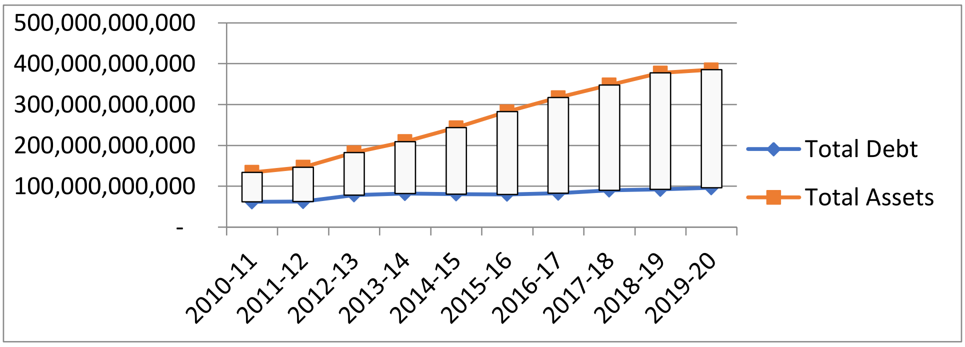
**Figure-19: Debtor turnover period (days)**




## Category-D: Gearing & Leverage Ratios

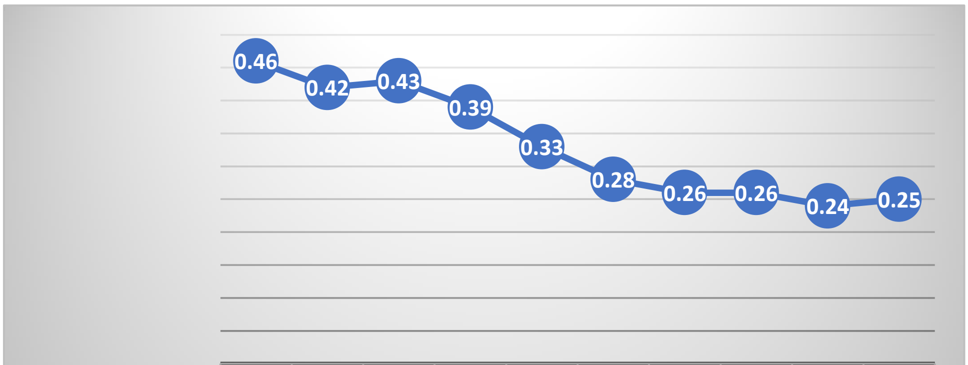
**Debt Ratio has improved during the reporting period:** The debt ratio measures the amount of leverage used by an organization in terms of total debt to total assets. PR had debt ratio of 0.46 in 2010-11 which improved gradually to 0.25 in 2019-20. The ratio improved due to increase in total assets of PR. Over valuation of assets in PR has been discussed later on in this Forensic Audit Report (FAR). Over the ten year period debts increased from Rs 61.65 billion in FY 2010-11 to Rs 96.09 billion in FY 2019-20, whereas assets increased from Rs 134.03 billion in FY 2010-11 to Rs 385.30 billion in FY 2019-20.

**Figure-20: Debt to Asset Ratio**



The decrease in debt ratio, as presented below, essentially is supported by an increase in assets and their over-valuation.

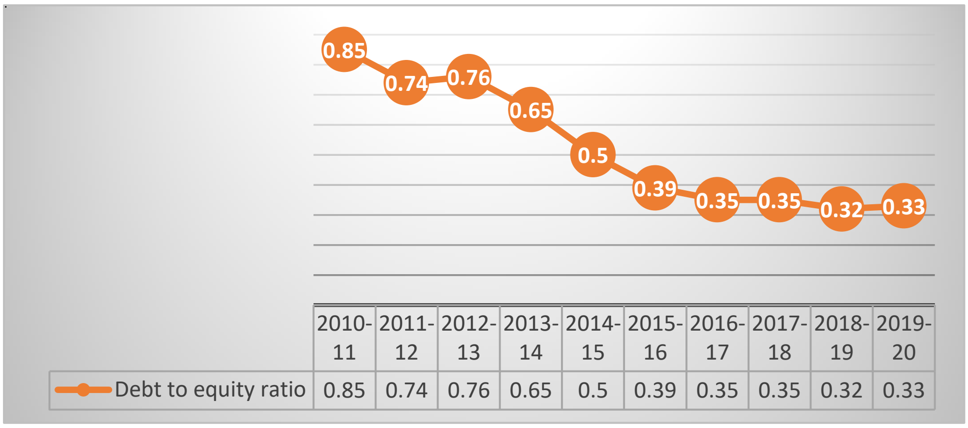
**Figure-21: Debt Ratio**



| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Debt ratio | 0.46 | 0.42 | 0.43 | 0.39 | 0.33 | 0.28 | 0.26 | 0.26 | 0.24 | 0.25 |

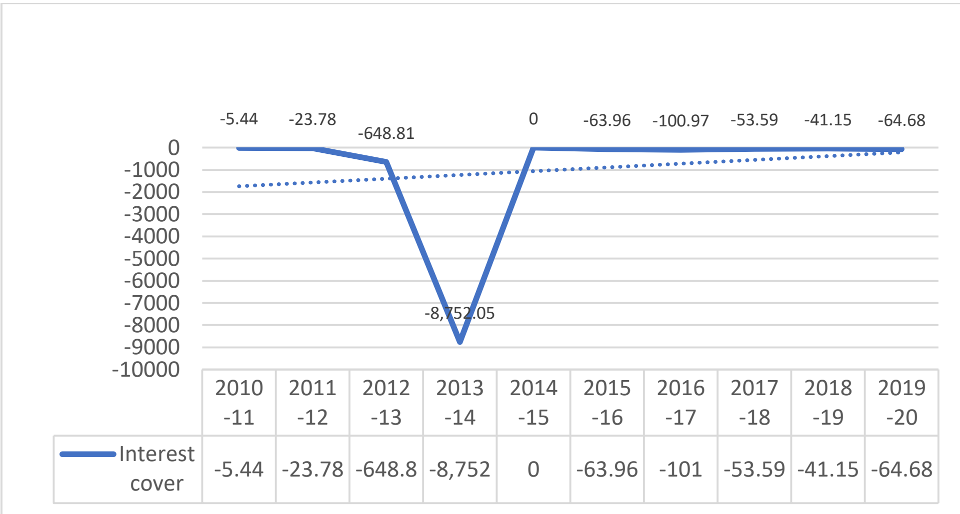
**Debt to Equity Ratio has improved during the reporting period:** The debt-to-equity (D/E) ratio compares an organization's total liabilities to its shareholder equity and can be used to evaluate how much leverage an organization is using. In case of PR, it is rather simple, as the federal government's investment in PR through PSDP grants is considered its equity. PR had debt to equity ratio of 0.85 in 2010-11 which improved gradually to 0.33 in 2019-20. This implies that PR equity increased as compared to total debt. The equity of PR had increased from Rs 72.38 billion to Rs 289.21 billion (299.57%) over the period of ten years whereas total debt has also increased from Rs 61.64 billion to Rs 96.09 billion (55.89%).

**Figure-22: Debt to Equity Ratio**




**Interest coverage ratio has worsened during the reporting period and now stands at an alarming position:** The interest coverage ratio (ICR) is used to measure how well an organization can pay the interest due on outstanding debt. A higher coverage ratio is better. PR had -5.44 ICR in 2010-11 which worsened gradually and stood at -64.68 in 2019-20. It was worst in FY 2013-14. A key reason for this was increase in losses and lesser payment of interest on debt.

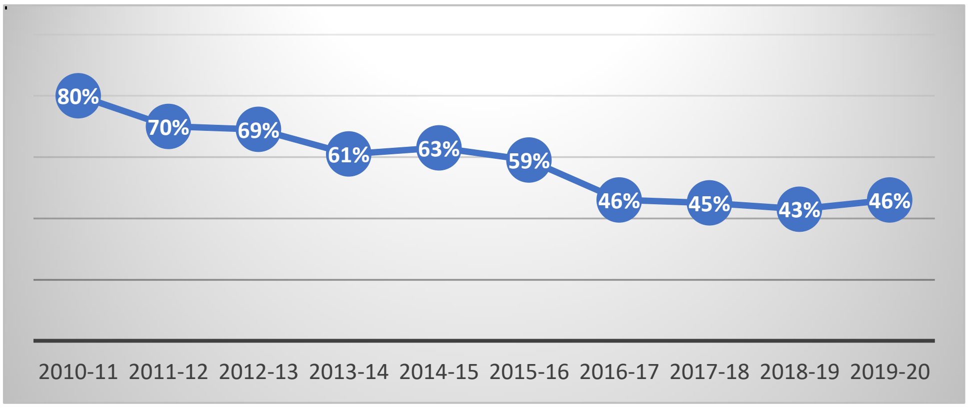
**Figure-23: Interest Cover**



## Category-E: Federal Grant-in-Aid and PSDP Allocations

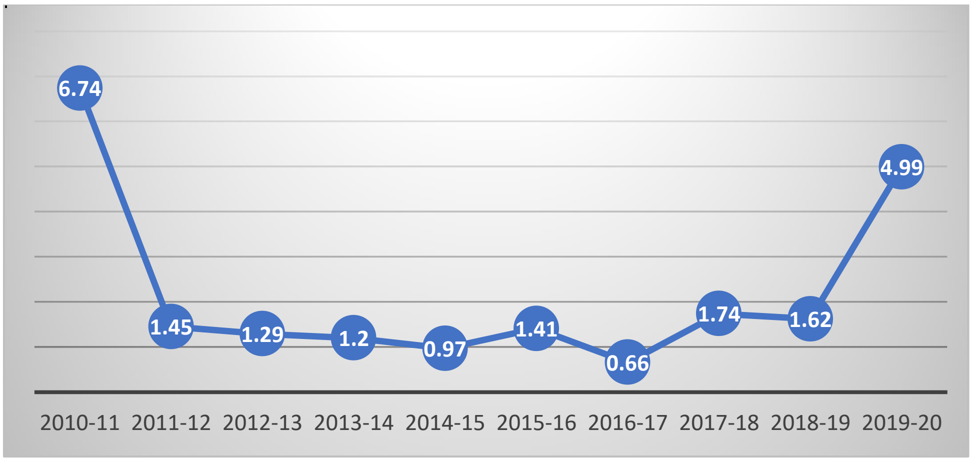
**PR's dependence on federal Grant-in-Aid as percentage of total expenditure has decreased by half during the reporting period:** In the year 2010-11, 80% of total revenue expenses of PR were financed by Federal Government through grant- in- aid which gradually has decreased to 46% in 2019-20. Although, the grant in aid has increased from Rs 32.64 billion to Rs 45 billion over the period but total expenses have increased manifold from Rs 40.6 billion to Rs 96.96 billion therefore, the ratio had decreased.

**Figure-24: Grant-in- Aid to Total Expenses**




**PR is receiving less from the federal government through PSDP:** A sharp comparison surfaces when we compare the federal government's support to the PR through grants-in-aid (for current expenditure) and through the PSDP (for development expenditure). In 2010-11 Federal Government's contribution through grant-in-aid was about seven times more than that of the PSDP. This decreased to five times in 2019-20. Thus while the Federal Government contributed five times lesser amount for execution of capital and long term projects of PR in comparison to grant-in-aid, the contribution of PSDP improved over that of the situation in 2010-11.

**Figure- 25: Grant-in- Aid to PSDP**

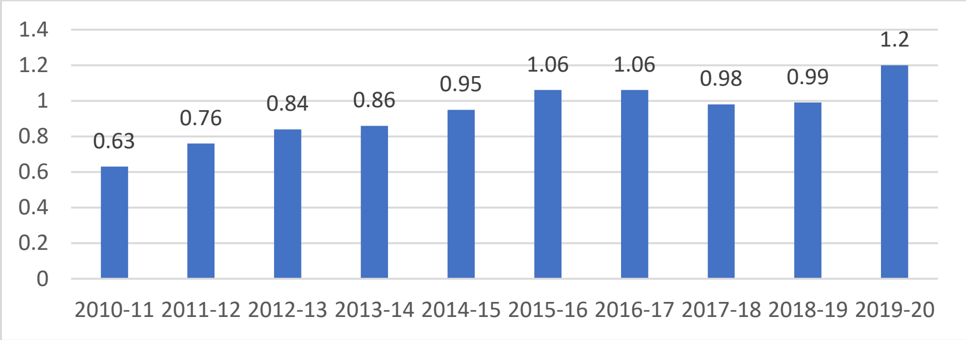



## Category-F: Sustainability of Revenue Operations

Railway Reform Toolkit (World Bank 2017) was used to ascertain sustainability of PR. Data for the toolkit was extracted from Year Book, Financial Review, Appropriation Accounts, Commercial Accounts of Pakistan Railways and data of Federal Bureau of Statistics for the FY 2010-11 to 2019-20. Calculations for various measures and their values used for the tool kit are appended in **Annex-2**. As per toolkit, while certain ratios have improved over the ten years, the improvement is not sufficient to term PR revenue operations as sustainable. PR continues to rely heavily on grant-in-aid and its expenditures are rising much faster than its revenues.

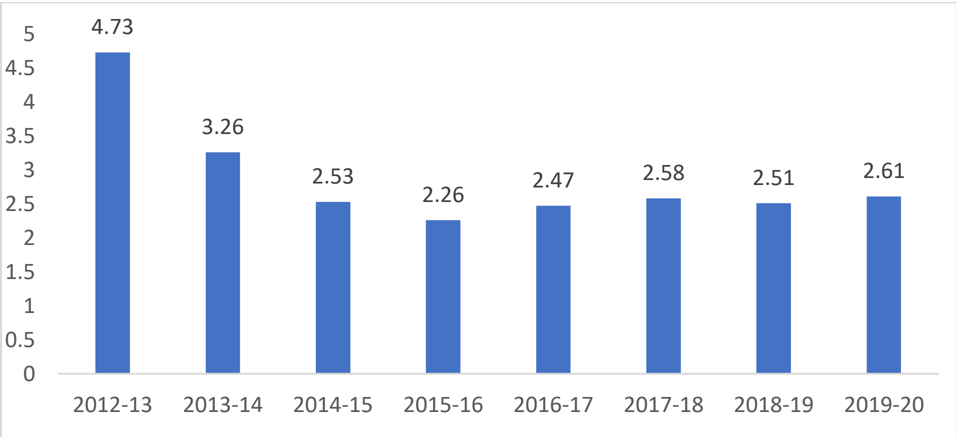
**Passenger Revenue to Passenger-Traffic-Unit-per-KM travelled has almost doubled during the reporting period:** Passenger revenue to traffic unit passenger ratio indicates increase in revenue earned per kilometer passenger traveled. In 2010-11, PR earned Rs 0.63 per kilometer passenger traveled which increased by 90.48% to Rs 1.20 per kilometer passenger travelled in 2019-20. There has been a more or less steady increase in passenger revenue per kilometer.

**Figure-26: Passenger Revenue to passenger traffic unit Rs per KM travelled**



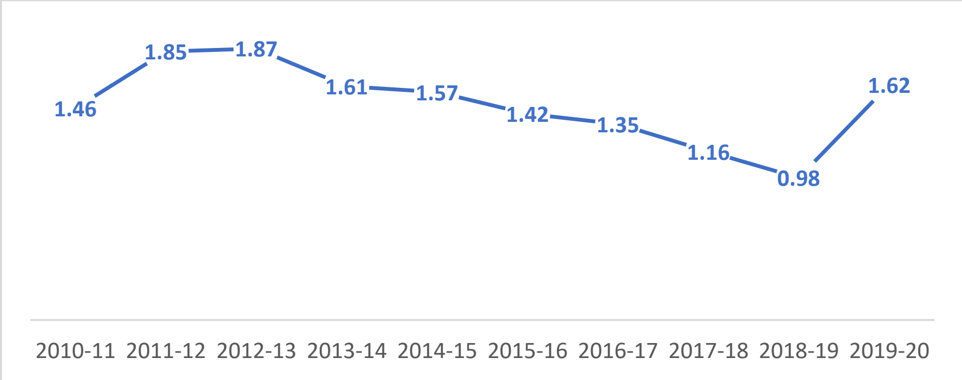

**Freight Revenue (Freight Traffic KM Rs per KM freight carried) has been low over the decade though in later years it has seen a positive increase:** Freight revenue-to-freight-traffic KM-tonnes ratio indicates increase in revenue earned per kilometer freight carried. In 2012-13, PR earned Rs 4.73 per kilometer freight carried which decreased by 44.82% to Rs 2.61 per kilometer freight carried in 2019-20. The decline in freight revenue per KM continued from 2012-13 to 2015-16 and since then has been rising gradually although it has yet to cross the level of 2012-13.

**Figure-27: Freight Revenue / Freight Traffic KM Rs per KM freight carried**



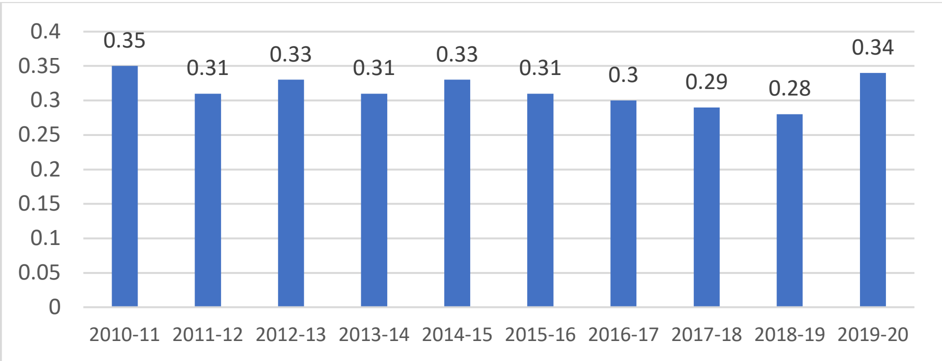
**Government Subsidy to total kilometers travelled is on the rise:** Government subsidy decreased in 2015-16 to 2018-19 as compared to 2010-11, however it increased from Rs 1.46 per kilometer traveled in 2010-11 to Rs 1.62 per kilometer traveled in 2019-20. The number of km travelled also increased over the period from 22,376,081,000 km to 27,855,230,000 km (24%) and total subsidy increased by 38%.

**Figure-28: Subsidy to total traffic Unit**




**Subsidy as % of GDP Percentage has slightly decreased:** Subsidy of Federal Government to Pakistan Railways was 0.35% of Gross Domestic Product (GDP) amounting Rs 9,404 billion in the year 2010-11 and slightly reduced to 0.34% of GDP amounting Rs 13,333 billion in 2019-20, though in rupee terms the subsidy increased by 37.86 % over the ten year period.

**Figure-29: Subsidy as percentage of GDP**



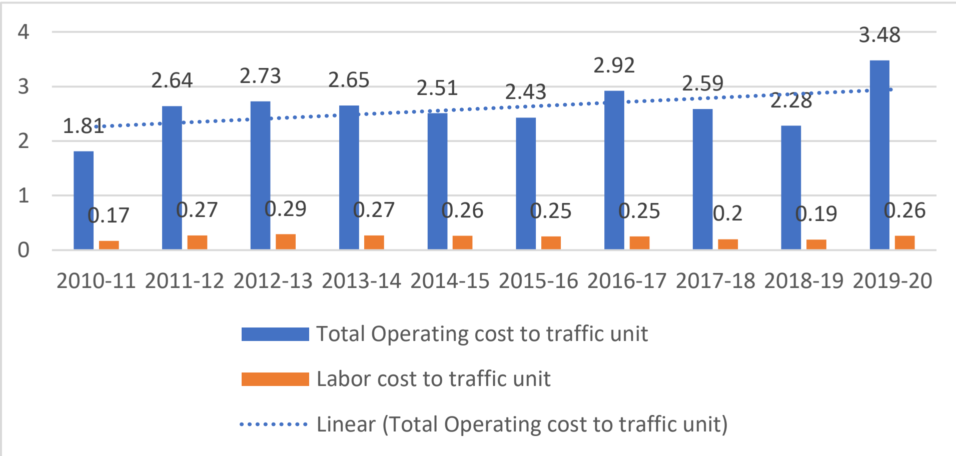
## Category-G: Operating Ratios:

Over the years, PR had witnessed improvement in its operations in terms of increase in revenue. However, the increase in revenues was much slower and insufficient to meet the rising expenditure. PR remained unable to control its operational losses due to dis-proportionate increase in operating expenses.

**Revenue per Kilometer traffic unit has increased:** The revenue per kilometer traffic unit has increased from Rs 0.63 per kilometer travelled in 2010-11 to Rs 1.20 per kilometer in 2019-20.

**Operating Cost to traffic unit has doubled during the reporting period:** On the other hand, there was sharp increase in operating cost to traffic unit from Rs 1.81 per kilometer travelled in 2010-11 to Rs 3.48 per kilometer travelled in 2019-20. The graph below depicts a gradual increase in the operating cost per kilometer travelled which practically doubled over the last ten years.

**Figure-30: Operating & Labour cost/ Traffic units**



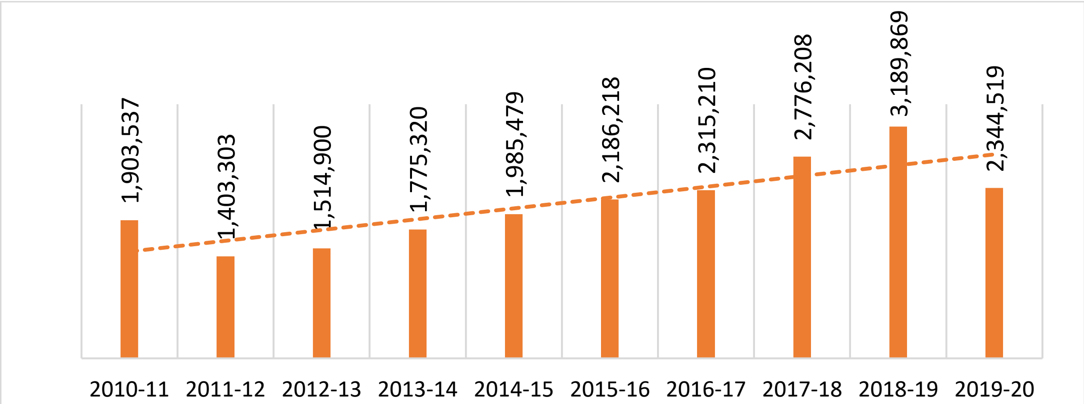

Labor cost to traffic unit was Rs 0.17 per kilometer travelled in 2010-11 which increased to Rs 0.26 in the year 2019-20. Between FY 2010-11 to FY 2019-20 operating cost per km increased by 92.27% whereas labor cost increased by 52.94 %. Thus, a key factor leading to increased operating cost per kilometer has been the increase in labour cost.

This increase in labor cost was mainly due to government policies affecting the employee related expenditures.

Pay structure in PR is an adaptation of the Federal Government pay structure and increases in pay and allowances by the federal government directly impact the employee related expenditure of PR. The employee related expenses of PR escalated by 88.14% in absolute terms, from Rs 14.99 billion (2010-11) to Rs 28.21 billion (2019-20). Pension expenditure ballooned from Rs 8.65 billion (18.99%) of total expenditures in the year 2010-11 to Rs 36.59 billion (37.75%) in the year 2019-20, registering an increase of 326.47%. Total revenue of Pakistan Railways increased from Rs 18.61 billion in 2010-11 to Rs 47.59 billion in 2019-20, registering an increase of 156%. Thus there was a disproportionate increase in the expenses over the period of last decade. Moreover, average increase per year in pay was by 9.09% whereas average increase in inflation in the same period was 6.04% while the overall number of employees declined by 18%. The average pay per employee increased from Rs 185,453 in 2010-11 to Rs 418,390 in 2019-20 (126%).

**Infrastructure Productivity has improved gradually:** Infrastructure productivity was 1,903,537 kilometers travelled per track kilometer in 2010-11 which increased to 2,344,519 kilometers travelled per track kilometer in 2019-20 marking 23.17% increase over last ten years.

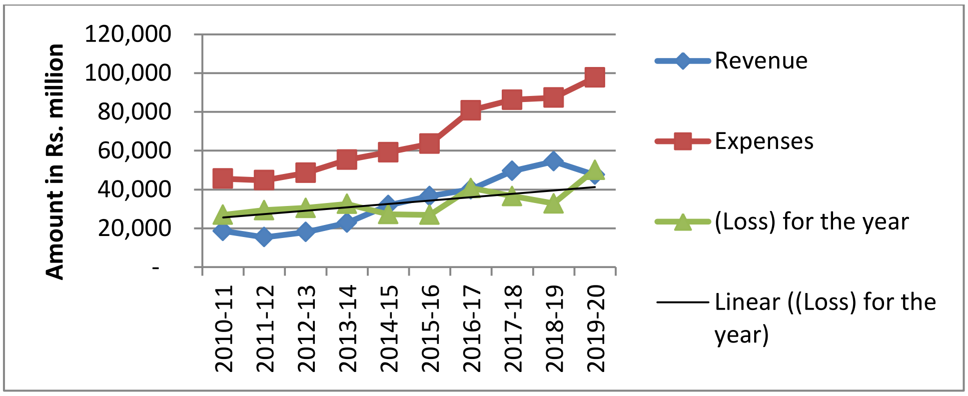
**Figure-31: Traffic density**



## H: Accumulated Losses

**Pakistan Railways sustained a whopping cumulative loss of Rs 333.812 billion during the reporting period:** From 2010-11 to 2019-20, the losses have seen a jump from Rs 26.95 billion (2010-11) to Rs 50.15 billion (2019-20). The amount of loss increased by 86% during the last decade. A graphic presentation of revenue, expenses and losses is given as under:

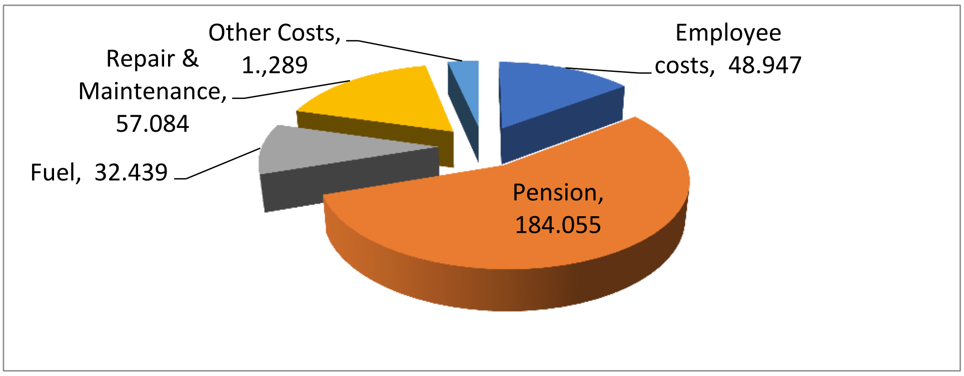
**Figure-32: Accumulated losses of PR during 2010-11 to 2019-20**




A disproportionate increase in expenses compared with revenues over the reporting period is quite visible. The losses thus incurred have been borne by the Government through grant-in-aid to PR each year to meet its recurring expenses. Based on figures from the financial statements of PR, there were cumulative losses of up to Rs 36.92 billion as on June 30, 2020. As explained below this cumulative loss in financial statement of PR does not depict the true state-of-affairs by not accounting for the losses covered by grants-in-aid.

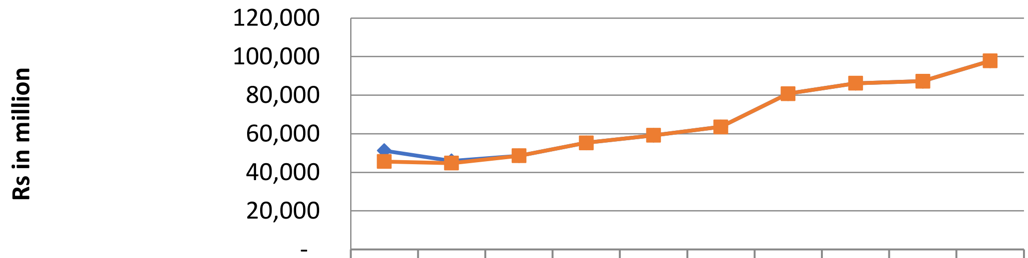
**Break-up of accumulated losses (on pro rata basis) over the 10 years period** – Analysis of the accumulated losses over the period of 10 years disclosed that out of total accumulated losses of Rs. 333.81 billion, Rs. 184.05 billion (55%), Rs. 57.08 billion (17%) and Rs 48.95 billion (15%) represent losses on account of pension, repair & maintenance and employee related costs respectively **(Annex-3).** The graph below further explains this.

**Figure-33: Breakup/Bifurcation of Accumulated Losses (Rs in billion)**



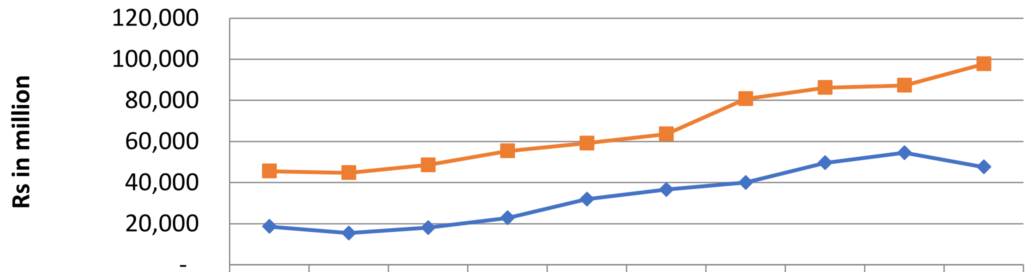

**Offsetting of losses through grant-in-aid (Federal Government Assistance) to meet operational shortfall**– Balance Sheet of PR showed accumulated losses of Rs 36.92 billion as on 30th June, 2020. The financial statements of PR did not depict true picture of its accumulated losses because over the years the federal government had injected an amount of Rs 361.37 billion which had offset the entire operational losses of PR. and surplus amounting to Rs 6.81 billion in two years (FY 2010-11 & 2011-12) was transferred to the head Cumulative Surplus in the balance sheet **(Annex-4).** It was also observed that an amount of Rs 20.75 billion was appearing under the head Railway Reserve in balance sheet as on 30th June, 2020. Since the Federal Government had actually borne the operational losses of PR, hence the financial statements of PR did not depict actual figure of accumulated losses of Rs 333.81 billion. Graphic depiction of revenue and expenditures of PR over the period of last 10 years with and without grant-in-aid by the government is as under:

**Figure-34: Comparison of Revenue & Expenditures <u>with</u> Grant-in-Aid by Government**




| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue +Transfer from Reserve Fund | 51,25 | 45,91 | 48,57 | 55,32 | 59,17 | 63,57 | 80,76 | 86,19 | 87,28 | 97,74 |
| Expenditures | 45,56 | 44,79 | 48,57 | 55,32 | 59,17 | 63,57 | 80,76 | 86,19 | 87,28 | 97,74 |

**Figure-35: Comparison of Revenue & Expenditures <u>without</u> Grant-in-Aid by Government**




| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 18,61 | 15,45 | 18,06 | 22,80 | 31,92 | 36,58 | 40,06 | 49,57 | 54,51 | 47,58 |
| Expenditures | 45,56 | 44,79 | 48,57 | 55,32 | 59,17 | 63,57 | 80,76 | 86,19 | 87,28 | 97,74 |

# SECTION-II

## AUDIT FINDINGS AND RECOMMENDATIONS

## TOR-1 Segregation of Losses and Underlying Factors

Weak governance and oversight by the Railway Board; lack of business planning; increasing expenditure, particularly on pension; slow growth in freight and passenger revenues; inefficient track management and signaling systems; inefficient management of operations; inefficient asset management, particularly in management of land assets; inefficiencies in procurement of locomotives and in running of factories, are key causes of losses incurred by PR over the ten year period under audit. While in later years there has been increase in freight revenues, this has primarily been due to temporarily increased business on account of transportation of coal for coal-based energy plants. Moreover, audit has found no evidence of any additional business being generated by the private parties, under the public private partnership arrangements, over and above the business that was already available with PR. Similarly the companies created by PR have not fulfilled the objectives for which these were established, nor have led to efficiency gains being largely resourced by PR employees. The Boards of these companies are also not of such a composition as to allow independent, professional governance and oversight their affairs.

## 1.1 Policy Induced Losses

### 1.1.1 Weak Governance & Oversight by Board

**Several internal factors have consistently contributed to losses in the Pakistan Railways. Governance failures are one such area where the PR had to improve in order to come out of losses. Weak governance is evident from inconsistencies in areas like strategic planning, oversight, risk management and development & execution of business plan for commercial viability of PR.**

### Constitution of Railway Board

First Railway Board (RB) was constituted through Railway Board Ordinance, 1959 consisting of three (3) members.

### Composition of Railway Board

Since constitution of the RB there had been multiple amendments in the composition of the Railway Board through different Ordinances. The number of Board members which were initially 3 was increased up to 18 in the year 2000. In the year 1998, first time three (3) Board Members from Private Sector were introduced. At present there are total ten (10) Board members, four (4) non-Railways Members (Secretary/Chairman Railway Board, Secretary Communications, Secretary Finance & Secretary Planning & Development), two (2) Members from Railways (GM, Operations & GM, M&S), one (1) Member Finance from AGP Office and three (3) members from Private Sector. Detail of composition of Railway Board Members over the years **(Annex-5).**

### Functions & Responsibilities of Railway Board

The functions, powers & responsibilities of the Railway Board have been amended since its inception in 1959. The significant functions, powers & responsibilities of the Railway Board given from time to time have been narrated below: **(Annex-6)**

- **The Railway Board Ordinance, 1959 -** provides that the Central Government may, by notification in the official Gazette, invest the Railway Board, either absolutely or subject to conditions with:

    a. All or any of the powers or functions of the Central Government under the Railway Act IX of 1890.

    b. The power of the officer referred to in Section 47 of the said Act to make general rules there under.

- **Ordinance, 1962** repealed/replaced the Railway Board Ordinance, 1959 wherein all powers and functions of the Central Government under the Railway Act 1890 (IX of 1890), exercisable by the

Railway Board constituted under the said Act, and the power to make general rules under section 47 thereof, shall, in relation of that subject to the other provisions this Order, vest in the Board. All action taken by a Railway Board in the discharge of its functions shall be expressed in writing signed by the Secretary of the Board or by some other officer authorized by it.

- **Presidential Order 1982 -** The Ministry of Railways and the Railway Board was merged. It also provides that consequent upon effecting the merger, the Chairman Railway Board will prepare a plan for the separation of activities not directly connected with the working of the Railway Administration, namely, construction of new railway lines inside or outside Pakistan, export of rolling stock and/or equipment, manufacturing projects not affecting railway operation, provision of Railway Advisory and Consultancy Services etc., and place these activities under the control of one or more Railway Corporations- each under a Chief Executive.
- Consequent upon the merger of Railway Board and Ministry of Railways under Presidential Order No. 95 of 1982 and decision of the Economic Coordination Committee of the Cabinet taken in its meeting held on 30.04.1990 an executive authority has been transferred to the Chief Executive of the different functional Units with Railway Board functioning as a Policy and Review Board.
- **Ordinance, 1998** states that the terms & conditions of service of members of the Board shall be such as may, from time to time, be determined by the Federal Government. The Board may delegate to any of its members of such of its powers as it may deem fit. To assists the Board in the discharge of its functions there shall be a Secretary, and such other officers and servants as the Board may appoint.
- National Security Council and Cabinet in Joint meeting held on 04.01.2000 decided that:

- o Pakistan Railways should be declared as the main system of transportation for the country and it should be accorded requisite priority in planning and resource allocation.
- o the re-organization of the Pakistan Railways subject to the following modifications:

a. Secretary, Ministry of Communications should be on the Railway Board in place of Secretary, Ministry of Food, Agriculture and Livestock

b. there should be four co-opted members from the Provincial Governments

- o The Railway Board was allowed to exercise the same powers as authorized vide Presidential Order No. 33 of 1962.
- o The Railway Board was authorized to approve the promotion of officers up to BS-19.
- o The Railway Board was authorized to sell the land surplus to their needs in a transparent and discreet manner.

According to the Ordinances of 2000 and 2002, an Executive Committee of the Railway Board was constituted to take day to day decisions. In order to attain finality, these decisions were required to be ratified by the Board. Audit observed that the Railway Board did not meet till 2014 and hence the decisions of Executive Committee could not be ratified constituting a significant regulatory non-compliance.

**Lack of independence and professionalism of the private board members leading to weak Governance**

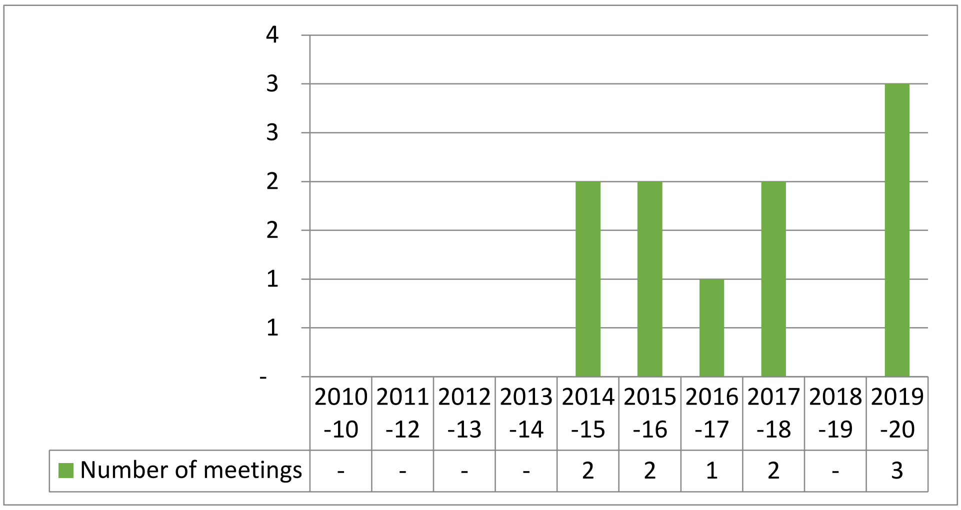
During the audit period total eight (08) Railway Board Members from Private Sector were appointed. Out of these eight (8) private members, three (3) members were retired railway officers having qualifications in MPA & Law, Civil & Mechanical Engineering, one (1) private member was retired Member of FBR (MSc International Relations and MSc Defense & Strategic Studies), two (2) private members were advocates of the Supreme (Law Graduate). One of the Advocates was ex-Advisory Council United Nations Human Rights & visiting Professor and the other was also a law professor. One (1) private member was Banker

(MBA & MSc Strategic Studies) and one (1) private member was professor of COMSAT University (Electrical Engineer). Thus, 50% of the private members selected/appointed were retired railway officers & government officers other than Railway **(Annex-7).**

It was also observed that five (5) private members of the Railway Board were appointed with the approval of the Prime Minister and three (3) members were appointed with the approval of the Cabinet. The private board members selected were lacking independence and professionalism leading to the weak governance.

With regard to quality of oversight, audit noted that during 2015 to 2020, ten meetings of the Railway Board were held and audit could not find any serious concern and concrete action or measures taken by the Board to address the challenges faced by the PR like the ones relating to persistent losses.

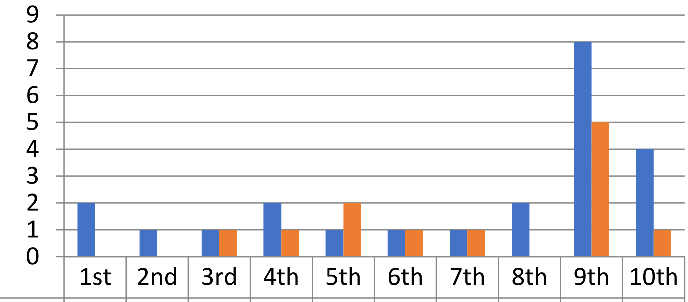
**Figure-36: Number of Board Meetings**




Audit determined through a perusal and scrutiny of the minutes of meetings that a total of 69 agenda items were discussed in ten meetings wherein 53 items (77%) prima facie pertained to routine issues while only

16 (23%) could be classified as core ones **Annex-8.** The details are captured by the graph below:

**Figure-37: Segregation of core/routine (Non-core) issues discussed by the Board**




| | 1st | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | 10th |
|---|---|---|---|---|---|---|---|---|---|---|
| Conclusive Decisions taken on Non-Core | 2 | 1 | 1 | 2 | 1 | 1 | 1 | 2 | 8 | 4 |
| Conclusive Decisions taken on Core | 0 | 0 | 1 | 1 | 2 | 1 | 1 | 0 | 5 | 1 |

Audit understands that the policy makers apparently became cognizant of these limitations of the Board and through the Strategic Plan 2017 and Business Plan 2020, the Ministry of Railway did commit to constitute two Railway Boards i.e. one Railway Policy Board comprising of professionals, and other Railway Board for better oversight of Railway affairs. However, no progress in this area is visible till date. Audit also noted that the Railway Regulatory Authority promised in the 2002 Ordinance, was yet to see the light of the day although some key functions were envisaged to be performed by this authority like promoting the provision of efficient and competitive railway services, approving the railway structure usage plan; recommending to the Federal Government measures necessary for enhancing the role of the railway in the national transportation. The absence of RRA, professional policy board and oversight board has meant that these functions could not be effectively dispensed in an effective manner over the ten years period under audit.

PR has been running for significant periods without a proper business plan supported by workable operational or implementation plans.

PR did come up with a Strategic Plan in 2017, followed by a Business Plan. It also had a Corporate Plan 2009-10 to 2014-15, that provided it with a 5-year strategy to achieve, inter alia, corporatization to facilitate a more commercial structure; encouraging private sector participation, restructuring of services, staffing and operations to reduce losses on unprofitable sectors and increase operating efficiency targeted investment to renew life of expired assets and upgrade service levels, and the need to develop a more commercial business relationship with the Government. Audit noted that the corporate plan and business plans were not converted into action plans that could be regularly monitored for implementation, which marks a failure on part of both the executive and the governing Board.

Pakistan Railways could not fully reap the benefits from its Corporate Plan (2009-2015) and failed to achieve the major targets as below (**Annex 9-A**):

i. Passage of the Pakistan Rail Corporation Act (PRC)
ii. Consistency of PSP/PPP proposals i.e. service and management contracts, leasing, track access, concession and sales except outsourcing of operation of certain trains to PRACS, with limited value-addition and benefit to the overall health of the organization
iii. Non-implementation of a pilot project regarding Mechanization of Track Maintenance on Lahore Division despite procurement of the required Machinery and Equipment
iv. Abandonment of Bridge Rehabilitation after its inclusion in ML-1 project
v. Investment plan for laying of new track or improvement of existing track
vi. Investment or improving the existing Electric Traction System rather dismantled the existing E.T system between Khanawala-Lahore in 2009.

Pakistan Railways could also not achieve the goals of strategic plan 2017-20. It did not take initiative to review the Railway Act, restructuring of Railway Board, redefining of responsibilities for policy formulation etc. **(Annex 9-B).** Further, there was no visible progress in commercial matters except in hiring the services of advisors for improving marketing and HR and no progress was witnessed in infrastructure, accounting systems, IT systems, standards and work practices.

**Projects included in the Railway Business Plan 2020 such as revival of KCR and Gawadar Port are in progress, however, various objectives set in the Business Plan could not be achieved.** The unachieved goals include issues like appointment of full time members in Railway Board, digitalization and automation of the Business Plan, engagement of private sector, implementation of non-core business model etc. The Business Plan of PR was prepared on the directions of Supreme Court of Pakistan with the objective to provide a safe and affordable mode of travelling and cargo shipment to the people of Pakistan. The plan also aimed at improving the financial health of Railways to make it a self-sustainable organization catering to the needs of national economy, and covered all areas of operational efficiency, infrastructure improvement and quality services to the customer **(Annex 9-C).**

***Recommendation – 1***

*i.* *Railway Boards with independent professional members should be constituted as committed in the Strategic Plan and periodic meetings be ensured for efficient and effective oversight of Railway affairs.*

*ii.* *Railway Regulatory Authority as envisaged in the Ordinance-2002 be established for effective governance and oversight.*

*iii.* *The Railway Board be revived by appointing appropriate private members having relevant education and experience for effective review & policy making.*

iv. *A comprehensive SOP regarding selection/ appointment of the Board Member from Private Sector having relevant qualification & experience be developed.*

v. *Periodic performance evaluation of operations, production units & subsidiaries be ensured.*

**Over the ten year period of audit, the non-executive/private members were either non-existent on the Board of Directors of PR Subsidiaries or were less than minimum prescribed number i.e. 25%, which was inconsistent with Corporate Governance Rules of SECP, and not conducive to effective governance and oversight -** Section 3 of Public Sector Companies (Corporate Governance) Rules, 2013 amended up to April 21, 2017 issued by the SECP provides that the Board shall consists of executive and non-executive directors, including independent directors and those representing minority interests with the requisite range of skills, competence, knowledge, experience and approach so that the Board as a group includes required core competencies and diversity. Moreover, the Board shall have at least one-third of its total members as independent directors.

Composition of board members in subsidiaries of Pakistan Railways revealed that non-executive/private members were either nil or were less than minimum prescribed number i.e. 1/3 of total in board, detailed hereunder:

**Table-2: Companies/Subsidiaries Board Composition**

| Description | Minimum Requirement of Board Members as per SECP | RAILCOP | | | PRACS* | | | PRFTC* | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number | %age | Variation | Number | %age | Variation | Number | %age | Variation |
| Executive Directors(Railway in Service Officers) | 67% | 6 | 75% | **-8%** | 9 | 100% | **-33%** | 7 | 88% | **-21%** |
| Non-Executive/Private members | 33% | 2 | 25% | | 0 | 0% | | 1 | 13% | |
| **Total** | | **8** | | | **9** | | | **8** | | |

** Data taken as per their official websites dated 23.08.2021*

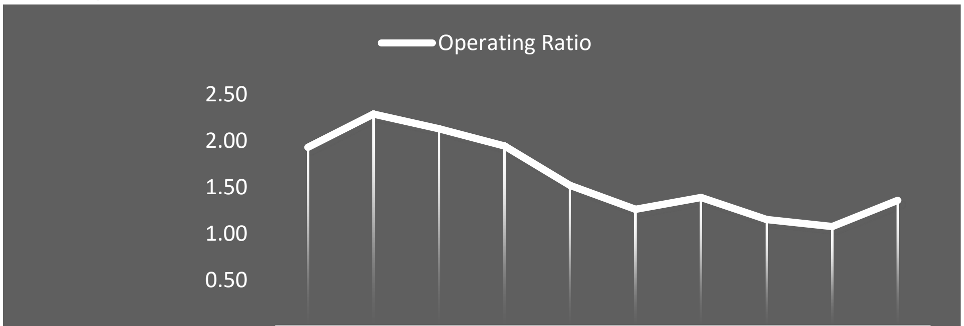
***Recommendation-2***

*Composition of the Board members in subsidiaries of PR be made strictly in accordance with the Corporate Governance Rules issued by the SECP in order to inject corporate governance and commercial insight into these companies, and to make PR a viable organization. Incentives of Board members be tied to progress against key performance indicators.*

Gaps in PR's governance and management are indicated by the operating ratio which depicts the efficiency of a company's management by comparing the total operating expense of a company to revenues. It shows how efficient a company's management is at keeping costs low while generating revenue.

Operating Ratio of PR over the years revealed that in 2010-11, PR spent Rs 1.93 to earn a rupee which came down to Rs 1.36 in 2019-20. Still efficacy of governance remained low as the ratio remained greater than 1.

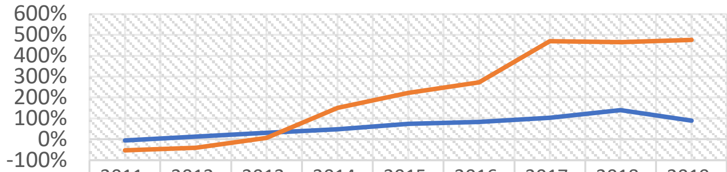
**Figure-38: Inefficient Operations**




| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Ratio | 1.93 | 2.29 | 2.13 | 1.95 | 1.52 | 1.26 | 1.39 | 1.15 | 1.08 | 1.36 |

An indicator of inefficiency of PR is the reduction in revenue earnings compared with ever increasing expenditures. Analysis of last ten years revealed that revenue from passenger traffic increased by 89% and revenue from freight traffic increased by 475%. However, there was a reduction in revenue from freight traffic by 51% and 41% during the year 2011-12 and 2012-13 respectively as compared to base year 2010-11. In 2013-14, freight earnings started showing improvement due to increase in number of freight trains. Moreover, contribution of 50%, 56% and 54% in the years 2017-18, 2018-19 and 2019-20, respectively, was made in freight earnings by the PRFTC. Improvement in freight earnings came about due to temporary increase in freight from coal business facilitated by PRFTC, and not due to sustainable improvement in operational efficiency or revenue generation of the company.

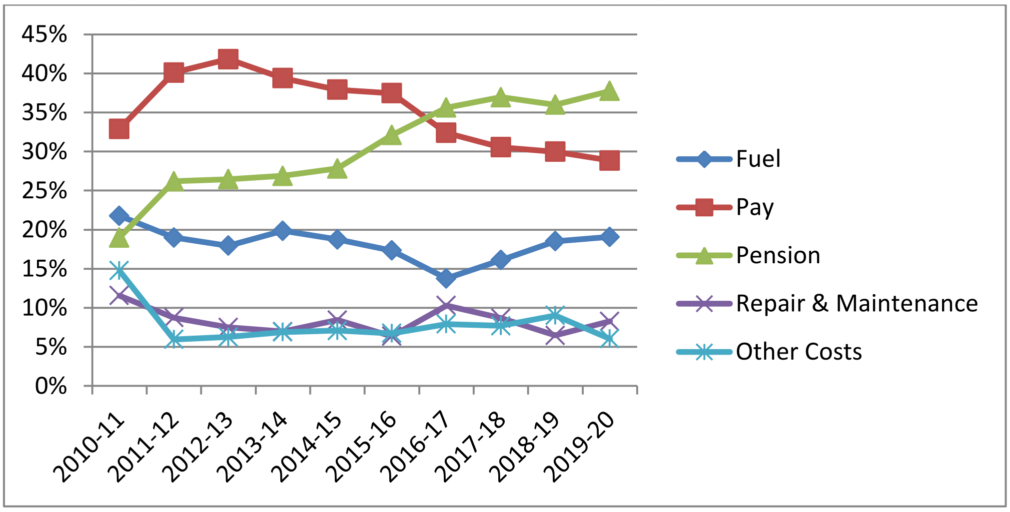
**Figure-39: Operating Revenue (2010-11 as base year)**




| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|
| Passenger Revenue | -6% | 12% | 30% | 48% | 73% | 83% | 103% | 140% | 89% |
| Freight Revenue | -53% | -41% | 7% | 150% | 223% | 272% | 469% | 465% | 475% |

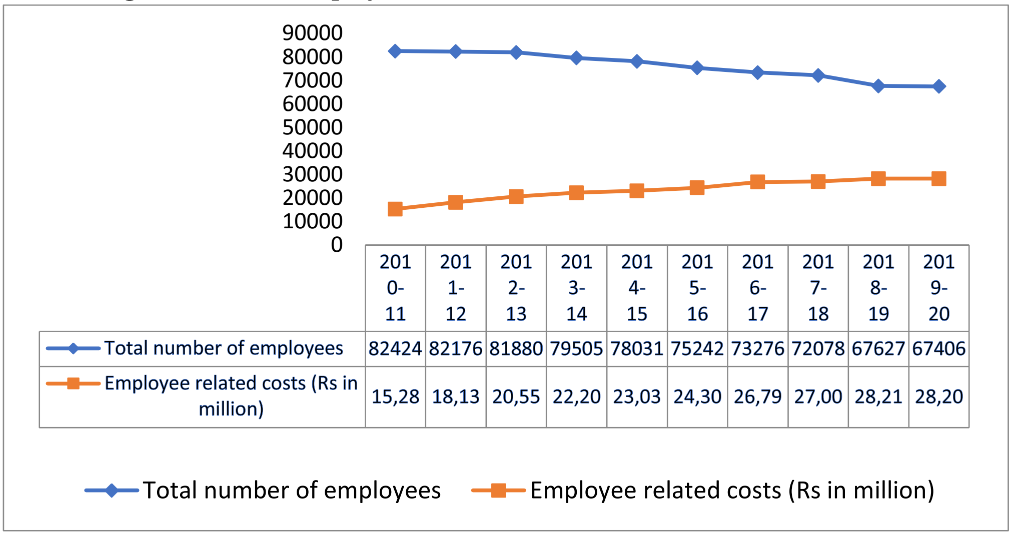
Same is the case with operating expenses which refuse to stabilize partially because of the spike in pension payments. Analysis of last ten years revealed that pay, fuel, repair & maintenance and other costs of PR decreased but this decrease was nullified by pension payments doubling from 19% (2010-11) to 38% (2019-20) of the total operating expenditures. Graphical presentation of all operating expenditures is depicted as under:

**Figure-40: Operational Expenses (by taking 2010-11 as base year)**




Graphical representation of employees and employee related cost is depicted below:

**Figure-41: Employees Number & Cost**




| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total number of employees | 82424 | 82176 | 81880 | 79505 | 78031 | 75242 | 73276 | 72078 | 67627 | 67406 |
| Employee related costs (Rs in million) | 15,28 | 18,13 | 20,55 | 22,20 | 23,03 | 24,30 | 26,79 | 27,00 | 28,21 | 28,20 |

***Recommendation – 3***

*A comprehensive business plan supported by action plans should be developed and implemented to increase revenue and control expenditures. A sub-committee of the Board* *comprising, independent, professional Non-Executive Directors* should be assigned the task of *monitoring implementation of business plan and reporting thereon to the Board for taking remedial measures in time.*

In view of the efficiency issues confronting the organization, it is considered essential that the PR sets some targets and measure its achievement against quantifiable KPIs. The Green Book (performance analysis by outputs) 2019-20, shows that Ministry of Railways (MoR) did target ten (10) outputs having total twenty-six (26) key performance indicators (KPIs). These KPIs related to critical areas of automation, up-gradation of infrastructure and signaling system, procurement of coaches, locomotives, wagons, addition of new track, improvement in security of trains, increase in revenue targets in all aspects (total, passenger and freight), punctuality of passenger services; reduction in accidents, outsourcing of ticketing system; rehabilitation of existing stations, etc. all directly related to enhancement of operational efficiency. However, the achievement against these targets remained nil in most cases and moderate in some cases, reflecting poorly on the commitment of the management and those who are responsible for the overall governance of the entity to ensure that the PR attains the desired level of operational efficiency and hence put a stop to ever increasing losses.

***Recommendation – 4***
*M&E Wing should be established equipped with a Management Information System to analyze and report data and monitor KPIs.*

### 1.1.2 Public Service Obligation (PSO) and Political Factors in Running Unprofitable Routes

**Non-existence of mechanism for accounting and financing of PSO related costs and non-provision of funds by the central/provincial government in the form of subsidy/grant-in-aid causing additional operational losses of Pakistan Railways** - While PSO is a requirement imposed on many railways by respective governments, it is imperative to segregate and account for expenditures that are attributable to PSO. Due to gaps in its cost and management accounting capacities PR is not able to determine impact of new train, route or fare rates initiated under PSO on its overall profitability. This also hampers PR from establishing a funding framework that may allow PR to treat PSOs, on a commercial basis.

***Recommendation-5***

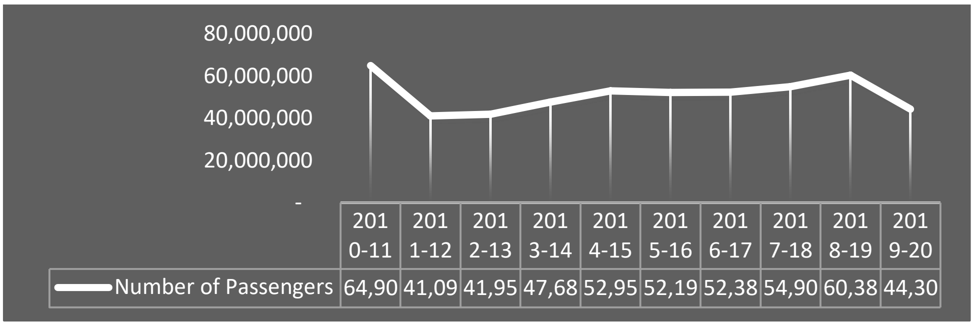
*i. Cost management expertise should be engaged to enable identification of PSO related costs.*

*ii. Funding for PSO related routes should be arranged separately from main grant-in-aid by the government, to enable clear identification of PR losses that are due to commercial factors and those that are due to PSO.*

### 1.1.3 Determination of Passenger Fares

**The PR lacks an effective control over the determination of passenger fares and these are being determined by the railway board considering its public service obligations. The PR's negative public image and low quality of services is also a major impediment in the upward revisions of the fares:** Fare determination of passenger services is mainly regulated by the government. During the reporting period, passenger fares were revised upward only six times **(Annex-10)** despite increase in the prices of all inputs like fuel, electricity and parts. During the period of last ten years, passenger fare from Lahore to Karachi in respect of Air-Conditioned Standard class and Economy class had increased by up to 44.21% and 56.41% respectively. Other factors like demand on different routes, marketing objectives and competition also did not figure in fare determination. Over the period of last 10 years number of passengers had reduced by 20,599,389 (31.74%) i.e. from 64,903,467 passengers (2010-11) to 44,304,082 passengers (2019-20).

**Figure-42: Number of Passengers**




**Lack of sufficient Cost Management expertise within PR leading to weak commercial decisions, about fare determination, new routes, and new trains or regarding PPP contracts causing operational losses -** Audit found that neither PR has a dedicated costing department, nor the post of Costing Manager available within the Commercial Branch has been filled since more than five years. A Rate officer performs the task associated with position of Cost Manager, but he does not have relevant professional qualification. This raises a red flag about viability and sustainability of PR's commercial decisions in the absence of clarity on cost impact of such decisions.

***Recommendation – 6***

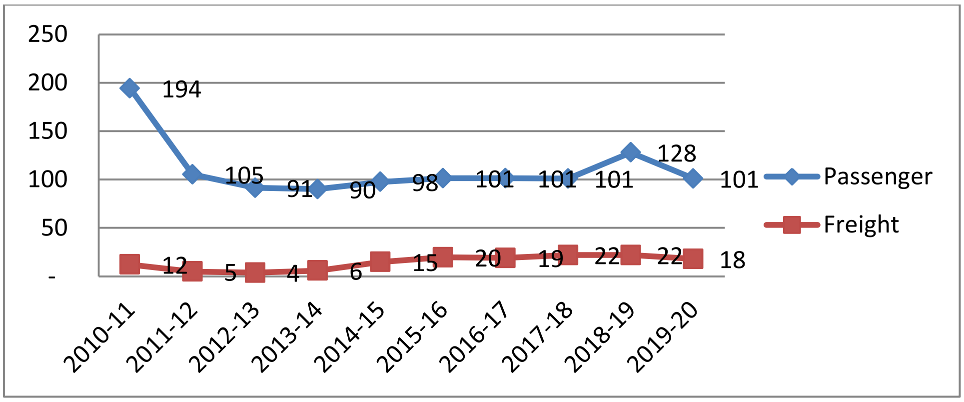
*i. Costing department equipped with costing professionals for ensuring generation of costing reports for effective commercial decision be established on priority.*

*ii. Management should engage costing professionals and establish a comprehensive mechanism for effective pricing in order to achieve sustainability in its operations.*

An analysis of revenue and variable cost in respect of 32 passenger trains revealed that 25 passenger trains were not generating sufficient revenue to cover its variable cost up to 95% **(Annex-11).** This implies that fare of passenger trains were not determined keeping on view cost of the services or the costing mechanism in PR is ineffective.

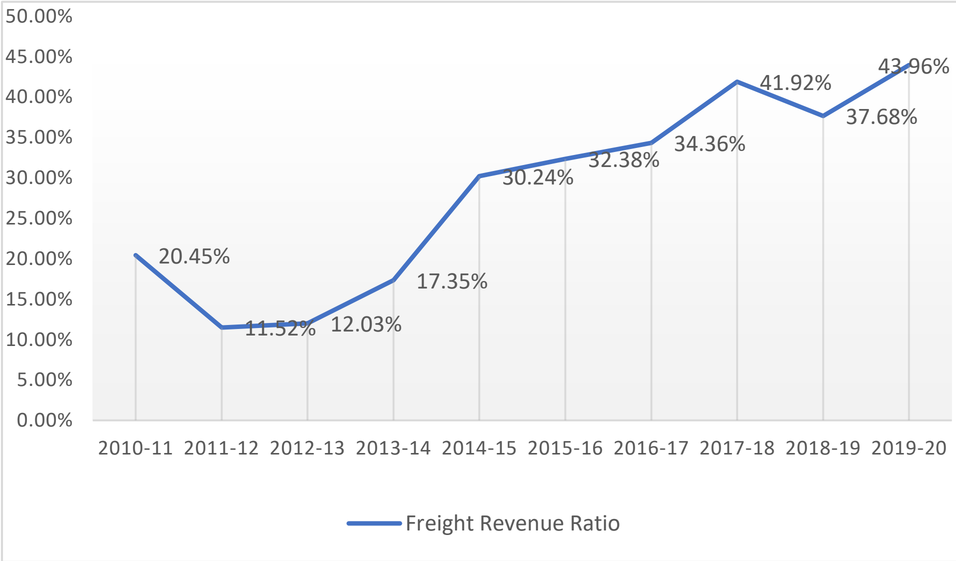
**Optimal level of train mix neither determined nor achieved by PR-** An analysis of last 10 years' train mix indicates that the PR has not been able to determine an optimum level of train mix and thereby ensure balancing in the number of passenger and freight trains. The passenger trains saw a sharp decrease from 230 to 101 over the ten-year period, while the number of freight trains increased from 12 to 18 during the decade. In 2010, the freight to passenger train ratio was 1:20 while in 2020 this ratio changed to 1:5, as can be seen from the graph below. The graph shows that practically since 2015 the PR has settled on the ratio of 1:5. This is indicative of a policy cut on the discharge of public service obligation by bringing reduction in passenger traffic. Despite that, the losses have not come down which points to deeper issues of mismanagement and inefficiencies in the utilization of resources.

**Figure-43: Optimal Level of Train Mix**




In addition to the issue of train mix, the freight revenue has remained uneven over the years. The graph below shows the uneven nature of freight revenue which again brings us back to the lack of an effective and implementable business plan.

**Figure-44: Uneven Freight Revenue Ratio**




PR lacks professional expertise to apply costing techniques to work out impact of new routes, new trains, and of routes pertaining to PSO on its overall profitability. It needs to disaggregate costs by route, train or freight and passenger customers, as well as by market segments, inclusive of common costs and joint costs. There is no Financial Contribution Analysis is being undertaken to determine costs at service and traffic level to see whether revenue from the service cover the short-run variable costs, or whether it will help recover long-term costs even if it is not profitable in short-run.

***Recommendation – 7***

*PR management needs to ensure implementation of an MIS that captures requisite financial and non-financial data, to determine through data-analytics, proper costing of its services, routes and trains and determine a profitable mix of passenger and freight trains to ensure sustainability of the organization and minimize its dependence on the federal government to discharge its liabilities.*

### 1.1.4 Public Private Partnership (PPP) Model

In the year 2009, unbundling of PR into Passenger Business Unit, Freight Business Unit and Infrastructure Business Unit was practiced under reform and privatization strategy announced by the Cabinet Committee on Restructuring of Public Sector Enterprises. The Ministry of Railways invited Expression of Interest (EOI) for consultants to develop a PPP strategy under funding by Asian Development Bank and assistance from the World Bank. The aim was to encourage private sector participation in train operations, terminal management and property development other areas identified from PPPs include the locomotives, coaches and sleeper factories and workshops. The unbundling was failed as evident from inefficiencies in train operations and PPP over the year cause accumulation of losses.

**Public Private Partnership (PPP) of passenger trains in Pakistan Railways was not successful due to unfavorable faulty contracts, violation of principles of propriety and poor contract management -** PR has only entered into PPP arrangements pertaining to passenger trains. Unlike Pakistan Railways, Indian, European Union and American Railways have been undertaking the Public Private Partnership for enhancing and developing railway infrastructure. Glimpse of railway projects under PPP by different countries of the world showed the size of the investments and infrastructure development which ultimately lead to better quality passenger/freight services to public **(Annex-12 A).**

The following experiences illustrate inefficacy of PPP contract management and execution thus far.

In 2005, PR executed a Joint Venture contract with M/s PRACS (Subsidiary of PR) in respect of commercial management of Hazara and Rohi Express on 60% and 40% sharing basis respectively. In 2011 a new train, Pak Business express, and later old Shalimar and Night Coach were outsourced, but the outsourcing of passenger trains did not prove fruitful mainly due to lack of transparency in award of the contracts, violation of propriety and poor contract management:

- Award of contract without cost benefit analysis and through negotiation
- Use of inappropriate bench mark for bid evaluation, violation of propriety
- Award of contracts regarding outsourcing of Hazara and Rohi Express to M/s PRACS without fair competition
- Provision of faulty contract clauses regarding withholding of advance tax which resulted in attachment of bank account of PR.
- In Joint Venture of Hazara and Rohi Express executed with M/s PRACS on 60% and 40% sharing basis there was no clause for the short composition (i.e. attachment of less number of coaches rake with train than standards rake) of trains in the contract however, PRACS irregularly adjusted an amount of Rs 126.00 million on account of short composition.
- In the JV, PR suffered loss of Rs 272.94 million due to non-incorporation of clauses for increase in fare in subsequent years.
- In the JV, an inappropriate change of formula from revenue to profit sharing basis resulted in decrease of PR's share to the extent of Rs 397.12 million.
- In the contract regarding outsourcing commercial management of Pak Business Express, M/s Four Brothers Group, managed to get the occupancy rate decreased from agreed 88% to 65% hence lowering daily rentals from Rs 3.2 million to Rs 2.2 million.
- Inadmissible value added investment of Rs 23.45 million and Rs 60.22 million was made by M/s Air Rail Services and M/s Shalimar Group Respectively.

- Poor contract management evident by litigation, huge receivable etc. Non-investment in value additions i.e. up-gradation in services amounting to Rs 158.79 million by M/s Four Brothers.

Ministry of Railways had approved the Restructuring and Revival Plan of Pakistan Railways from the Federal Cabinet on 27.10.2020 wherein comprehensive initiatives in various fields including engagement of private sector, PPP project train safety regime (overall safety in public mobility), outsourcing of passenger and freight trains, estimated earning of Rs 4.554 billion from leasing of Railway land for agriculture shops, commercial and residential purpose against timelines/targets were to be completed. The Public Private Partnership initiatives either initiated or planned include:

i. PPP portfolio with an estimated cumulative cost of Rs 1500 billion in April 2020 comprising of more than 25 projects, including those related to operation and business development, rolling stock, infrastructure development, urban railways and non-core business.

ii. Railways Automated Booking and Travel Assistance (RABTA) project seeking private sector participation to build a centralized ticketing system a centralized computerized seat reservation and ticketing system

iii. Projects on Thar Coal field rail connectivity, KPT-Pipri dedicated freight corridor , and model rail terminal and KCR modern urban rail based mass transit system under PPP mode are most likely to advertised by August 2021.

**Shortcomings noticed in agreements of outsourced passenger trains:**

Pakistan Railways (PR) privatized/outsourced the passenger trains under the umbrella of Public Private Partnership (PPP). Different agreements were executed between PR and PRACS/Private parties. It was noticed that the contract management on part of Railway was very weak as monitoring and evaluation of the terms and conditions of agreement had never been made at any stage. As per agreements PR made operational commitments like provision of locomotives, air conditioned coaches, power/luggage/brake vans, tracks, diesel, lubricants, maintenance expenses at originating/en-route/destination stations, major damages, operational/mechanical/electrical/Railway police staff, security/safety of trains, washing of trains etc. Further, clause 6.11 of joint venture agreement for commercialization of Hazara Express executed on 13.07.2006 between PR and PRACS regarding revenue sharing formula on 60:40 basis was amended through addendum to the agreement made in February, 2007 wherein word ”Revenue” replaced with “Profit”. For instance, clauses of the contract for outsourcing the commercial management of Business Express Trains to M/s Four Brothers International, elaborating the responsibilities of both PR and the contractor **(Annex-12 B).**

Hence, it can be concluded that privatization of PR train operations could not achieve its goals in true spirit and Railway management sustained huge losses on outsourcing of following trains:

| S# | Agreement dated | Parties Involved | Name of Train Outsourced |
|---|---|---|---|
| 1. | 18.08.2011 | 1- Pakistan Railways<br>2- M/s Four Brothers, | Business Express |
| 2. | 09.08.2016 | 1- Pakistan Railways<br>2- M/s S. Jamil & Company | Hazara Express |
| 3. | 09.08.2016 | 1- Pakistan Railways<br>2- M/s S. Jamil & Company | Fareed Express |
| 4. | 15.06.2017 | 1- Pakistan Railways<br>2- MD PRACS | Khushhal Khan Khatak |

Expansion in PPP is planned and during April – July 2021 Pakistan Railways floated tenders for outsourcing of 34 passenger trains, freight trains and commercial exploitation of 25 highly commercial Railway Land in major cities on PPP mode.

***Recommendations-8***

*i. PPP in core and non-core business should be based on prudence, probity & propriety besides, due diligence should be exercised in planning phase of PPP.*

*ii. A regulator needs to be instituted to promote competition and protect of private investors in the PPP.*

*iii. PPP should also be promoted in infrastructure, station development, rolling stock manufacturing and encourage private sector participation in manufacturing besides change management with focus on citizen centricity.*

*iv. Track access to private sector/freight services under PPP model should be given.*

*v. Contract management in respect of PPP based contracts should be made effective.*

## 1.2 Market Dynamics

### 1.2.1 Prioritized Development of Road Infrastructures

**The PR's infrastructure has not kept pace with the phenomenal development of road infrastructures:** A strong contributory factor towards underutilization of PR services for passengers and freight is the comparatively fast-paced development in national road network under the impetus provided by favorable government financing and emergence of private sector transportation companies. The PR management could not devise and execute a strategic plan to adequately address the competition from road transport sector nor was able to improve its services for its clientele which was shifting towards road network.

**Over the years, Government expenditure on road and railway sector was Rs 632.42 billion and Rs 199.44 billion respectively which manifested the government priority of road sector over railways –**

Over the years the Government spent about Rs 632.42 billion on different projects for development of road infrastructure beside railway track **(Annex-13)** whereas expenditure on development of Railway infrastructure was Rs 199.44 billion (31.54%) only. Thus, there was relatively more investment of Rs 432.98 billion (68.46%) in the road sector over railways. This indicated that in last decade government priority remained on road sector.

***Recommendation – 9***
*The government should allocate adequate funds under PSDP for development of railway infrastructure and management should develop comprehensive strategy and implementation plans for up gradation of rail infrastructure and rolling stock according to international standards and best practices*.

### 1.2.2 PR delivering poor services evident by large number of unsatisfied passengers/customers

The thematic audit on "Customer Satisfaction and Retention in Pakistan Railways" conducted in the year 2021 involving feedback of 175 passengers and freight customers at different railway stations of Pakistan Railways gathered through questionnaire/interviews which revealed that passengers/customers at large were not satisfied with the services provided by PR **(Annex-14):**

- **Station Facilities** - 138 passengers (79%) were unsatisfied/ unhappy and only 37 passengers (21%) passengers were satisfied with station facilities provided by PR.
- **Other Station Services** - 114 passengers (65%) passengers were of the view that other station services were poor and only 23 passengers (13%) considered the other station services as average and good.

- **En-route Train Facilities -** 124 passengers (71%) were not satisfied and only 51 passengers (29%) were satisfied with the en-route facilities provided by PR.
- **En-route Coach Facilities -** 18 passengers (10%) passengers considered services as 'excellent', 21 passengers (12%) remarked good and 112 passengers (64%) were of the view that en-route coach facilities were poor/very poor.
- **Provision of parcel facilities -** 336 freight customers (96%) were found very dissatisfied with parcel facilities of Pakistan Railway.
- **Parcel facilities regarding handling & processing** - A sample of 10 customers at selected divisions revealed that 67% customers said that service was poor/very poor.

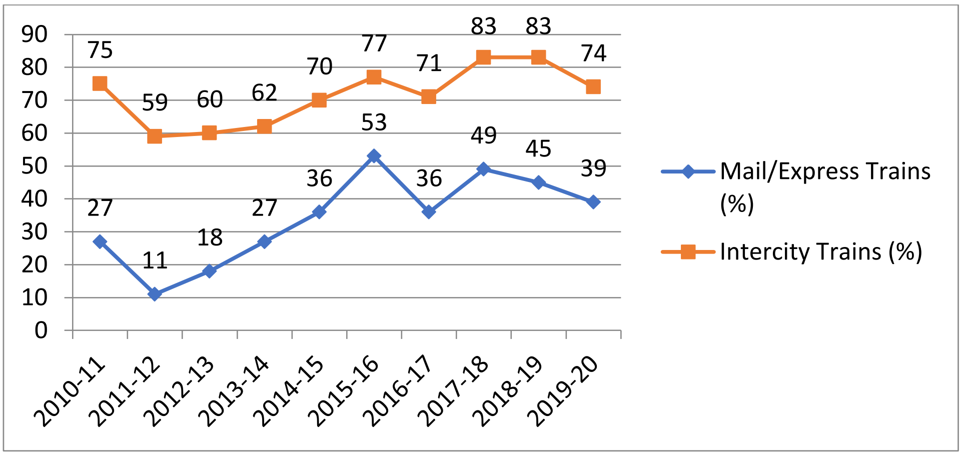
***Recommendation- 10***
*PR should improve the quality of services and facilities provided to the passengers and freight customers at different stations for retention of the passengers/customers to increase revenue.*

## 1.3 Inefficient Management of Operations

**One of major causes of losses of PR is inefficient management of operations characterized by operational inefficiencies in key business operations.** Over the years, market share of passenger and freight traffic of PR which was 41% and 73% respectively in 1960 had plunged to 10% and 4% respectively in 2020. The operational losses had increased from Rs 26.947 billion in 2010-11 to Rs 50.153 billion (up 86%) in 2019-20 due to primarily disproportionate increase in operating expenses while operating below the potential. This persistent management inefficiency has been analyzed in terms of punctuality, safety, reliability, efficiency as under:

**1.3.1 Punctuality of freight and passenger trains remained unsatisfactory over the last decade.** PR train operations have suffered from lack of punctuality which puts it on a disadvantageous position with respect to the competitive road sector. *Overall punctuality of trains in last ten years remained within the range of 42% to 76% and punctuality of mail/express trains was 11% to 53%* (**Annex-15**). Between July 2010 to June 2020, trains were detained for 339,579 hours due to engineering speed restrictions, defects in signaling system, and *defective rolling stock which resulted in financial loss of Rs 666.156 million on account of excess consumption of HSD oil 6,791,580 liters* (**Annex-16**). Out of the total detention, 41.24% detentions were due to loco defects and 10.69% detentions were contributed by engineering restrictions (**Annex-17**). Increase in detention created punctuality issues for the trains and not only eroded the customer trust but also caused consumption of extra fuel. Below given line graph of year-wise change in punctuality of freight and passenger trains over the last ten years details the situation further:

**Figure-45: Percentage Punctuality of Intercity & Mail/Express**




**1.3.2 Ratio of train accidents increased over the decade adding to losses-** In Pakistan Railways, ratio of train accidents increased from 3.24 accidents per million train kilometers in 2010 to 5.09 per million train kilometers, in 2020. The Indian Railways had this ratio at 0.11 accidents per million train kilometers during the period from 2011 to 2016 (**Annex-18**). *During 2010-11 to 2019-20, PR suffered losses of an estimated amount Rs 1.558 billion on account of accidents* (**Annex-19**). PR has a weak record in completion of accident inquiries and action thereon.

Inquiries in respect of 55 accidents had not been finalized till August, 2021.

***Recommendation – 11***

*SOPs should be developed to administer and monitor engineering speed restrictions within minimum possible time limit. Periodic maintenance of rolling stock and track should be ensured. All cases of accidents should be investigated properly within minimum possible time, responsibility fixed, and time frame for implementation on recommendation of inquiries reports should be fixed.*

**1.3.3 PR procured a computerized signaling system to curb accidents and improve track management but did not utilize it for the purpose. -** Original PC-I of the project “Replacement of Old and Obsolete Signal Gear (LON-SDR) was approved in August 2007 with estimated cost of Rs 10.721 billion and implementation period of 36 months to introduce Electronic Interlocking, Auto Block System, Centralized Traffic Control (CTC), Automatic Train Protection (ATP), Cab Signaling to protect trains from accidents, enhance transportation efficiency, increase speed and line capacity. In May 2015, PC-I was revised to Rs 17.464 billion with implementation period of 72 months. Again, a re-revised PC-I was approved on 14.05.2018 with an estimated cost of Rs 18.346 billion and with implementation period of 120 months i.e. 30.06.2018. The first revision in PC-I was due to increase in conversion rate of US$ and addition of cost of interlocking, twenty four (24) unmanned level-crossings as per directives of the Government of Punjab. The 2$^{nd}$ revision in PC-I was due to remodeling of Yousafwala Yard in connection with coal power station near Qadirabad. Total time overrun up to July 2021 was nine (9) years. There was delay of two and half years due to finalization of tender and for three years the project remained under suspension due to an inquiry by NAB. As per progress report for the month of July 2021, expenditure of Rs 15.189 billion had so far been incurred on the project. The expenditure includes payment of US$ 118.185 million (91.26%) to the consortium against the contract value of US$ 129 at 20 stations. Audit noted that *out of 31 stations, CBI system was installed and made operational in just 20 stations despite the fact that more than a decade had elapsed.* The delay in execution of project not only escalated the cost of the project by Rs 7.626 billion but also jeopardized the safety of the service users.

> ***Recommendation – 12***
>
> *Management should make efforts to ensure completion of project without further delay and all components of the project should be made operational to avoid train accidents besides ensuring efficient train operations. A more detailed evaluation identifying the reasons for delay in implementation of the computerized system and its performance needs to be undertaken to better inform successful implementation of the system.*

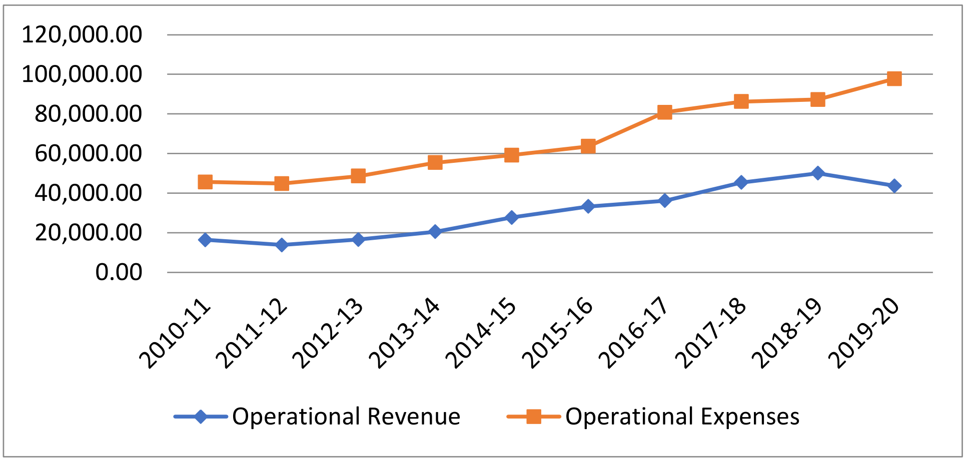
**1.3.4 Little extension in railway track, abandonment of Electric traction; and reduction of rolling stock:-** During the last ten years, only 126 km of track could be added while the availability of locomotives decreased by 55 (10%), of freight wagons by 3,620 (22%), and that of passenger coaches by 129 (7%). Electric Traction (ET) was introduced in PR in 1970 over 286 KMs Lahore-Khanewal mainline sections. However, instead of extending the cost-effective ET (20% less capital cost, 25-30% maintenance cost and 50% running cost as compared to D.E locomotives) was abandoned in October 2009 during dualization of track between Khanewal and Raiwind. Consequent upon certain incidents regarding theft, accidental losses etc. and an application of the ET staff before Standing Committee of the National Assembly, Railway management constituted a three members committee vide G.M's note No. GM/Misc02/ 2010 dated 09.02.2010 to examine the continuation of ET infrastructure in its present shape or discontinue the same with option for disposal of ET material, equipment and staff. After observing the existing condition of ET system as a whole, the Railway management finally decided to abandon the ET system and disposal of its material, equipment and staff. This deprived PR from efficient and environment friendly mode of train operations but also increased the operating expenses which in turn has led to persistent increase in operational losses as the Table below depicts:

**Table-3: Inefficient Passenger & Freight Business**

| Year | Number of Trains | | Passenger to Freight Train Ratio | Operational Revenue | Operational Expenses |
|---|---|---|---|---|---|
| | Passenger | Freight | | Rs in billion | |
| 2010-11 | 230 | 12 | 19:01 | 16.322 | 45.561 |
| 2011-12 | 194 | 5 | 40:01 | 13.749 | 44.798 |
| 2012-13 | 105 | 4 | 27:01 | 16.505 | 48.573 |
| 2013-14 | 91 | 6 | 15:01 | 20.491 | 55.328 |
| 2014-15 | 90 | 15 | 6:01 | 27.627 | 59.171 |
| 2015-16 | 101 | 20 | 5:01 | 33.252 | 63.574 |
| 2016-17 | 101 | 19 | 5:01 | 36.148 | 80.766 |
| 2017-18 | 101 | 22 | 5:01 | 45.334 | 86.198 |
| 2018-19 | 128 | 22 | 6:01 | 50.038 | 87.282 |
| 2019-20 | 101 | 18 | 6:01 | 43.692 | 97.739 |

The graph below shows how the operational revenue and operational expenses steeply increased from 2010-11 to 2018-19. However, in 2019-20 revenue witnessed a declining trend.

**Figure-46: Operational Revenue & Operational Expenses**




***Recommendation – 13***

*Long and short- term comprehensive deletion and induction plans of rolling stock should be developed, implemented and* *monitored strictly. Electric Traction is a cost effective mode of train operation, therefore, its inclusion in the ML-I project may be considered to achieve economy and efficiency of train operations.*

During last ten years, from 2010-11 to 2019-20, passenger earnings of Rs 12.984 billion increased to Rs 24.484 billion registering an increase of 89%. Likewise, freight earnings of Rs 3.338 billion increased to Rs 19.208 billion i.e. an increase of 475%. The operating expenses increased from Rs 45.561 billion to Rs 97.739 billion showing an increase of 115%. The disproportionate increase in operating expenses resulted in losses as well as contributed to the operational inefficiency. Further, after establishment of PRFTC major freight business was transferred to PRFTC, hence freight earnings of PR were reduced by 44% and 46% in the FY 2018-19 and 2019-20 respectively. Below table shows the total freight earnings of PR with and without PRFTC during the period 2017-18 to 2019-20.

**Table-4: Freight Earning from Coal after establishment of PRFTC**

| Financial Year | Total Freight Earning | Freight earnings with PRFTC | Freight earnings without PRFTC | PRFTC Contribution | PR Contribution |
|---|---|---|---|---|---|
| 2014-15 | 8,354 | | 8,354 | | 100% |
| 2015-16 | 10,768 | | 10,768 | | 100% |
| 2016-17 | 12,421 | | 12,421 | | 100% |
| 2017-18 | 19,003 | 9,538 | 9,465 | 50% | 50% |
| 2018-19 | 18,853 | 10,577 | 8,276 | 56% | 44% |
| 2019-20 | 19,208 | 10,401 | 8,808 | 54% | 46% |

***Recommendation – 14***

*PR management should focus on finding new avenues for increase in freight revenue to improve profitability of the organization.*

**1.3.5 The key manufacturing units have run into losses owing to substandard production and abnormally high overhead cost:** Over the years, the production of Steel Shop at Mughalpura has remained below the targets, sub-standard, characterized by abnormally high (985%) overheads cost, suffering escalation in cost due to delays in production (as late as up to 8 years) and loss of potential earnings owing to detention of wagons up to 405 days- all combining and resulting in a loss of Rs 948.37 million (**Annex-20**).

Similarly, audit observed that due to purchase of substandard sleepers from outsourced CSF factory, Kotri at a cost higher than manufacturing cost of CSF/Khanewal, loss of potential earnings due to inordinate detention of locomotives for want of repair, abnormal increase in overhead costs (Rs 121.45 million), caused losses of about Rs 20.066 billion (**Annex-21**).

***Recommendation – 15***

- *Production units should be managed on commercial lines, inclusive of rationalization and incentivizing the human resource, preferably by outsourcing or PPP*
- *Quality of processes at production units and workshops should be raised to ISO 9001 and ISO/TS 22163 level, to avoid further losses*
- *Investment should be done for automation of workshops besides availability of required spare parts should be ensured to avoid bottlenecks in production*

### 1.3.6 Failure in Implementation of Automation/Computerization in PR

Automation helps an organization in achievement of operational efficiency, economy, transparency and efficient & effective decision making. Although Pakistan Railways had set short terms goals under PR Strategic Plan (2018-20) for development & implementation of ERP systems, data systems for each department and wide high-speed data network, but same had not been achieved thus far. The Ministry of Railways started a Financial Information System/Management Information System (FIS/MIS) project in 2005 with approved PC-I involving Rs 60 million funded by the World Bank under Public Sector Capacity Building Project (PSCBP). Pakistan Railways appointed Consultants (M/s Riaz Ahmad & Company, Chartered Accountant) on 30.05.2009 for FIS/MIS against contract price of Rs 40.4 million. However, supervision of pilot project implementation & training and final report could not be delivered. Later, in 2014-15 PC-II of Project Management Unit (PMU) was revised and left-over work of the FIS/MIS project was also included therein. The revised cost of the component regarding balance work of FIS/MIS was Rs 367.308 million. In 2015 a tender was floated but could not be finalized as not even a single applicant was considered up to the mark. The work therefore has been under suspension since 2015, while an expenditure of Rs 104 million had been incurred till finalization this report. Thus, there was an escalation in project cost by Rs 307.308 million (512%) besides, non-completion of the project despite lapse of considerable period of time.

The Computerization of revenue accounts was planned in 2009 however it could not be completed despite making all arrangements such as recruitment of sixty junior auditors and procurement of computer hardware valuing Rs 9.638 million during FY 2010-11. The desired objectives of the automation could not be achieved and the staff recruited and equipment procured was used elsewhere.

Presently facility of e-ticketing is available in railway stations/ reservation offices only and manual tickets are issued to the en route passenger by the commercial staff. Thus, in the prevailing circumstances chances of leakage of revenue cannot be ruled out.

***Recommendations-16***

*i.* *Automation/computerization in Pakistan Railways as laid down in the Pakistan Railways Strategic Plan* *including revenue accounts should be completed efficiently and effectively.*

ii. *Project management should be revitalized and effective implementation of FIS/MIS project should be ensured at the earliest.*

iii. *Issuance of e-ticketing to the en route passengers should be introduced through provision of handheld e-ticketing device to curb losses on account of leakage of revenue.*

### 1.3.7 Expectations of PR management from CPEC project "Up-gradation of Pakistan Railways existing Main Line-1" run high but the project is yet to take off.

Feasibility Study of the project was done in 2015-16 with total cost of Rs 390 million incurred from PSDP. An amount of Rs 910.347 million has been allocated for project support from PSDP. The project of preliminary design study of ML-I was approved by the ECNEC on 12.04.2017 at a cost Rs 10.642 billion and implementation period of 12 months. An expenditure of Rs 7.854 billion had been incurred on preliminary design work up to April 2021 but despite time overrun of three years it was not completed.

As part of CPEC, the project was approved by the ECNEC on 5th August, 2020 with total cost of US$ 6.807 billion and implementation period of 102 months from January 2021 to June 2029. Under the cost sharing formula of 85:15, the Chinese financial institutions would provide loan of US$ 5.786 billion on favorable terms and remaining US$ 1.021 billion would be met from PSDP.

PR management had attached high expectations from this project with the prospect of improvement in image and earnings of the organization, however, only 1550 km track (20%) would be upgraded out of 7791 km route kilometer track. Furthermore, there is no provision for procurement of additional rolling stock which is a prerequisite for train operations. Therefore, parallel to the CPEC project, significant investment may well be necessitated for up-gradation of factories, workshops and procurement or manufacturing of rolling stock.

### 1.3.8 Limitations of Track Infrastructure

**1.3.8.1 Signaling project "Old and Obsolete Signal Gear from Lodhran-Multan-Khanewal-Shahdara Main line Section of Pakistan Railways" approved by ECNEC on 06.02.2008 could not be completed despite cost overrun of Rs 7.626 billion (71.138%) and time overrun of about 9 years. Pakistan Railways could not achieve benefits of the project due to non-implementation of Automatic Train Projection System (ATP) which is a preventive control for train accidents** - An effective signaling system ensures protection of trains from accidents, transportation efficiency, increase in speed and line capacity. Modern systems such as Electric/Electronic Interlocking, Auto Block System, Centralized Traffic Control (CTC), Automatic Train Protection System (ATP), cab signaling etc. are being extensively used by modern Railways.

Pakistan Railways installed CTC and Auto Block System in 1970 and 1993 mainly from Karachi to Kotri however most of the existing systems are very old and obsolete. Consequent upon three train accidents at Sarhad station on 13.07.2005 in which 139 people died, Federal Government Inspector of Railways had recommended replacement of the old and obsolete signaling equipment on the entire network.

The PC-I of Rs 10.720 billion in respect of the project "Old and Obsolete Signal Gear from Lodhran-Multan-Khanewal-Shahdara Mainline Section of Pakistan Railways" was approved by ECNEC on 06.02.2008. The project was awarded the contract on turnkey basis to the Consortium of Bombardier Transportation and China Railway Signal & Communication Corporation at a cost of US$ 130.967 million on December 2009 with completion period of 36 months. The first revision of PC-1 amounting to Rs 17.464 billion was given by the ECNEC on 13.05.2015 due to increase in conversion rate of US dollar and addition of cost of interlocking, of twenty four (24) unmanned level crossings as per directives of the Government of the Punjab. The 2nd revision of the PC-I amounting to Rs 18.347 billion was approved by the ECNEC on 05.03.2018 due to remodeling of Yousafwala Yard in connection with coal power station near Qadirabad. In 2018, the NAB on the allegations of corruption & corrupt practices of officials of PR in award of signaling contract further enquired the matter. The inquiry was closed by the NAB on 01.02.2021 without finding any corruption in the award of procurement contract. Thereafter, LC was extended and work has been re-started. As on July 2021, physical completion of the project is about 97% cost overrun of Rs 7.626 billion (71.138%):

**Table-5: Cost Overrun of Signaling Project**

**(Rs in billion)**

| Original PC-I | Revised PC-I (1st Revision) | Revised PC-I (2nd Revision) | Actual Expenditure as on July 2021 | Increase in Cost | |
|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5=3-1** | **6=5/1x100** |
| 10.720 | 17.464 | 18.347 | 15.189 | 7.626 | 71.138% |

The project has suffered a time overrun of about 9 years. The project completion period was 36 months however; the project could not be completed despite a lapse of 12 years. This indicated poor project & contract management, governance and inefficiency on part of the project management. Moreover, envisaged benefits of the project due to non-implementation of, Automatic Train Protection System, meant for controlling accidents, could not be attained.

### 1.3.8.2 Doubling of Track (DOT)

The original PC-I of the Project regarding Doubling of Track on Khanewal-Raiwind Section on main line amounting to Rs 5.497 billion (246 km) was approved by the ECNEC on 04.08.2005. The PC-I was revised to Rs 8.326 billion on 12.11.2007. The first and second revision of PC-I involving cost of Rs 12.617 billion and Rs 14.261 billion were approved on 26.05.2011 and 06.10.2017 respectively by ECNEC. As per last approved progress report of the project dated May 2019, total expenditure incurred was Rs 13.299 billion with 97.8% physical progress of the project. There was cost overrun of Rs 7.802 billion (142%). The project could not be completed however and was closed in June 2019. None of the following envisaged benefits of the projects could be achieved despite incurrence of 142% more expenditure and time overrun of 10 years:

- Increase in line capacity from 18 trains to 34 trains each way per day
- Increase in speed of trains from 105 KM/hour to 140 KM/hour
- Reduction of detention time of mail/express intercity and passenger trains by 54 minutes and goods trains by 7 hours per day
- Increase in turnaround of locomotives

***Recommendation – 17***

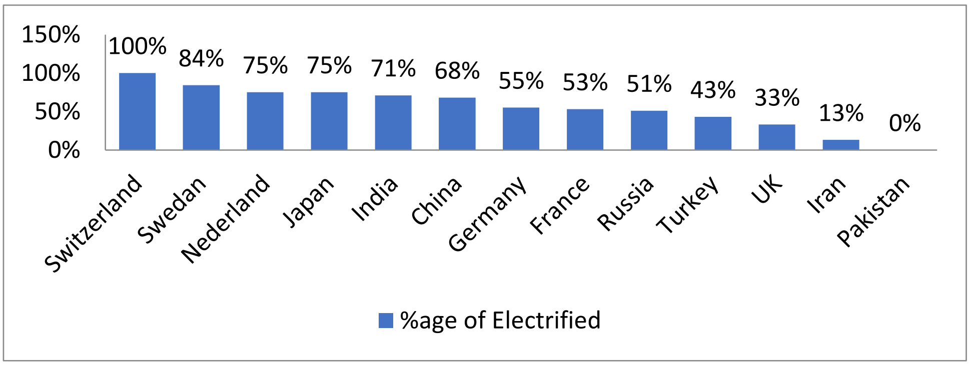
i. *Project completion should be ensured at the earliest so that earnings could be increased through enhancement in line capacity and avoidance of losses on account of train detention and accident.*

ii. *Proper project closure, evaluation report by senior management & the board and the lessons learned from the project should be kept in view for improvement in project management in future projects such as CPEC ML-I.*

**Electric Traction (ET) project named "Electrification of Lahore-Khanewal" involving electrification of 290 km in Pakistan Railways was completed at a cost of Rs 140 million in 1970. Later, project suffered due to non-provision of funds and improper maintenance. Eventually the cost effective and eco-friendly project was abandoned in October 2009 after launching of Doubling of Project (DOT) project –** The project regarding "Electrification of Lahore-Khanewal" was one of the most cost beneficent projects in PR which returned its cost only in eight years. The train operation on ET was started with 29 Locomotives and no electric locomotive was added after that. The Electric Traction system worked properly and with full swing up to 1991. Subsequently it started declining in its functioning due to non-provision of funds and improper maintenance of ET locomotives. The project of Doubling of Track (DOT) between Khanewal-Raiwind was started for dualization of track to achieve efficiency and effectiveness in train operations but non-provision of ET in the PC-I of the project of DOT proved a fatal blow and eventually it was abandoned in October 2009. The world over railways have been switching towards and extending the Electric Traction (ET) as evident from the fact that out of total 1.3 million km of track in world railways, about 375,000 km (29%) had been electrified up to July 2021.

As shown in the graph below railways in Switzerland adopted 100% electrified traction system. Japan converted 75%, India 71% and China 68% to electric traction. Similarly, Iran has 13% electric traction. Currently Pakistan Railways' traffic is 100% dependent on Diesel Electric Traction. Thus, Pakistan Railways failed to maintain and extend the cost effective ET network and dismantled the existing ET.

**Figure-47: ET Systems in Different Countries**




***Recommendation – 18***

*Feasibility of eco-friendly and cost effective Electric Traction (ET) system should be determined with the objective of ensuring economy in operations and controlling operational losses.*

## 1.4 Inefficient Human Resource

**1.4.1 The PR has not rationalized its human resource despite outsourcing of operations-** Audit observed that while the PR has outsourced many of its functions and mechanized track maintenance, no corresponding right sizing of workforce has been effected. Further, there is overstaffing at PR workshops and production levels are not in consonance with the number of employees working there.

Audit also observed instances of appointments/award of advance increments on fake educational certificates involving loss of Rs 4.38 million to PR. (**Annex-22**). There is a lack of mechanism for periodical review of human resource requirement especially in the context of outsourcing of operations.

***Recommendation – 19***

*Comprehensive third-party assessment of labour requirements of PR needs to be undertaken. Extra labour be adjusted or retrenched to control employee related costs. A mechanism for periodical review and reporting of HR requirement should be evolved to adjust staff keeping in view actual requirements, and educational certificates should be got verified from concerned educational institutions at the time of recruitment.*

**1.4.2 Lack of objective HR performance measurement has led to inefficiencies and losses like payment of overtime and piece-work profit without achievement of given targets-**PR paid Rs 977.74 million to its employees working in workshops on account of overtime and piece work profit over the ten years (**Annex-23**). Overtime and piecework payment was paid in routine despite the fact that all workshops and factories were performing below par and failed to achieve given targets.

***Recommendation – 20***

*SOPs should be developed and an HRMIS instituted along with biometric verification of attendance to monitor and control overtime and piece-work profit as per actual performance.*

### 1.4.3 Misutilization of Temporary Labour Application (TLA)

**Based on Audit Reports, over the periods PR suffered losses of Rs 496.67 million due to unjustified/irregular engagement of Temporary Labour Application (TLA) -** In Pakistan Railways there is a practice of engaging TLA employees in projects, factories, workshops and divisions with break in contract of TLA after every 89 days. It was observed that at different times, over the period under audit, PR engaged 2582 TLA employees in excess of sanctioned strength without proper justification and authorization. Thus, wrong utilization of TLA employees and engagement of TLA despite the fact that management of Track Machine Shop, Moghalpura and Track Workshop, Raiwind had been outsourced to RAILCOP augmented the operational losses by Rs 496.67 million **(Annex-24).**

There is non-existence of biometric attendance system particularly in workshops/factories hence there was high risk of existence of ghost employees causing recurring financial loss to PR.

***Recommendation – 21***

1. *An evaluation of human resource requirement should be undertaken through Internal Audit wing of PR, or through a third-party, and TLA should be rationalized accordingly. Effective preventive as well as monitoring controls should be implemented for ensuring rationalized engagement of TLA.*
2. *Biometric verification particularly in factories/workshops should be implemented at the earliest to avoid losses on account of ghost employees.*

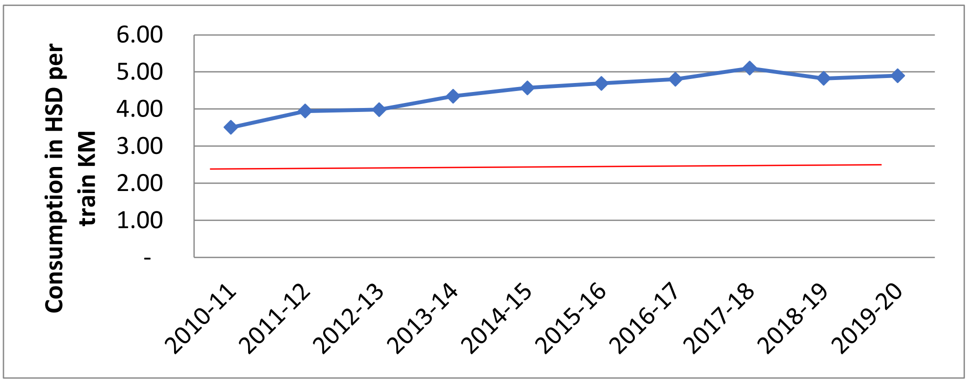
## 1.5 Other Inefficiencies

**1.5.1 Electricity was bought at higher rates from DISCOs and sold to domestic consumers and workshops at cheaper rates, causing persistent and unabated loss besides the addition of line losses in transmission.** Pakistan Railways purchased electricity from DISCOs at a commercial/semi-commercial tariff and supplied it to buildings, work facilities and residential colonies through its own dilapidated distribution network. No separate meters were provided to the service buildings, and workshops and residential colonies were being charged domestic tariff. PR suffered a loss of Rs 3.339 billion during the period from 2010-11 to 2019-20 due to sale of electricity to its consumers at lesser rate than that of DISCOs, besides suffering a loss of Rs 2.259 billion during 2010-11 to 2019-20 on account of line losses **(Annex-25)**. Due to non-installation of meters at different facilities it was not possible to determine the exact consumption of electricity.

> ***Recommendation – 22***
> *PR should handover electricity supply of its colonies to DISCOs. Separate electricity meters should be installed on service buildings to monitor and control electricity cost.*

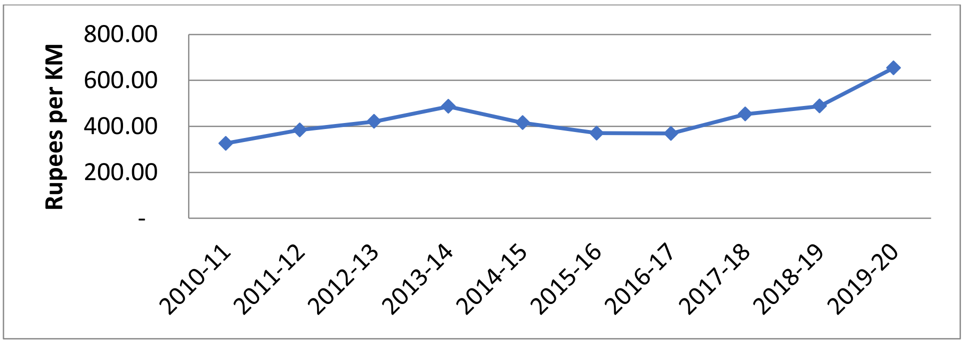
**1.5.2 Loss due to fuel inefficiency -**Analysis of operating fuel (HSD oil) consumption revealed that in the year 2010-11 per train kilometer consumption of HSD was 3.50 liters which increased to 4.90 liters (40% increase) in 2019-20. This resulted in excess expenditure on operating fuel amounting Rs 7.4 billion in 2019-20. This indicated increase in fuel inefficiency. Graphically representation of HSD inefficiency is as follows:

**Figure-48: HSD Oil Consumption per Train KM**




Likewise, operating fuel expense per train kilometer also increased from Rs 325.71 in 2010-11 to Rs 654.47 (100.94%) per train kilometer in 2019-20. Moreover, total train kilometers run in 2019-20 were 30,470,000 kilometers in 2010-11 which remained quite below in last ten years except in the year 2018-19 when it was 33,144000 kilometers,. However there was no corresponding reduction in consumption of HSD oil per train kilometers, rather consumption increased up to 5.10 liter per train kilometer in 2017-18. In the prevailing circumstances there was high risk of misutilization and embezzlement in HSD oil. Moreover, this also manifested ineffective repair & maintenance as well rehabilitation of the locomotives causing recurring financial loss to PR **(Annex-26).** Graph below shows adverse price variance on account of HSD oil:

**Figure-49: HSD Oil Expense per Train KM**



*Recommendation-23*

*The matter regarding high fuel inefficiency causing loss due to excess consumption of HSD oil be probed through internal audit or an independent committee*[3] *besides, management of operational fuel should be made efficient & effective in order to control operational losses.*

**Excess consumption of HSD oil-** PR management fixed HSD oil quota for every route and every class of locomotive to monitor and control fuel consumption. Audit observed that during the period from July 2010 to June 2020 locomotive consumed 3,853,430 liters HSD oil valuing Rs 317.05 million in excess of fixed ration **(Annex-27)**.

*Recommendation – 24*

*A mechanism is already in place to investigate every case of excess consumption of HSD oil in excess of 10% of quota but it is not being implemented. This SOP should be implemented in its true letter and spirit and stringent action be taken against the culprits to eliminate losses in utilization of HSD oil. Regular reporting on this excess usage to management and Board should be ensured by Internal Audit.*

### 1.5.3 Time and cost overrun of projects - Rs 4.5 billion

Forensic Audit of the Pakistan Railways revealed that there was time overrun of up to 48 months in completion of ten (10) projects. The time overrun was due to management inefficiency such as late establishment of Letter of Credits, delays in procurement/shipment of material, non-posting of Project Directors etc. which resulted in cost

[3] Due to shortage of allocated time present audit activity could not investigate the matter in required detail

overrun of Rs 4.5 billion in seven (7) projects due to adverse dollar exchange rates **(Annex-28)**.

The above state of affairs indicated management inefficiency which resulted in loss due to cost overrun of Rs 4.5 billion and non-achievement of the projected benefits of the projects on timely basis.

### 1.5.4 Non-preparation & non-submission of completion report (PC-IV) and annual performance report after completion of project (PC-V)

Para 11.3(a) & (b) of Manual for Development Projects (Revised 2019) Identification, Preparation, Preparation, Appraisal, Approval, Implementation, Monitoring and Evaluation issued by the Ministry of Planning, Development and Reform Government of Pakistan, Islamabad requires preparation of PC-IV & PC-V for the purpose of an ex-post or post-hoc evaluation to discover the actual as opposed to the projected, results of implementing a project. The aim of evaluation is primarily to compare the actual outcome of the project with the projections made at the appraisal stage. Moreover, Para 9.7, 12.2 & 12.7 states that custodian of all project documents is responsible to prepare and submit the project completion report (PC-IV). The project is considered to be completed or closed when all the funds have been utilized and objectives achieved or abandoned for any reason. The completion report should be prepared well in time and submitted to PIA Section of DR&R Division.

Review of record of completed projects of Railways for the period from 2015 to 2020 revealed that total thirty nine (39) projects were completed and completion reports (PC-IV) of only twelve (12) projects were prepared and the completion reports in respect of remaining twenty seven (27) projects were not prepared by the concerned. Further no annual performance reports in respect of thirty nine (39) projects were prepared & submitted to the Planning Commission of Pakistan **(Annex-29)**.

Thus, non-preparation and non-submission of the completion and annual performance reports of the projects evaluation of projects performance could not be carried out.

***Recommendation-25***

1. *Steps be taken for ensuring efficient project management in order to avoid losses on account of time & cost overrun.*
2. *Preparation of completion reports & annual performance reports after completion of the projects be ensured and submission thereof to the Planning Commission be ensured for performance evaluation of the projects*

### 1.5.4 Subsidiaries of PR lagged in performance, failed to generate business from external sources, and remained dependent on PR for their business

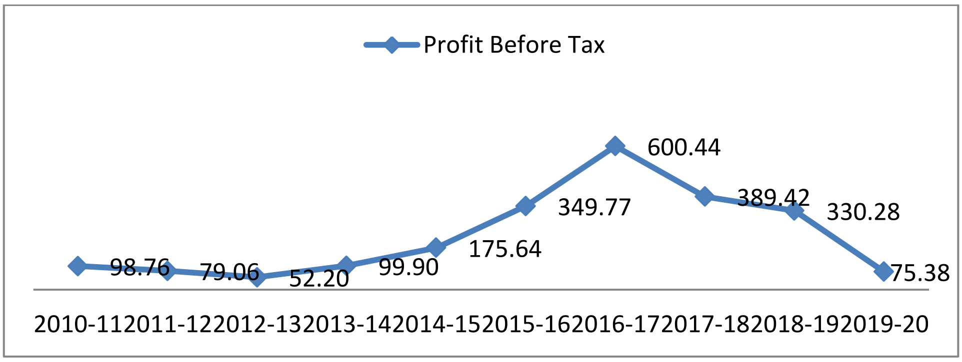
Over the years, Pakistan Railways established three subsidiaries-PRACS, RAILCOP and PRFTC to expand its services in national and international market but they could not achieve this objective and mainly provided services to Pakistan Railways. The Boards of these companies were nominated by the Ministry of Railways in violation of the Cabinet decision dated 10.04.2004 and 16.03.2018, which provides that no appointment should be made on Board of Directors of any organization/ company/corporation under the administrative control of ministries/ divisions without seeking formal approval of the Prime Minister.

#### 1.5.3.1 Railway Constructions Pakistan Limited (RAILCOP)

The company's incorporation in 1980 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017) was in violation of the Ministry of Finance D.O. letter No. 1(9)Soc/80-406, dated 15.06.1980, wherein RAILCOP was required to be registered as a private limited company. The Company was formed with the objective of constructing Railways lines and allied works in foreign countries. From its inception to 2002, the company executed works of US$ 121.00 million for five foreign Railways with major chunk, US$ 116.00 million, associated with Saudi Railway Organization. Nevertheless, the company failed to execute any work for foreign railways after 2002.

Later, under articles of inception, RAILCOP executed agreements with Pakistan Railways for manufacturing of track fittings and fastenings (Track Workshop Raiwind). Similarly, maintenance and operation of track machines and cranes (Track Machines Shop, Moghaplura) was given to RAILCOP. *Essentially therefore, the RAILCOP is mostly dependent on Pakistan Railways for its existence and survival and has not been effective in generating business from external sources*. During the period from 2013-14 to 2018-19 more than 85% of RAILCOP's business came from Pakistan Railways. RAILCOP earned profit before tax of Rs 98.76 million in FY 2010-11 which increased up to Rs 600.44 million in FY 2016-17 and stood at Rs 75.38 million in FY 2019-20. It was noted that incorrect recognition of provisional revenue amounting to Rs 219.86 million was made in FY 2016-17 which over stated the revenue.

**Figure-50: RAILCOP-Profit before Tax (2010-11 to 2019-20)**



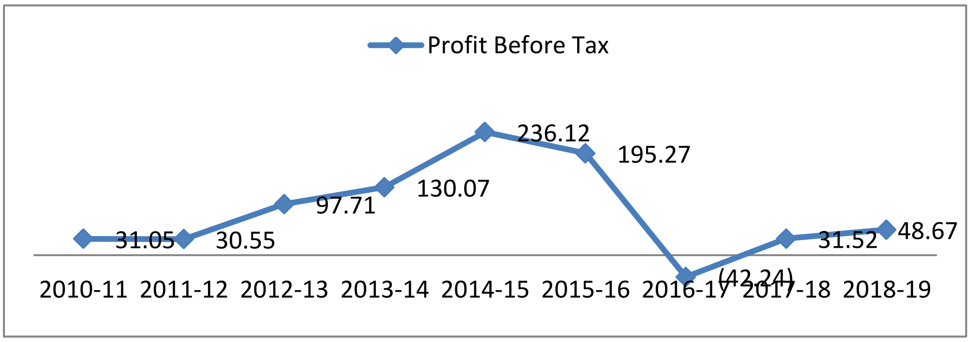

Pakistan Railways leased out Track Workshop Raiwind to RAILCOP for manufacturing track material and supply to PR at agreed rates. RAILCOP got different items manufactured from market and charged PR for labour, FOH and 15% profit amounting to Rs 64.424 million. During the period from 2014-15 to 2018-19, 402,615 items valuing Rs 55.797 million manufactured by RAILCOP in Track Workshop Raiwind were rejected by PR, being not of required specification. However, these were not rectified and hence the loss was sustained by the PR.

RAILCOP Board of Directors in 28th Annual General Meeting held on 27.11.2008 directed that RAILCOP may process winding-up of its branch in Saudi Arabia and repatriate its staff to Pakistan but management failed to wind up its branch in Saudi Arabia up to the year 2018-19, resultantly avoidable expenditure of Rs 19.31 million was incurred. In the year 2015, commercial auditors of Saudi Arabia branch showed their inability to confirm bank balances of RAILCOP amounting to Rs 4.864 million (SR 112,459 x Rs 43.26).

### 1.5.3.2 Pakistan Railway Advisory& Consultancy Services (PRACS) Limited

PRACS was established in 1976 with the prime objective to earn foreign exchange by providing high quality advisory and consultancy services in the field of railways in Middle East, Africa and other developing countries. However, later on, its Memorandum of Association was changed and it entered into several contracts with PR regarding sale of passenger tickets, train management, catering, consultancy services, procurement of goods & services etc. and started generating revenue from PR. During the period from 2013-14 to 2018-19, PRACS generated revenue of Rs 4.825 billion from the PR associated projects which was 98.88% of total business whereas only a meager amount of Rs 54.67 million (1.12%) was earned from other than PR projects. Profitability of the entity over ten year period is shown below:

**Figure-51: PRACS-Profit before Tax (2010-11 to 2019-20)**



Audit also observed that an agreement for preliminary design of upgrading Pakistan Railway Existing Main Line (ML-1) and establishment of Dry Port at Havelian was executed by PR with China Railway Eryuan Engineering Group Co. Ltd (CREEC) China on 15th May, 2017. PR entrusted certain works valuing Rs, 369 million to PRACS in October 2017. PRACS, in turn, outsourced it at cost of Rs 64.320 million. This indicated that works which could have been completed at cost of Rs 64.320 million were awarded to PRACS at cost of Rs 343.000 million causing loss of Rs 278.68 million to PR.

Pakistan Railways awarded contracts of Main Line (ML-1) Project to PRACS which were outsourced by PRACS to different sub-contractors at cost of Rs 83.041 million. Bids were evaluated by three member evaluation committee(s) consisting of non-technical members not having expertise in the field of Civil Engineering consultancy.

PR handed over Heritage Cell Golra to PRACS in June 2018. It was unearthed that instead of generating revenue, the PRACS sustained loss of Rs 9.779 million from operations of Heritage Cell.

### 1.5.3.3 Pakistan Railway Freight Transportation Company (PRFTC) Private Limited

Pakistan Railway Freight Transportation Company (Pvt.) Limited was established in 2014 as a private limited company under Companies Ordinance 1984 (now operated under Companies Act 2017). The objective to set-up the company was to fetch freight traffic for Pakistan Railways in order to make it a commercially viable self-sustaining organization. Therefore, the company was mandated to interact with the private sector for leveraging private capital for procurement of locomotives, rolling stock and also to enter into joint ventures with companies setting up coal power plants in the country, for transportation of coal. PRFTC was more than 90% dependent upon Pakistan Railways to run its operations as it generated revenue of Rs 329.870 million from the PR associated projects whereas only a meager amount of Rs 35.559 million was earned from open market during FY 2017-18 to 2018-19.

The company could not bring private investment in PR to acquire locomotives and freight wagons in line with its Memorandum of Association (MoA). For transportation of coal PR made huge investment during 2016-18 on procurement of rolling stock of the capacity remained unutilized for the FY 2018-19 to 2019-20.

Against 8.800 million tons committed quantity of coal, the PRFTC was offered 5.63 million tons coal during FY 2018-19 and 2019-20 resulting in shortfall of 3.170 million tons (36%). Thus, PRFTC was entitled to receive freight shortfall payment of Rs 4.469 billion as per terms and conditions of the ICTA. However, NEPRA rejected the condition of “monthly freight shortfall payment” and decided to revise the ICTA accordingly with retrospective effect. This shortfall also resulted in loss of potential earnings of Rs 14.577 billion to PR during the two financial years.

In anticipation of expected demand of coal traffic, PR built-up carrying capacity of 7.896 million tons coal traffic per annum during 2016-18 by making huge investment of Rs 42.376 billion in higher capacity rolling stock. In addition to above, Punjab Government also made investment of Rs 4.612 billion in PR for Rail-connectivity through PRFTC. But due to insufficient supply of coal traffic by the company, about 64% carrying capacity of rolling stock remained unused during the past two years. PR sustained a financial set-back in repair and maintenance of 64% idle rolling stock resulting in a financial loss to the tune of Rs 652.46 million.

PRFTC obtained quotations from different banks for opening investment account. The highest interest rate of 7.25% per annum was offered by JS Bank having A+ rating (long term) but the bank account was opened in SCB on 01.03.2016 with interest rate of 5.55% per annum without approval of the Board. This resulted in loss of Rs 88.658 million for the year 2016-17 & 2017-18 due to injudicious decision by CEO/PRFTC by giving undue favour to SCB.

PRFTC was maintaining two current accounts in Standard Chartered Bank and Bank Alfalah Ltd. for payment of LCs by transferring amount from PLS account. The amount remained held up for 04 to 06 months and resulted in loss of Rs 22.386 million on account of interest on the amount transferred from PLS account to current account.

Audit thus concludes that the three subsidiaries - RAILCOP, PRACS and PRFTC- actually have been completely dependent on PR for their revenues (85%, 99% and 90%) respectively from the businesses and activities provided by the PR, and have been more of a burden rather than generating revenues from external sources. Further, these subsidiaries were being operated and managed by the officers posted by the Ministry of Railways. Boards of these companies were neither independent nor approved by the Federal Government.

***Recommendation – 26***

*The subsidiary companies should be managed purely on corporate lines to achieve the objectives for which these were established, by ensuring independent BoDs, by hiring of professional management.*

**The changes in the freight tariff regime were devoid of consistency and did not take into account the market fluctuations.** Audit observed that, as per clause 5.1 of the agreement dated 17.04.2017, executed between PR and PRFTC for coal transportation from Karachi to Yousafwala, freight rate was required to be changed every month to incorporate changes in the price of HSD Oil and every six months in January and July to incorporate CPI impact. However, this requirement was not observed and freight tariff changes were made in an arbitrary fashion. In the last ten years, freight tariff was increased twelve times between 07% to 30% and decreased on ten occasions between 10% to 4%, although the HSD market oil prices were normally changed every month/every fifteen days.

***Recommendation – 27***

i. *A systematic mechanism should be developed for periodic review and adjustment of freight tariff keeping in view CPI, fuel prices and other market dynamics.*
ii. *Internal Audit must give periodic reports to the Board on strength of the mechanism for freight adjustment.*

### 1.5.4 Decommissioning of companies/subsidiaries

**Kashmir Railway Private (Pvt) Limited and REDAMCO were closed without achievement of the purpose for which these companies were incorporated. Establishment of companies without adequate and effective planning coupled with lack of commercial insight & professionalism lead to non-achievement of desired objectives and caused recurring financial losses**

#### 1.5.4.1 Pakistan Railways created Kashmir Railway (Pvt) Limited

In 2014, the then Prime Minister of Pakistan ordered establishment of the rail link Islamabad-Murree-Muzaffarabad. The Kashmir Railway company was established on 03.06.2014 as a Private Limited Company for planning, construction, operating & maintenance of rail corridor, station & terminals, maintenance of depots, yards and other ancillaries' facilities and further expansion of rail corridor. As per audited Financial Statements for the year 2015-16 & 2016-17, the company had incurred an expenditure of Rs 67.945 million on account of payment of salaries and conducting of a feasibility study. The company was winded up by the Cabinet vide Memorandum No.4-11/2019/Min-I dated 23.12.2019. Thus, the company was closed after 5½ years and incurrence of expenditure of Rs 67.945 million was made without any return or achievement of the envisaged objects.

#### 1.5.4.2 Railway Estate Development and Marketing Company (REDAMCO)

The Railway Estate Development and Marketing Company (Pvt) Limited (REDAMCO) was established on the directives of the then Prime Minister of Pakistan on 12th March, 2012 in order to commercialize, lease, manage, maintain, develop, construct upon, market, and/or dispose of the lands owned by the Ministry of Railways and to undertake/execute projects for the development, renovation, and up-grading existing Railway real estate facilities such as stations, residential and office buildings etc. in consultation with the Railway Headquarter. Besides, its objectives were to undertake other projects for generating non-core revenues such as award of selling, advertising, branding rights etc. to third parties on the Pakistan Railways network and to undertake, continue and complete all projects at that time being handled by the Directorate of Marketing. Initially REDAMCO was given 221 sites of surplus land for leasing out. The company in its entire life could lease out 4 sites (1.8%) only. Later, the company was winded up by the Cabinet vide Memorandum No.4-11/2019/ Min-I dated 23.12.2019 without achievement of its envisaged objectives.

***Recommendation-28***

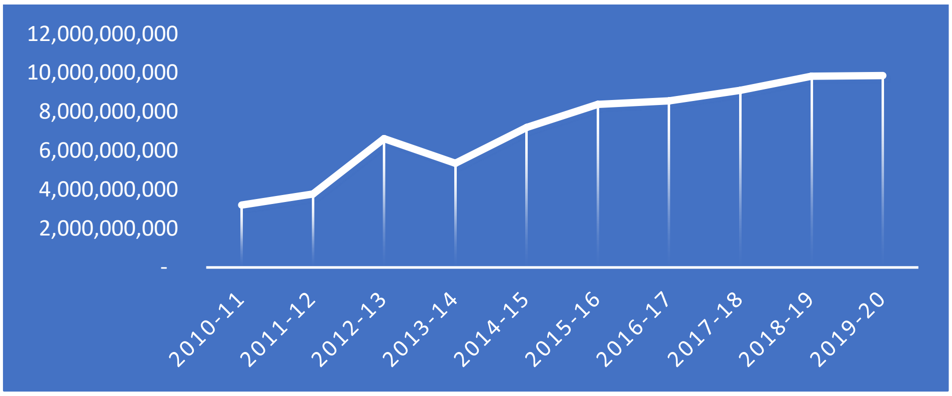
i. *Due diligence should be exercised in planning phase in order to ensure effective planning for establishment of a company.*

ii. *Periodical performance measurement/appraisal of the subsidiaries should be ensured by the management of PR for achievement of their envisaged objectives and to avoid decommissioning of the companies.*

### 1.5.5 Poor Financial Management

**1.5.5.1 Receivable management of Pakistan Railways is quite unsatisfactory as a large percentage of receivables is significantly aged and there are apparently remote chances of recovery of the receivables.** As on 31.12.2020, an amount of Rs 4.4 billion was recoverable from different government departments and autonomous bodies like defense services related organizations, food departments, highway authorities, WAPDA, oil companies and private bodies. Out of this, Rs 484.058 million (11%) have been due for over a period of more than 10 years; Rs 775.453 million (17.62%) due since 6 to 10 years; and Rs 1.135 billion (25.78%) due for a period between 2 to 6 years (**Annex-30**). In addition, an amount of Rs 3.468 billion has also been outstanding against private train operators (M/s Four Brothers, Air Rail Service, Shalimar Group) and their cases were pending in the courts (**Annex-31**). Audit also observed that there was non-reconciliation of receivables between records of PR management, accounts wing, and clients. This shows weak reconciliation and monitoring controls and in turn has led to non-assessment of receivables with reference to their aging and prospects of recovery. Besides, there was non-existence of preventive controls to avoid piling up of receivables on account of outsourcing of passenger trains. Year-wise position of receivables over the ten year period may be seen in the graph below:

**Figure-52: Trend of Accounts Receivables**




***Recommendation – 29***

*A mechanism should be laid down to declare aged receivables as bad debts and to monitor and expedite recoveries of accounts receivables. Data of accounts receivables should be computerized for proper,* *reconciliation, monitoring and efficient recovery. Moreover, collection on account of sale of tickets in respect of outsourced passenger trains be managed by PR in order to avoid overdue receivables.*

**1.5.5.2 PR has not been able to fully utilize its capital grant:-** An analysis of grants (Revenue & Capital) for the period from 2010-11 to 2019-20 revealed that railway management could not utilize capital grants of Rs 56.619 billion in 9 years **(Annex-32)**. Overall percentage utilization of capital grant was 79%. Slow utilization of the capital grant implies adverse impact on infrastructure development.

***Recommendation – 30***

*Rules and procedures regarding utilization of capital grant should be adhered to in their true letter & spirit for optimum utilization of available financial resources.*

**1.5.5.3 Excessive Reliance on Overdraft for Cash Flows and Interest Payment.** The payment of interest on overdraft taken from the SBP as a credit facility is a regular feature in PR. There has been a cash-shortfall crisis in PR for last many years which was dealt with the support of this credit facility. Review of figures of overdraft with SBP over the period of last ten years revealed that there was persistent decrease in the overdraft amount ranging from 2% to 15% as compared to base year 2010-11. The overdraft with SBP is increasing over the years and PR had to make payment of interest on the overdraft to SBP. Similarly, interest was paid on account of foreign loans taken for acquiring new assets or for replacement of wasting assets. The detail of interest paid on both these accounts is presented below. Total interest payment in last 10 years stood at Rs 13.035 billion. Interest of Rs 5.91 billion was paid on foreign loans which were utilized for procurement of assets whereas interest of Rs 7.124 billion was paid on overdraft with SBP which was used for working expense only. This had an adverse impact on the profitability of PR due to payment of interest on overdraft/foreign loans.

**Table-6: Overdraft and Foreign Loans**

***(Rs in million)***

| A/c Head | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest on Foreign Loans | 1,091 | - | - | 3,717 | - | 300 | 202 | 300 | 300 | - |
| Interest on Overdraft | 3,866 | 1,234 | 47 | - | - | 122 | 201 | 383 | 496 | 775 |
| **Total interest** | **4,957** | **1,234** | **47** | **3,717** | **-** | **422** | **403** | **683** | **796** | **775** |

***Recommendation – 31***

*Management should ensure optimal & effective utilization of resources, and dependence on excessive overdraft be minimized to avoid the burden of interest on overdraft*

### 1.5.6. Defective Procurement Regime

### 1.5.6.1 Loss of potential earnings due to excess procurement of freight locomotives - Rs 3.122 billion per annum

PR procured 55 locomotives (4500 HP) under the project "Procurement of 75 DE locomotives" on the justification that the same were urgently required to cope with available freight traffic demand. Audit observed that the locomotives were put into operation from March to September 2017 and about 35% to 53% fit locomotives on daily basis remained idle in MYP/KC due to no demand from traffic & commercial departments. Moreover, at present (November, 2021) 9 locomotives are being utilized for passenger train operations as confirmed by the WM, Diesel, Karachi. Further, it was observed that PR had executed an agreement with NLC in November, 2014 for hiring of 10 locomotives on lease of 12 years. During the FY 2017-18 PR paid a sum of Rs 177.524 million as rentals despite the fact that its own 17 freight locomotives remained idle in FY 2017-18.

The above state of affairs indicated inadequate & ineffective procurement planning for the locomotives causing loss of potential earnings of Rs 3.122 billion per annum **(Annex-33).** Besides, PR was suffering financial losses due to deployment of the 4500HP locomotives on passenger train operation.

### 1.5.6.2 Pakistan Railways has not been able to establish sound procurement processes that ensure economy, efficiency and effectiveness

Lack of coordination among stakeholders (end consumers, store department and procurement department) in PR, overlapping roles e.g. procurement of like items of goods & works, and use of non-standardized bidding documents with the ones prescribed by PEC have created persistent inefficiencies in the procurement process. For example, 1365 high capacity hopper wagons and 40 brake vans were procured for transportation of 6 million tons coal per annum from Karachi port to Qadirabad power plant and put in operation during Sep-2016 to Jan-2018 whereas Inland Coal Transportation Agreement dated 07.07.2015 was made for transportation of only 4.2 million tons coal per annum. Hence, 270 wagons and 12 vans valuing Rs 3.198 billion were procured in excess of the requirement. Additionally, the procurements have been seen to be made at higher rates, witnessing several violations of PPRA rules including the non-finalization of tenders in multiple attempts due to poor procurement planning i.e. revision of specifications and method of procurement. In some cases up to 24 months were consumed in procurement process and later on inappropriate bid evaluations were resorted to by not going for mandatory legal and financial vetting of contracts. Over the years Pakistan Railways had suffered losses of Rs 960.086 million and irregularities of Rs 346.36 million due to above procurement related inefficiencies (**Annex-34**) Review of several contracts by audit revealed that non-enforcement of contractual obligations and absence of contingency and risk mitigation planning, such as pending warranty claims and sub-standard supplies at higher rates, have resulted in a loss of Rs 307.716 million (**Annex-35**).

***Recommendation – 32***

*i. An Enterprise Resource Planning based MIS to be implemented linking procurement management, inventory management, issuance of purchase orders, recording of assets and payments*

*ii. Internal controls related to procurement may be strengthened through regular evaluation of procurement processes by internal audit*

*iii. FOB procurement may be made subject to third party inspection.*

*iv. Procurements contracts should invariably be vetted from legal and finance departments to avoid losses due to bottlenecks at belated stage such as litigation.*

*v. New avenues for coal/other bulk product transport should be explored to utilize excessively procured rolling stock for coal transportation.*

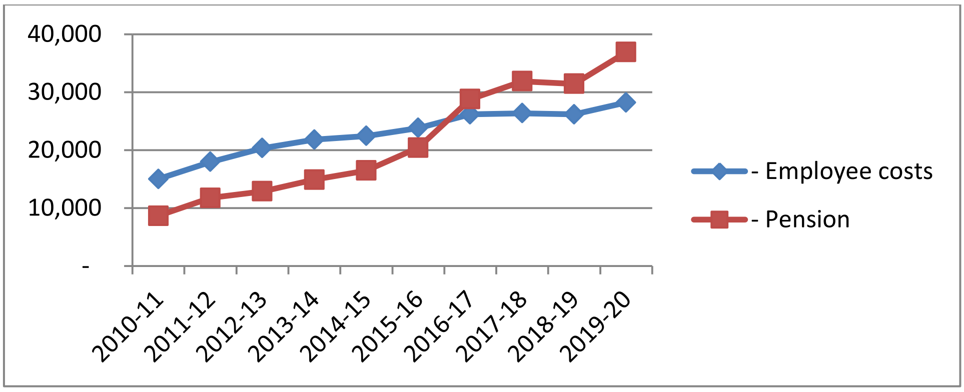
## TOR: 2 Analysis of Potential Red Flags

There are many irregular practices due to which Pakistan Railways suffered losses in the past, which also constitute potential red flags being of recurring nature that can lead to losses or fraud. **Pakistan Railways is a state-owned entity and it adopts the policies of Federal Government in fixation of pay and allowances of employees and for pension rates and increases therein.**

### 2.1 Accumulated Pension Liability

Pension has emerged as the single largest expenditure item for PR in the recent years. Whereas PR was responsible for hiring of excess HR over the years it exercises no control over pensioner benefits of its employees. However the fact remains that over a period of several years when these liabilities were piling up and long queues of pensioners became quite a routine phenomenon in the PR, the management and those responsible for the oversight function of Pakistan railways did not make any serious attempts to create a pension fund to better manage the issue from the financial management point of view but also to allay the sufferings of the ordinary pensioners. The periodic increases in pay and pension by the Federal Government and policy changes have increased the burden of pension on PR manifold. The trend of increase in disbursement of pension is evident from the following graph.

**Figure-53: Employee related Cost and Pension**



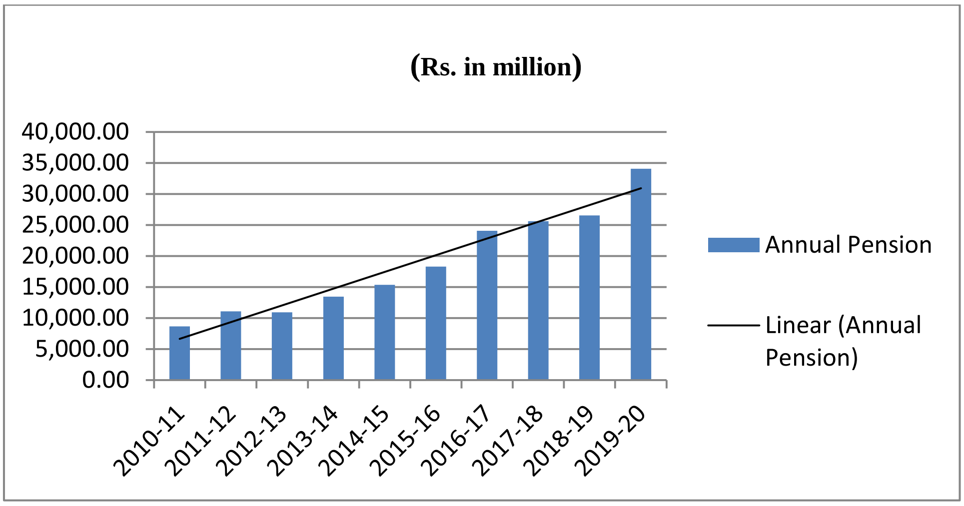
Major contributing factors of increasing pension expenditure were annual increases, increase in rate of family pension from 50% to 75%, grant of Medical Allowance, increase in minimum pension from Rs 2,000 to Rs 10,000, grant of family pension to widow/divorced daughter of pensioner, grant of Prime Minister's assistance package to the families of deceased employee and grant of increases on restoration of commuted value of pension **(Annex-36).**

**Table-7: Increasing Pension Expenditure (Rs in million)**

| Years | Annual Pension | Commutation | Leave Encashment | Medical Allowance | Total | Base Year Change 2010-11 | % Change |
|---|---|---|---|---|---|---|---|
| 2010-11 | 8,651.496 | - | - | - | **8,651.496** | | |
| 2011-12 | 11,071.810 | 659.236 | - | 3.325 | **11,734.371** | 3,082.88 | 36% |
| 2012-13 | 10,918.444 | 1,904.754 | - | 32.119 | **12,855.317** | 4,203.82 | 49% |
| 2013-14 | 13,447.140 | 1,383.778 | - | 47.834 | **14,878.752** | 6,227.26 | 72% |
| 2014-15 | 15,319.159 | 1,132.326 | - | 11.863 | **16,463.348** | 7,811.85 | 90% |
| 2015-16 | 18,278.716 | 1,849.441 | 270.680 | 5.564 | **20,404.401** | 11,752.91 | 136% |
| 2016-17 | 24,038.802 | 4,059.446 | 638.368 | 36.826 | **28,773.442** | 20,121.95 | 233% |
| 2017-18 | 25,580.969 | 5,196.433 | 1,926.858 | 17.174 | **32,721.434** | 24,069.94 | 278% |
| 2018-19 | 26,500.083 | 4,025.809 | 887.196 | 5.805 | **31,418.893** | 22,767.40 | 263% |
| 2019-20 | 34,047.452 | 2,123.559 | 399.281 | 16.567 | **36,586.859** | 27,935.36 | 323% |
| **Total** | | **22,334.782** | **4,122.383** | **177.077** | **214,488.313** | | |

The graph below also indicates how this steep rise in pension expenditure (323% over the period of last ten years) adversely affected the PR in allocating sufficient resources for working expenses, including repair and maintenance of infrastructure and rolling stock, modernization and automation of its existing system.

**Figure-54: Pension Expenditure of PR**




The table below shows the significant share of pension in total expenditure of PR. In 2019-20, pension payments were equal to 38% of total expenses of PR which depicting the significant impact of pension expenditure on profitability of PR

**Table-8: Share of Pension Payment in Total Expenditure of PR from 2010-11 to 2019-20**

*(Rs in billion)*

| A/c Head | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Pension payment** | 8.651 | 11.73 | 12.85 | 14.87 | 16.46 | 20.40 | 28.77 | 31.85 | 31.78 | 36.89 |
| **Total Expenditures** | 45.561 | 44.798 | 48.573 | 55.328 | 59.171 | 63.574 | 80.766 | 86.198 | 87.282 | 97.740 |
| **Percentage w.r.t. Pension** | 19% | 26% | 26% | 27% | 28% | 32% | 36% | 37% | 36% | 38% |

PR management could not adequately foresee and assess the pension related complications and failed to take action to create a pension fund, make other investment arrangements to defray the expenses, or take up with the federal government to rationalize pension rules to minimize the burden.

***Recommendation – 33***

*The Government should assign top priority to the ballooning pension expenditure which has both short- term and long-term repercussions. (i) the creation of a pension fund after actuarial assessments should be ensured to strategically address the issue. (ii) a shift to contributory pension regime should be undertaken (iii) liberal pension rules that allow benefits well after demise of the pensioner in the form of family pension need to be reviewed, while keeping adverse impact on disabled and low income dependents in view.*

## Increasing Expenditure on Employee Related Expenses

Like pension, PR has no effective control over employee related expenditures in terms of emolument package as these are largely regulated and guided by the government policies (**Annex-37)**. During the period from 2010-11 to 2019-20, employee related expenditure of PR doubled from Rs 14.992 billion to Rs 28.206 billion although the number of employees of Pakistan Railways decreased from 82,424 to 67,406 (18%) as new recruitment was not made at the same rate as of retirements.

**Table-9: Statement of Employees Related Cost of PR**

| Year | Total number of employees | % Change | Employee related costs (Rs in billion) | % change |
|---|---|---|---|---|
| **2010-11** | 82424 | -1.72 | 15.286 | - |
| **2011-12** | 82176 | -0.30 | 18.133 | 18.63 |
| **2012-13** | 81880 | -0.36 | 20.557 | 13.37 |
| **2013-14** | 79505 | -2.90 | 22.203 | 8.01 |
| **2014-15** | 78031 | -1.85 | 23.039 | 3.77 |
| **2015-16** | 75242 | -3.57 | 24.305 | 5.49 |
| **2016-17** | 73276 | -2.61 | 26.795 | 10.25 |
| **2017-18** | 72078 | -1.63 | 27.000 | 0.77 |
| **2018-19** | 67627 | -6.18 | 28.214 | 4.50 |
| **2019-20** | 67406 | -0.33 | 28.202 | -0.04 |

***Recommendation – 34***

*The PR needs to implement a policy whereby the increases in emoluments are linked to the profitability of the organization. It also needs to undertake an objective and impartial study aimed at rationalization of its human resource strength across the organization.*

**The PR is plagued with multiple dimensions of misappropriation and misuse of its assets. Instances have consistently been brought to the notice of responsible for the governance of Pakistan Railways about observed deficiencies in rolling stock, using excess than required HSD oil, depositing public money to unauthorized private bank accounts and making payments against fake invoices and the outright misappropriation of cash.**

### 2.1.1 Inappropriate use of Assets

**Pakistan Railways has been deprived of material revenues due to encroachment and underutilization of surplus land** – Pakistan Railways owns 168759 acres land all over the country. As per available record of the Ministry, an area of 4741.08 acres (52%) of Railway land valuing Rs 30.010 billion is under illegal occupation whereas 4324.753 acres land valuing Rs 27.701 billion had been retrieved from encroachers since July 2012. PR generated revenue of Rs 1.511 billion during the year 2019-20 from short term leasing of land. Earnings from land utilization could be increased by commercial utilization of surplus railway land. PR in its Strategic Plan set short term goal (2018-20) for development of GIS-based real estate management data-base but the same could not be implemented thus far. Audit has observed several cases of encroachment, non-mutation of procured land and un-authorized conversion of residential plots into commercial plots involving Rs 3.054 billion **(Annex-38).**

***Recommendation – 35***

*Land management should be improved by timely completion of computerization of land records, use of GIS, retrieval of encroached land and commercial utilization of surplus land.*

### 2.1.2 Misappropriation of Cash

**Unauthorized deposit of public money in private bank accounts-** All revenues earned from the use of Railway property are required to be deposited in the Government treasury. Audit however observed the Railway earnings amounting to Rs 220.61 million to have been deposited in private bank accounts instead of Government treasury during period from 2010-11 to 2019-20 **(Annex-39)**. This way revenue of Pakistan Railways was reduced due to deposit of Railway revenues in private bank accounts. Whereas, PR was paying interest on the overdraft from SBP due to cash shortage.

***Recommendation – 36***

*Practice of utilization of funds through private accounts be immediately stopped. Furthermore, the revenue earned from public land and buildings must be deposited in the Government treasury on immediate basis along with interest earned.*

#### 2.1.2.1 Cash Receipt & Disbursement

Earnings of PR are deposited into Bank Account No. III maintained with SBP. Pakistan Railways had executed an agreement with the National Bank of Pakistan (NBP) for collection of cash from railway stations/booking offices. It was observed in 2014-15 that NBP collected cash amounting to Rs 1.57 million from Railway Station Quetta and deposited the cash into Pakistan Railway Collection Account with a delay of up to 14 days instead of depositing the cash on same day **(Annex-40).** The bank failed to collect cash earnings on Sundays and other gazette holidays at 126 stations/booking offices. Moreover, PR officials did not make daily reconciliation there was no daily reconciliation of deposit of earnings and average monthly balance under suspense was appearing as Rs 687.654 million **(Annex-41).** During 2012-13 to 2015-16 unauthorized utilization of station earnings amounting to Rs 2.695 million by the Divisional Administration Quetta was observed **(Annex-42).**

Treasury management in Pakistan Railways remained ineffective as evident from the un-authorized depositing of public money in private bank accounts, irregular retention and un-authorized utilization of public money. Moreover, there was a significant balance of outstanding station earnings amounting to Rs. 1.606 billion as on 31.12.2016 which indicated inefficiency and infectiveness of the station master/booking staff. It was also noticed that cash amounting to Rs. 7.73 million was looted at different stations which manifested inadequate preventive controls causing financial losses.

Review of recovery register and commission bill register maintained by the Senior Accounts Officer/Stores, PR HQ Office, Lahore disclosed that during the period from 05.07.2017 to 04.09.2018 payment amounting to Rs 5.679 million was made to local agents on account of commission bills without any adjustment/recovery on account of amount recoverable. Moreover, it was also noticed that an amount of Rs 3.097 million was paid to a blacklisted contractor (ZM Enterprises, Lahore) without any recovery/adjustment on account of amount outstanding against them. This indicated weak pre audit checks by the accounts department causing loss to Pakistan Railways.

***Recommendation -37***

- *Effective implementation of contract executed with National Bank of Pakistan should be ensured for timely deposit of cash into PR collection account in order to avoid potential losses. Besides, PR should ensure daily reconciliation of figures with NBP preferably through establishment of IT linkage between PR and NBP branches.*
- *Comprehensive measures should be adopted to restrict the deposit of railway dues in private bank account, and un-authorized retention/utilization of receipts in order to avoid associated losses.*

- *An effective system should be evolved for ensuring expeditious clearance of the station outstanding to avoid loss of earnings.*
- *Effective mechanism should be put in place for expeditious adjustments on account of miscellaneous advances for ensuring expeditious adjustment within the same financial year.*
- *Financial and budgetary controls should be strengthened in order to avoid incurrence of un-authorized expenditure.*
- *Clearance/adjustment of the advances on account of local purchases should be ensured at the earliest; issuance of the advances against local purchases should be restricted.*
- *Pre-audit mechanism should be made effective by extending the ERP system that is already being used to process pensions to the processing of pre-audited claims inclusive of system-based deduction of withholding taxes and adjustments.*

### 2.1.3 Payments against fake invoices

In Pakistan Railways, a practice of cash advance for purchases is being followed. Audit observed that employees retain amounts drawn and subsequently submit bogus cash invoices to adjust these advances. An amount of Rs 180.43 million was paid or adjusted against fake invoices during the period from 2010-11 to 2019-20 **(Annex-43)**.

***Recommendation – 38***

*Practice of procurement through cash advances should be restricted to avoid cash payment and associated risks /losses*

## 2.1.4 Misuse of Assets

Weaknesses in inventory management constitute a red flag that can lead to lost wasted or damaged inventory, and excessive procurements. The inventory management in PR has not been effective leading to procurement of material without proper need assessment, which at first resulted in blockage of capital and then conversion into scrap due to obsolescence. Over the years average monthly consumptions and stock levels at PR were not being revised based on need assessments, which resulted in excessive procurements. A Material Accounting System (MAS) was developed for procurement and inventory management but only inventory of main and sub-depots was being managed through MAS. Consumer stores were not made part of the MAS due to which major chunk of the inventory was not being shown on MAS. Management of scrap was very poor because of non-availability of weightment machines at certain locations and improper weightment, accountal and stacking in the depots. As per available record, different lots of scrap surveyed 5 to 20 years ago valuing Rs 502.075 million **(Annex-44)** were pending for disposal and scrap up to 20 years old weighing 20,270 metric ton valuing Rs 1.216 billion **(Annex-45)** was also lying un-surveyed, and thus it could not be disposed of causing revenue losses for the PR. The huge balances of surplus and above maximum store indicated ineffectiveness of the prescribed inventory controls causing blockage of capital and losses due to deterioration.

***Recommendation-39***

i. *Inventory Management should be made efficient and effective by ensuring adherence to the prescribed inventory controls and inclusion of planning, procurement and inventory management modules in MAS/ERP for ensuring achievement of mission statement i.e. "Right product at the right price, in the right quantity, at the right time and at the right place is made available".*

ii. *All out efforts should be made for efficient disposal of scrap in a transparent manner in order to avoid losses on account of pilferage, theft and deterioration.*

### 2.1.5 Theft of Inventory

**Thefts and other deficiencies in the rolling stock are common:** Costly parts of rolling stock and track material valuing Rs 1.173 billion were reported stolen during period of ten years from 2010-11 to 2019-20 **(Annex-46)**. In these 16 cases, Railway management and Railway Police failed to take any suitable action due to which stolen material was not recovered. Major incidents of theft of permanent way material have been reported for Mandra-Bhone & Larkana closed sections and parts of passenger coaches which were left unguarded. Spare parts were stolen from rolling stock during transit of trains and stabling of rolling stock in yards or sick lines. These deficiencies were pointed out at the time of receipt of rolling stock at destinations or in workshops. Audit noticed deficiencies in fittings in coaching and goods stock valuing Rs 1.668 billion during the period from 2010-11 to 2019-20 **(Annex-47)**.

***Recommendation – 40***

i. *Mechanism should be developed for timely survey and disposal of scrap, and monitoring thereof by internal audit.*

ii. *Mechanism should be developed for effective monitoring of closed section to safeguard infrastructure.*

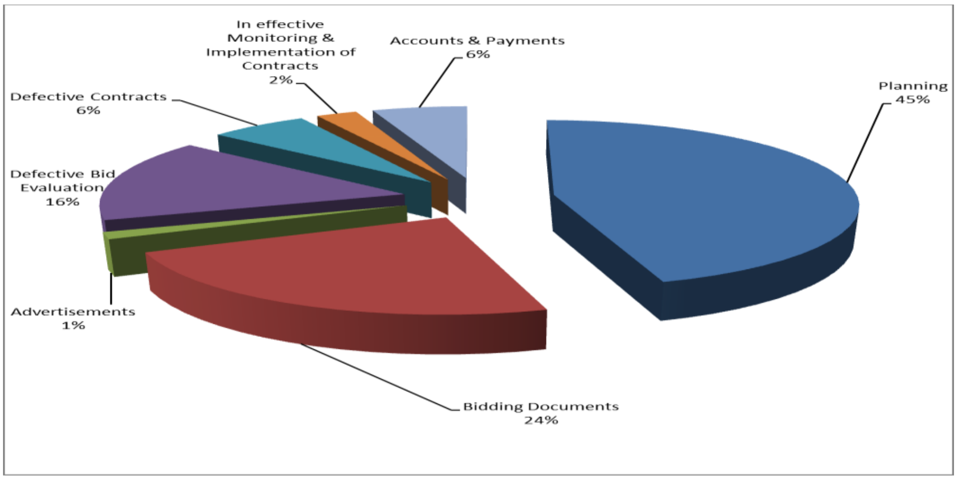
iii. *SOPs regarding deficiencies of fittings in coaching and goods stock should be implemented in true letter & spirit to fix responsibility and control deficiencies.*

### 2.1.6 Red Flags due to Lapses in Procurement Process

There is no independent selection of sources of procurement in PR. Multiple procuring agencies (Chief Controller of Purchase, Director Procurement & Project Directors etc.) without central control, having overlapping functions made procurement in PR through bidding documents not standardized/harmonized with PEC. Procurement management related inefficiencies observed include procurement of hopper wagons in excess of traffic demand, procurement at higher rates, violation of PPRs-2004, non-finalization of tenders in multiple attempts despite consumption of significant time, inappropriate bid evaluation, non-vetting of mandatory legal/financial vetting of contracts. Moreover, procurement of material was made without annual procurement planning causing loss due to uneconomical procurement and bottlenecks in train operations & PSDP projects.

**Figure-55: Graphic representation of procurement related irregularities**

**(Rs in billion)**




**2.1.6.1 Non-existence of physical office of five local agents confirmed in a surprise physical verification of local agents conducted by Audit created doubts about the genuineness of the product, potentially leading to loss to PR** - Audit gathered address of the local agents from the computerized data base of the local CCP office. During surprise physical verification of a sample comprising of Lahore based 10 local agents it was disclosed that five (5) local agents were fake as their offices did not exist on the given addresses which raised red flags about the supply of OEM items supplied through these agents. Moreover, audit demanded record/reports from PR relating to any physical verification of the local agents conducted by PR, but same was not produced. This indicated major gaps in internal controls for verification of credentials of local agents. Besides, chances of management collusions and losses to Pakistan Railways on account of supply of sub-standard material of incorrect specifications at exorbitant high rates cannot be ruled out.

Over the period RAILCOP, a subsidiary of Pakistan Railways, made procurement of engine parts, tools etc. valuing Rs 143 million manufactured by M/s Deutz Germany through local agent, M/s Trademas International, Lahore. Payment was made to M/s Trademas via transfer of funds in their bank account (HBL Account No. 0557-79004763-03) besides, custom clearance was also done by the local agent privately instead of through DCOS/Shipping, Raitiline, Karachi Cantt. Later on, M/s Trademas was made reimbursement on account of custom clearance charges and consultancy fee by M/s RAILCOP. On query by Audit it was confirmed by M/s Deutz that M/s Deutz had no dealership contract with M/s Trademas. In the prevailing circumstances chances of loss due to over invoicing could not be ruled out.

**2.1.6.2 Single Source Procurement**

PR undertook procurement of 202 new passenger coaches, 540 high capacity wagons, 780 high capacity hopper wagons, 585 high capacity hopper wagon & 20 bogie brake vans and 138 locomotives valuing Rs 43.82 billion under different PSDP projects. Out of total procurement of rolling stock, procurement valuing Rs 31.17 billion (71%) was made through single local agent namely M/s Pemcon International Ltd., Karachi. Thus during the period of last ten years substantial procurement of rolling stock was made through only one local agent which raises a red flag of collusion, or risk due to single point of failure owing to reliance on a single source.

Pakistan Railways has had issues of faulty procurements since a long period of time indicating systemic gaps in application of procurement controls. As an instance PR made procurement of 69 DE Locomotives in December, 2003 which was defective as the locomotives were received before completion of the requisite test and trial. Resultantly, 57 locomotives had to be grounded as they developed serious defects. The faulty procurement of the locomotives adversely effected railway operations/earnings.

***Recommendation – 41***

i. *Independence/transparency in pre-qualification/ registration of firms, technical & financial evaluation of bids and testing & inspection of material be ensured for fair & healthy competition and the best value for money.*

ii. *Centralized procurement may be considered, the bidding documents should be standardized / harmonized with PPRA and Pakistan Engineering Council (PEC) for ensuring transparency in procurement, and effective control over procuring agencies within PR.*

iii. *An effective mechanism should be evolved for ensuring verification of credentials of local agents at the time of registration of local agents and while carrying out technical evaluation of bids besides, proper documentation thereof should also be made. Moreover, authorization of local agent from OEM should invariably be received directly instead of through local agents.*

iv. *Payment should invariably be made through establishment of LC on OEM and custom clearance should also be through the dedicated custom clearing agent of PR i.e. DCOS/Shipping, Karachi to protect financial interest of PR.*

## TOR:3 Misrepresentation, Errors / Omissions

Pakistan Railways, being a self-accounting entity, has departmentalized accounts managed by Member Finance who is assisted by three Financial Advisors and Chief Accounts Officers (FA&CAOs). The FA&CAOs carry out multiple functions including revenue collection, financial concurrence and compilation of accounts on behalf of Ministry of Railways, Ministry of Finance and CGA. At the Ministry level, the PAO is assisted by Chief Finance & Accounts Officer, (CF&AO) and Chief Internal Auditor (CIA). The CF&AO furnishes advice in financial and accounting matters and CIA heads the internal audit wing. Despite this elaborate arrangement; audit has observed a number of significant misrepresentations and misstatements in the Financial Statements of PR over the reporting period.

## 3.1 Deliberate Misrepresentation in Financial Statement

### 3.1.1 Overstatement of Revenue Receipts (Earnings)

During the period 2010-11 to 2019-20, audit highlighted several instances of over-statement of revenues.

**3.1.1.1 Overstatement of Rs 660 million in earnings by incorrectly booking the amount received for Deposit Work as earnings -** An amount of Rs 660 million was received from PRFTC for procurement and installation of CBI system at Yousafwala Railway Siding. The funds were irregularly remitted to Lahore division and accounted for under the head Z-660 (sundry earnings) for the year 2018-19, instead of being credited to the head “Deposit Misc” account for execution of work. This resulted in overstatement of earnings in the profit and loss account to that extent.

**3.1.1.2 Creation of fake receivables amounting to Rs 456 million from WAPDA booked as earnings -** An amount of Rs 456 million was irregularly booked under bills receivable and the amount was credited to earnings on account of unauthorized/ illegal overhead crossings by WAPDA in January 2015. The amount was unsubstantiated as no corresponding record was available with Electric Department. Neither any bills/ claims of this amount were ever issued to and accepted by WAPDA. This resulted in fake booking of bills receivable leading to overstatement of earnings in the financial statements of PR.

**3.1.1.3 Wrong booking of dividend as earnings of Rs 298 million –** PR had booked an income of Rs 300 million as dividend receivables from RAILCOP in FY 2016-17, whereas the said company had not declared any dividend whatsoever. Later on, RAILCOP declared dividend and paid Rs 2 million to the PR that still left the revenue for the FY 2016-17 overstated by Rs 298 million.

**3.1.1.4 Wrong booking of withholding tax in Gross Earnings resulting in overstatement by Rs 70.55 million -** Advance tax was collected by Pakistan Railways (as a withholding agent on behalf of FBR) in shape of withholding tax from different individuals and private parties on auction of land for lease rentals. However, tax was credited to earnings and the amount was not remitted to FBR. This resulted in overstatement of earnings by Rs 70.554 million during the year 2018-19.

**3.1.1.5 Overstatement of earnings by Rs 80.44 million due to incorrect booking -**Incorrect adjustments were made in different accounting units relating to recoveries of electric and telephone charges and receipt of cash balance from REDAMCO, besides transfer of certain other amounts to earnings, leading to overstatement of earnings by Rs 80.44 million.

***Recommendation – 42***

*Management should recognize revenue receipts in conformity with matching principle and international reporting standards. In addition, the strengthening of internal financial controls is required for classification of revenue receipts under different appropriate heads of accounts for fair presentation of Appropriation Account and Financial Statements.*

### 3.1.2 Over-statement of current assets

**Interest payment against GPF Balances without investing principal amount of GPF and its disclosure as receivable from the Federal Government-**As per G.P Fund (Central) Rules, a monthly subscription towards G.P Fund is mandatory. The P.R being a Federal Govt. department is deducting the monthly subscriptions from the salaries of its regular employees. Similarly, the interest accrued on such accumulations is also being paid/ credited by PR management to the subscribers without investing the principal amount. However, PR management opened a new Account # XXI with State Bank of Pakistan during the F.Y 2015-16 and presently a balance of Rs 1.303 billion is available in this account. While liability on account of principal deposits of GPF stood as Rs 7.062 billion.

An amount of Rs 15.109 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 in 1971. This amount was appearing as Current Assets in the Balance Sheet of Pakistan Railways as on 30$^{th}$ June, 2020 against note No. 16(1). However, Finance Division did not agree with the above referred liability towards Pakistan Railways. Moreover, it was decided in December, 2017 that an amount of Rs 1.5 billion per year would be amortized in subsequent years but it was not done.

***Recommendation – 43***

*Management should stop the practice of charging interest of GPF as receivable from Federal Government and the expenditure be charged to expenses like interest on Debt, to set-right the financial statement of PR.*

### 3.1.3 Under-statement of expenditure

Several cases where expenditure was understated were observed by audit. In one such case, deliberate deferment of operational fuel expenses was made to the next financial year to understate the expenditure amounting to Rs 1.714 billion. This expenditure was initially booked in June 2019 and subsequently was transferred to July, 2019 i.e. next financial year. In the past also in a like manner, expenditure of Rs 3.115 billion, relating to pay and pension, was not booked in the accounts for the FY 2015-16 to understate the expenditure for the year.

**3.1.3.1 Wrong booking of expenditure relating to previous years -** The working expenses i.e. operating expenses, repair & maintenance and others expenses incurred during FY 2016-17, 2017-18 and 2018-19 were adjusted in the accounts for the FY 2019-20. Therefore, the working expenses were overstated by Rs 2.744 billion. This resulted in understatement of expenditure for year 2016-17, 2017-18 and 2018-19 and also caused overstatement of expenditure for the year 2019-20. In a like manner, as audit observed, bills for the FY 2019-20 were passed for payment; cheques got prepared and delivered to the concerned party. But some of the cheques remained unpaid due to non-availability of cash release. These unpaid cheques were adjusted at the year end and the amount of un-cleared cheques was credited to head “Deposit Miscellaneous” without transfer of cash. This not only created extra burden on the budget of the next financial year but also presented incorrect position of expenditure. An instance of this practice was observed during the year 2019-20 where “deposit misc.” (Subhead of sundry creditors) increased by Rs 5,732.64 million. The increase was 156% over the previous year which is alarming for PR management. This was due to non-availability of cash balance in account No III with SBP. Thus, PR has to pay this liability from the budget allocation for the year 2020-21 and cash shortfall for the next FY would increase considerably.

In some cases, payment was made for certain works categorizing these as suspense. Although, the payment was made and expenditure was incurred, the amount was not booked to the relevant head of account in the particular financial year. The amounts were kept in suspense for decades and were not adjusted to the final and actual head of account. The examples of this kind of expenditure are procurement of ballast through suspense, expenditure incurred in all manufacturing/production units like workshops bridge workshops, carriage factory, locomotive factory etc. Furthermore, payment of advances for petty purchases and imports were also made. The examples of these kinds of payments include utility charges advance for petty purchase, and advances for imports, for opening of LCs. These suspense accounts and advances accumulated to Rs 4.77 billion as on June 30, 2020 due to non-adjustment in the books of accounts. Such practices resulted in misreporting of income and expenditures.

***Recommendation – 44***

*Management should recognize expenditure in conformity with matching principle and international reporting standards and book revenue and capital expenditures properly to relevant financial year and deferment of expenses be avoided.*

**3.1.3.2 Payments without Budget Allocation -** A payment of Rs 111.14 million was made to the contractor out of cash allocation without any budget allocation. The expenditure was charged to RMS (Reserve Material Suspense). Whereas, the cash allocation under the relevant head Track A-13606 for the year 2018-19 was Rs 7.60 million. Moreover, an expenditure of Rs 48.17 million was also incurred in Rawalpindi, Multan and Karachi divisions for the procurement of ballast without budget allocation and charged to RMS. Thus, the expenditure incurred on procurement of ballast was not reflected in financial review and annual accounts for the year 2018-19.

**3.1.3.3 Purchase of physical assets from revenue grant charged as working expenses Rs 313.17 million -** Physical assets procured through revenue grant were charged to profit & loss account in full instead of allocation of depreciable cost over entire useful life of the assets. Therefore, expenses were overstated and the profit and loss account did not depict true and fair view. For instance, procurement of 47 vehicles for operational purpose was made and expenditure of Rs 130.61 million was incurred during the period from 2016-17 to 2019-20 out of revenue grant of PR which was charged to the working expenses of PR. The procurement of vehicles out of revenue grant not only increased the amount of loss of PR but also caused non-recording of procurement of vehicles in the Assets of PR and resulted in understatement of Assets. The trend continues unabated and in FY 2019-20 also, the procurement of physical assets of Rs 182.56 million from revenue grant was charged to the P&L account.

***Recommendation – 45***

*Management should strengthen controls to ensure proper classification of revenue and capital expenditure under different heads of accounts for fair presentation of Appropriation Account & Financial Statements.*

## 3.2 Deliberate Misstatement in Financial Statements

### 3.2.1 Misstatement of Depreciation Reserve Fund (DRF)

This fund was created to replace the assets which become obsolete over the years. The DRF was financed out of Railway revenues and expenditure on renewals and replacements of Railway Assets was made out of this fund. However, the PR management changed its policy during 1970s and ultimately replacement works were financed through ADP/ PSDP budget. A regular contribution, however, continued to be made by PR management out of its revenue to the DRF till 2008-09. During the year 2009-10, the contribution out of Railway revenues was dispensed with. At the time of abandonment of the contribution from revenue, a credit balance of Rs. 29.00 billion was appearing in the Financial Statements of PR. Thereafter, the PR management included the annual investment of the Federal Govt. on replacement account through PSDP as part of DRF. The balance of DRF as on 30-06-2020 stood at Rs. 38.00 billion which is a notional figure without any cash backing. Audit noted that a new mechanism was adopted by PR by booking capital investment by Federal Government once in “Investment” and again in “DRF” on the liability side of the Balance Sheet. This caused overstatement of both sides of the balance sheet. The amount credited to DRF has overstated the liability side (as well as the assets side) of the balance sheet by Rs 99.888 billion over the last 10 years. Another misrepresentation under the head DRF pertained to non-booking of expenditure of Rs 89.714 billion, incurred out of the depreciation reserve fund for the replacement of assets, under fixed assets.

**3.2.2 Non-recording of fixed assets in the Financial statements-Rs 4.055 billion -** Physical assets valuing Rs 4.055 billion appearing the financial statements of PRFTC under the head "Capital Work in Progress" were transferred to PR as per minutes of the 10th Board of Directors meeting of PRFTC. However, these assets were not accounted for in the Financial Statements of Pakistan Railways leading to understatement of assets in the Balance sheet of PR.

**3.2.3 Notional reserves without any cash or investment backups: Rs 59.1 billion-**Three types of funds are maintained by PR i.e. depreciation reserves fund, improvement fund, and railway reserve fund under the head revenue reserves. These funds show cumulative balances of Rs 59.1 billion but these are all notional without backing of any cash or investment.

***Recommendation – 46***

*Audit recommends that the management should report physical assets in the financial statement in conformity with International Accounting Standard (IAS 16).*

**3.2.4 Booking of expenditure from Revenue to Capital Grant and vice versa: Rs 128.07 million and Rs 3.464 million-**Revenue expenditure of Rs 128.07 million was charged/ booked to PSDP and shown as capital expenditure which should have been booked to revenue expenditure for the year and should have been charged to profit and loss account. While capital expenditure of Rs 3.464 million was booked as revenue expenditure and charged to profit and loss account which should have been charged to capital grant. This resulted under/overstatement of certain heads of expenditure and financial statements were materially misstated.

***Recommendation – 47***

*Management should discontinue irregular practice of booking expenditure from Revenue to Capital Grant and* *vice versa henceforth and correct accounts of relevant years with the approval of CGA.*

### 3.2.5 Misstatement of Deferred Assets

The head *deferred asset* was created on the assets side of balance sheet to offset the effect of incorrect accounting treatment. It was a contra account and did not represent any asset. The amount charged to the head *deferred assets* was Rs 98.086 billion and the same was credited to the head DRF.

***Recommendation – 48***

*Management should take corrective action to rectify the errors and the expenditure incurred to-date on addition, replacement and rehabilitation of assets should form part of the tangible assets.*

### 3.2.6 Incorrect valuation of Fixed Assets

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.

***Recommendation – 49***

*Management should promptly finalize the mechanism, under consideration since 2016, for assessing depreciation, loss of assets, disposal and revaluation of assets and formulation of accounting policy to incorporate changes in the accounts. Moreover, a third party may be engaged for re-valuation of assets of PR.*

## 3.3 Omissions in Financial Statement

**3.3.1 Non recording of assets transferred by PRFTC in the financial statements-Rs 3.395 billion** - Physical assets valuing Rs 3.395 billion appearing the financial statements of PRFTC under the head “Capital Work in Progress” were transferred to Pakistan Railways as per minutes of the $10^{th}$ Board of Directors meeting of PRFTC. However, these assets were not accounted for in the Financial Statements of Pakistan Railways. This resulted in understatement of assets in the Balance sheet of PR and also caused misrepresentation.

## TOR: 4 Comments on Fairness in the Financial Statements

## 4.1 Unfair Representation of Affairs of Company

### 4.1.1 Non-reconciliation of store balances of Financial Statements with Material Accounting System (MAS)

The position of store balances under Inventories in Financial Statements of Pakistan Railways as on 30th June, 2020 was Rs 13.024 billion and sales scrap was Rs 4.684 billion. Whereas, the amount of inventory generated through Material Accounting System (MAS) was Rs 6.720 billion. Hence, there was a difference of Rs 10.988 billion (Rs 17.708 billion- Rs 6.720 billion) between the figures of Financial Statements and Material Data Control Centre. The difference led to misrepresentation in financial statements.

> ***Recommendation – 50***
>
> *Management should present actual figure of inventory in hand at the end of financial year in the financial statements as required under International Financial Reporting Standards.*

### 4.1.2 Unnecessary accumulation/non-adjustment of Suspense Balances

The suspense accounts balances are appearing in the accounts of the PR to the tune of Rs 9.277 billion, but these balances have not been adjusted in accounts. Due to non-adjustment of expenditure the losses of PR have been understated.

**4.1.3 Accumulation of suspense balances and advances due to non-adjustment Rs 1.628 billion and Rs 2.827 billion respectively -** Pakistan Railways paid utilities bills like electricity, Sui gas and others to its service providers and subsequently recovered the amount partially from domestic consumer. The amount paid to utility providers was much higher than actually recovered from domestic consumers. Therefore, the remaining amount was kept under suspense. Similarly advances against petty purchases were not being adjusted regularly at the close of financial year. Accumulated suspense balance on account of revenue was Rs 1.629 billion as on 30th June, 2020. Resultantly, PR's suffering losses on account of less recovery/adjustment of advances for local purchase and utility charges and balances shown in financial statements did not depict true picture. Further, an amount of Rs 15.17 million was unadjusted against the head *Misc. Advances Capital* and Rs 2.812 billion against the head *Purchases*.

***Recommendation – 51***

*Internal controls over reporting of actual balances of stores in hand be strengthened to ensure accurate reporting at year end in line with Rule 3001 and 3008 of PR Code for the Stores Department. Management may prepare a comprehensive strategy and an action plan to clear the long outstanding suspense balances. Internal Audit must regularly monitor improvement in this regard and duly report thereon to the management and the Board.*

## 4.2 Non-conformity with Accounting & Reporting Standards

### 4.2.1 Non-implementation of New Accounting Model (NAM)

The New Accounting Model has not yet been implemented in the Pakistan Railways. The old chart of accounts is being used while preparing journal slips, transfer certificates and other vouchers/ source documents. Although, the appropriation accounts are being prepared partially on the basis of New Chart of Accounts, yet the annual accounts of PR are still being prepared on the basis of old classifications. Further, the accounting code for self-accounting entities has also not yet been implemented. Therefore, the preparation of Appropriation Accounts without complying with New Accounting Model may not present a true picture and non-compliance of accounting code for self-accounting entities may lead to misrepresentations in Financial Statements. Currently, the PR has dual policies for recording of revenue receipts on accrual basis and expenditure on cash basis. Thus, while the sale of tickets was recognized on cash basis, the leasing of property/ land and receivables from Government Departments and private parties are being recognized on accrual basis which is an anomaly. Further, all working expenses are recognized on cash basis.

***Recommendation – 52***

*Management, through the office of Member Finance, should prepare a comprehensive strategy aiming at shifting to modified cash basis of accounting leading to full adoption of accrual accounting in a phased manner.*

## 4.2.2 Non-recording/ Non-disclosure of accrued liabilities

Pakistan Railways being a commercial entity should record and disclose its accrued liabilities which are not being done. Some instances include non-recording and non-disclosure liabilities on account of pension, commutations etc, interest and exchange risk on foreign loans. This state of affair shows that liabilities are understated and the balance sheet has not been presented fairly. Non-recording of current liabilities in the financial statements resulted in material misstatements which did not depict true and fair picture.

**4.2.2.1 Non-recording of pension/ gratuity/ commutation/ arrears liability in the Financial Statements has understated the liabilities -** An amount of Rs 4.707 billion stands as payable/liability on account of pension, gratuity, commutation, arrears etc. however, this liability has not been accounted for in the Financial Statements of Pakistan Railways as on 30$^{th}$ June, 2020. This state of affair shows that liabilities are understated and the balance sheet has not been presented fairly. Moreover, this amount should be treated as current liability in balance sheet as it is payable to the employees of Pakistan Railways and if this liability was recorded in the accounts the loss of PR would increase by that amount.

An amount of Rs 1.381 billion was payable on account of services rendered by RAILCOP amounting to Rs 596.80 million and lease rentals of Locomotives taken on lease from NLC Rs 784.43 million. However, this liability has not been accounted for nor disclosed in the Financial Statements of Pakistan Railways as on 30th June, 2020. Non-recording of current liabilities in the financial statements also resulted in material misstatements which did not depict true and fair picture. When it comes to the Non-disclosure of accrued liability on account of interest and exchange risk premium, the balances of foreign loans were reflected in the financial statement using principal amount in Pak rupees instead of foreign currency. Further, the liability on account of interest and exchange risk premium at the rate of 8% and 6% respectively was not recorded as on 30th June, 2020. This resulted in inadequate disclosure of liability on account of principal and interest on foreign loans. The issue has been reported as qualification in audited accounts since long but no improvement has resulted.

***Recommendation – 53***

*Management should report accrued liabilities of pension, gratuity, commutation and arrears payable on account of services rendered by RAILCOP, payable to NLC as lease rental of locomotives in the Financial Statements in accordance with International Financial Reporting Standards.*

**4.2.3 Non-preparation of consolidated Financial Statements by Pakistan Railways**

Consolidated financial statements are the financial statements of a group presented as those of a single economic entity in which intergroup balances, transactions, income and expenses are eliminated. The Financial Statements of Pakistan Railways were inconsistent with International Financial Reporting Standard (IFRS-10) as consolidation of financial statements of the subsidiaries was not being done in the financial statements of PR. Thus, due to non-preparation of "Consolidated Financial Statements" the financial statements do not reflect true and fair view of the affairs of the Pakistan Railways.

The financial statements of PR do not disclose the following in respect of the related parties which also includes subsidiaries i.e. the amount of the transactions and outstanding balances which suffered non-adherence to the IAS – 24 regarding "Related Party Disclosures" financial statements:

i. Pakistan Railways Advisory and Consultancy Services (Private) Limited (PRACS),
ii. Railway Constructions Pakistan Limited (RAILCOP), and Pakistan Railways Freight Transportation Company (PRFTC.)
iii. According to IAS 24, "Related Party Disclosures" financial statements shall

***Recommendation – 54***

*Management should ensure compliance with all applicable financial reporting & accounting standard in letter \& spirit so that financial statements of PR provide true & fair view of the affairs of PR.*

## TOR: 5 Fraud due to negligence, misappropriation and embezzlement

**A number of instances of fraud, misappropriation, embezzlement and negligence, have been detected and reported over the years by the Railway Audit or by the management itself, but prompt steps have not been taken to fix responsibility on the perpetrators.**

### 5.1 Fraud Detected

**Over the reporting period, several instances of fraud, misappropriation, embezzlement and negligence have been identified. These have not only added to the losses suffered by the organization but also have damaged its reputation as a clean and transparent entity. Lack of prompt and effective action on the part of management has added to the problems and led to a high- risk environment.**

Audit, for instance, pointed out nine (09) cases to the management during 2014-15 to 2019-20, involving embezzlement and fraudulent payment out of public funds amounting to Rs 123.681 million **(Annex-48).** Despite lapse of considerable time the management did not initiate any enquiries or disciplinary proceedings against the persons allegedly responsible in these acts. Similarly, the FA&CAO/Revenue reported 08 cases involving embezzlement and fraud of Rs 32.34 million in the area of revenue such as misappropriation in railway tickets, embezzlement of cash by staff, embezzlement in refund of tickets during 2010-11 to 2018-19 **(Annex-49)**. These cases are yet to be finalized despite lapse of considerable time setting a bad tone at the top, which may well encourage similar acts. The prevailing circumstances indicated non-existence of sufficient & appropriate monitoring, detective and corrective controls leading to fraud. Moreover, non- finalization of departmental enquiries despite considerable time enhance the risk of losses.

The PR management detected two (02) cases involving excess and advance payment to the contractors amounting to Rs 97.54 million in the

PSDP project "Rehabilitation of Flood Damages" **(Annex-50)** during 2011-12 to 2013-14. On inquiry, the management reported that FIR was lodged in one case in 2021. This shows lukewarm attitude of the management in making efforts towards recovery of its losses.

## 5.2.1 Negligence Identified

**5.2.1 Decision of Project management caused loss of Rs 36.088 million-**It is witnessed that in eight (08) cases, the project management of RFD project took a decision of outsourcing the track renewal works which were awarded to different contractors for Complete Track Renewal (CTR) of eight kilometers of Railway track on Kotri-Dadu section. All the contractors selected, had no experience in execution of such kind of work. They did not start the work of track renewals and rather received payment for supply of ballast of Rs 36.088 million and therefore abandoned the track renewal work.

> ***Recommendation – 55***
> *Stringent and unconditional action should be taken against personnel involved in financial irregularities causing loss to Pakistan Railways. SOPs should also be evolved for timely completion of inquiries.*

**5.2.2 Negligence identified by Audit -** Review of tenders involving Rs 67.773 million {No.189-S/2/LHR/2018/161/1-B dated 31.01.2019 (39 condemned coaches), No.189-S/2/LHR/2018/162/1-B dated 31.01.2019 (88 condemned coaches) and No.189-S/2/LHR/2018/163/1-B dated 01.02.2019 (98 condemned coaches)} of sale orders executed for sale of scrap in PR revealed that in most of the cases, first tenders are filed due to poor response and later on rates of previously filed tenders were found used for benchmarking in bid evaluation. Moreover, instances of splitting of tenders for like items of scrap, non-fixation of base price by survey committee, use of inappropriate benchmark, such as comparison with Last Sale Rate (LSR) / File Rate, no survey of market rates by the bid evaluation committee, negotiation, sale of scrap on the number of coaches instead of weight, unauthorized sale of scrap including retrievable items and sale of scrap at lower rates causing financial loss to PR were observed. The prevailing circumstances were indicative of non-existence of sufficient & appropriate internal controls, extension of undue favours to contractors, lack of transparency and violation of propriety besides, implies management's negligence causing recurring financial loss.

***Recommendations-56***

*Comprehensive SOP should be developed for ensuring award of sale of scrap in a transparent manner, fixation of base price of scrap by the survey committee, survey of market rate by the bid evaluation committee, ban on any form of negotiations, constitution of independent bid evaluation committee etc. besides, involvement of Stock Verifiers in lifting of scrap should be made effective in order to avoid losses.*

# TOR: 6 Major Internal Control Inefficiencies

**Audit has noted significant and recurring instances highlighting the failure of the management in displaying and communicating the appropriate attitude regarding internal control and the financial reporting process. Lack of corrective measures despite successive certification, compliance and performance audit reports, as well as its own internal audit reports, stand witness to the management's disregard of efforts at putting in place and sustaining adequate control measures. It depicts a weak and ineffective governance structure.**

Pakistan Railways has not been able to modernize itself on the accounting, financial management, statutory and regulatory fronts and these short-comings have been presented in the preceding sections. All these have serious and material impact on the financial stability and profitability of the entity. In fact, in view of the huge accumulated losses and continuous dependence of the PR on the federal government's grants in aid, there are serious questions on the sustainability of its operations.

A review of internal controls at the operational level reveals that Pakistan Railway has preventive and detective controls enshrined in its codes and manuals. However, these are have not been updated to meet changing requirements to a large extent. PR needs to update its controls to bring them to the quality management standards expected of modern day commercial organizations. With regard to financial controls the auditors have been issuing qualified audit opinions in the last 10 years besides highlighting gaps in implementation of the control systems **(Annex-51 & 52).**

**Internal Audit Reports are not being regularly submitted nor discussed at Railway Board which mars independence and effectiveness of the Internal Audit Function in Pakistan Railways and leads to weak governance regime in PR-** An internal audit function plays a significant role in good governance in an organization. Moreover, internal audit department assists management identification & mitigation of organizational risks and effective achievement of organization goals. Internal Audit Department of Pakistan Railways had issued twelve (12), carried out eleven (11) special Audits, five (5) enquires on complaints and one (1) information system audit during last ten years. Moreover, internal audit department perform liaison with DG Audit Railways in connection with PAC/DAC matters. Follow up mechanism of audit reports is poor besides, there is no Internal Audit Committee (IAC) to discuss the significant paras:

**Table-10: Statistics of Internal Audit Reports**

| Sr. # | Internal Audit Report | Annual/Bi-annual | No. Of Reports | No. of Observations | Amount Involved (Rs in billion) |
|---|---|---|---|---|---|
| 1 | 2010-11 | Annual | 1 | 164 | 8.275 |
| 2 | 2011-12 | Annual | 1 | 131 | 11.374 |
| 3 | 2012-13 | Annual | 1 | 111 | 19.308 |
| 4 | 2013-14 | Annual | 1 | 222 | 21.025 |
| 5 | 2014-15 | Annual | 1 | 96 | 13.797 |
| 6 | 2015-16 | Annual | 1 | 192 | 106.349 |
| 7 | 2016-17 | Bi-annual | 2 | 202 | 97.903 |
| 8 | 2017-18 | Bi-annual | 2 | 208 | 91.886 |
| 9 | 2018-19 | Bi-annual | 2 | 161 | 211.859 |
| | **Total** | | **12** | **1487** | **581.776** |

***Recommendation – 57***

*Strengthen Internal Audit by ensuring its independence, objectivity and proficiency. Ensure unhindered and regular access of chief internal auditor to the Board of Directors. Internal Audit reports focusing on controls related to all the aspects of PR functioning should be regularly put up the CEO as well as the Board.*

Internal and external audit findings and recommendations are useful to develop new controls and improve existing controls. These improved internal controls would lead to better performance and achievement of objectives by eliminating frauds, irregularities and inefficiencies. Audit Reports for the year 2013-14, 2015-16, 2017-18 and 2018-19 were discussed in the PAC meetings during the period from December 2016 to March 2021 and directives were issued against 35 audit paras. Management response was very poor and not a single directive of the PAC was complied with **(Annex-53).** The reported cases of internal controls weaknesses in different areas are discussed below:

## 6.1 Financial Controls

Budget is a key control and keeping the expenditure restricted to permissible limits acts as key control supported by pre-audit systems, reconciliations and periodic reviews. These controls have not worked effectively and efficiently resulting into budgetary savings as well as excesses and misclassifications. Prompt realization of receivables is another key financial control. This financial control is considered ineffective as heavy amounts Rs 9.857 billion up to 30.06.2020 remained unrealized for a long period due to lapse in timely raising of claims , non-initiation of punitive actions e.g. imposition of penalties, forfeiture of securities and blacklisting of defaulting firms. The instances related to recovery amounting to Rs 57.349 billion were also reported in Audit Reports from 2010-11 to 2019-20 **(Annex-54).**

## 6.2 Procurement Controls

Preparation of Annual procurement plan, placing this plan on the websites of PRRA and procuring agency, evaluation of bids for rate reasonability and fair price determination are the key controls for ensuring transparency, competitiveness, economy and fairness. Inefficient and ineffective functioning of these controls led to blockage of capital, unnecessary procurement, procurement at higher rates and splitting of procurements. There are serious lapses observed in controls over acceptance of material as per specifications, after conducting proper inspections, lab testing and trials to ensure quantities and quality of material as per purchase orders. Lapse of these controls led to receipt of substandard/defective or short material. Due to weak procurement management controls the instances of blockage of capital, unnecessary procurement, procurement at higher rates and splitting of procurements, substandard procurement and short receipt of material valuing Rs 21.235 billion were reported in Audit Reports from 2010-11 to 2019-20 **(Annex-55).** Since there is a linkage between the financial and procurement controls, audit observed that non-finalization of tenders in a timely manner, late receipt of material and delay in payment to contractors also contributed to savings in the budgetary grants and disturbed the accounting cycle significantly.

## 6.3 Inventory Management Controls

Efficient storing, stacking, receipt, issuance and disposing off of dead surplus inventory are the primary controls to avoid wastage, theft, misappropriation and blockage of capital. Due to non-existence of proper warehouse for safe custody of material, non-installation of boundary walls around stacking places, non-acknowledgement of receipt of material by end-user, non-approval of requisition for material, non-accountal and survey of released material and non-floating of tenders for sale of scrap, exposed the inventory to the risk of theft, misappropriation and blockage of capital. The instances of failure of inventory management controls particularly theft, misappropriation and blockage of capital valuing Rs 17.046 billion had been repeatedly reported in Audit Reports from 2010-11 to 2019-20 **(Annex-56).**

## 6.4 Asset Management Controls

Pakistan Railways has weak physical and financial controls over tangible assets. Proper recording of assets i.e. the date of purchase, model number, serial number, acquisition cost, expected life through Asset Register and disposal is not being maintained at HQ and Divisional levels. Moreover, revaluation of land and buildings, depreciation of moveable assets, capitalization, useful life expectancy, inspection and salvage value for disposal of assets has not been carried out by the management of PR. Therefore, the financial statements of PR do not reflect true and fair picture about assets management. In management report a qualification on incorrect valuation of fixed assets had consistently been issued to management every year.

## 6.5 Manufacturing/Production Controls

Pakistan Railways has a vast network of manufacturing/production units in the form of workshops and factories for manufacturing, repair and rehabilitation of rolling stock and concrete sleepers. The objective of manufacturing units is to provide quality products at economical prices in a timely manner. Audit observed weak controls resulting in non-replacement of outdated machinery, poor workmanship, idle machine hours, idle labour, high prices, and execution of works without approvals, delayed productions, non-maintenance of manufacturing accounts. These internal control deviations monetized to Rs 17.187 billion were reported in Audit Reports from 2010-11 to 2019-20 **(Annex-57)**.

## 6.6 Land Management Controls

Safeguarding of Railway land from encroachments and optimal commercial utilization of surplus Railway land for revenue generation are the key objectives for realization of which a full fledge Directorate of Property and Land at PR Headquarters with network at divisional level had been established. Due to inefficient functioning of this directorate and its sub-offices at divisional level, lapses in internal controls such as non-reporting of encroachment, non-maintenance of encroachment register, non-launching of effective anti-encroachment operations, non-compliance of leasing policies, defective clauses in lease agreement including non-incorporation of penalty on late payments and escalation clauses on annual extensions led to encroachments, financial loss and violations of terms and conditions of agreements and policies. Such instances of encroachments, non-compliance of lease policies and agreements valuing Rs 173.634 billion were reported in Audit Reports from 2010-11 to 2019-20 **(Annex-58)**. One classic example of defective land management pertained to Royal Palm Golf & Country Club.

## 6.7 HR Management Controls

Audit observed ineffective HR controls resulting in appointments over and above sanctioned strength, violation of recruitment rules, appointments of over-aged persons, ineffective job rotation, ineffective workflow in workshops and shortage of production material. All these have resulted in unjustified appointments, excess pay and allowances, irregular promotions, misutilization of staff; and payments to idle staff in all Railway workshops especially at Hyderabad and Jhelum workshops. The HR mis-management valuing Rs 1.408 billion were reported in audit reports from 2010-11 to 2019-20 **(Annex-59)**.

## 6.8 Project Management Controls

Audit observed inefficient management controls resulting in excessive turnover of personnel, non-compliance of recruitment rules, irrelevant job descriptions, improper planning/estimation, late execution of projects and late finalization of tenders, ultimately leading to time and cost over-runs. These defective controls seriously impacted the attainment of project objectives.

## 6.9 Safety Controls

Pakistan Railways has adequate and sufficient written down safety controls inclusive of preventive safety controls relating to civil, mechanical, traffic, signal, telecom, police and electrical departments etc. that are involved in train operations including passenger and freight traffic. These controls however have not been implemented effectively due to various factors inclusive of non-functioning of Computer Base Interlocking system, Automatic Train Protection system in Locos and scanning machines at Railway stations. Moreover, non-installation of fire extinguishers in trains, unauthorized transportation of flammable material, and non-formulation of emergency Quick Response Team also add threat to safety controls. These lapses resulted not only in serious train accidents, derailments, and financial losses, but also injuries and casualties of precious lives of travelling people. In the year 2019-20, total major and minor accidents increased by 21% and causalities/ injuries to the passengers increased by 159% as compared to 2018-19 which shook the trust of the general public with regard to safety of train operations. Moreover, the safety control weaknesses were also reported to Railway management through Special Study on Train Safety and Accidental Losses in Pakistan Railways during the year 2017-18.

**6.9.1 Inadequate Mechanism for Complaint Redressal** - Audit noted that since inception of Pakistan Citizen Portal (PCP) in October 2018 total 42822 complaints were lodged against 58 different offices of PR till March 2021 by the passengers, employees, contractors, bidders etc. Out of total 42822 complaints PR had resolved 42355. The complainants gave feedback that they were dissatisfied in respect of 18731 cases (62% of resolved complaints). The huge complaints and high rate of dissatisfaction in resolution of the complaints was indicative of weak internal controls deteriorating the external image of PR **(Annex-60).**

***Recommendation – 58***

i. *PR must upgrade its controls by adopting international quality management standards pertaining to railway transport sector (ISO/TS 22163)*

ii. *For a public owned commercial concern, like Pakistan Railways, both policymakers and management owe the responsibility of ensuring existence of an appropriate risk assessment and internal control environment in conduct of business.*

iii. *Mechanism for regular convening of IAC meetings be evolved to strengthen effectiveness of follow up of the Audit Reports and Internal Audit Committee (IAC) should be constituted.*

iv. *It is recommended that through effective coordination amongst the various departments of Pakistan Railways, close supervision and monitoring* *as well as automation of processes, all the three types of controls viz. preventive, detective and corrective be updated and made operative effectively to pull the organization out of mess of colossal loss.*

# SECTION-III

## Conclusion & Recommendations

### Management Response

The draft report was discussed by Directorate General Audit Railways with the management in the DAC meeting on 21.06.2021. The DAC directed the management to furnish comprehensive response on Forensic Audit Report expeditiously to Audit. These are awaited. However, the management has provided following explanations for the increase in the accumulated loss.

i. Abnormal increases in the grant of pension coupled with judgment of apex court regarding restoration of pension with periodical increases duly followed by liberal policy of the Federal Government regarding extending the benefit of pension to the legal heirs of deceased pensioners other than the widows.
ii. Grant of benevolent package of assistance for the family of deceased employees in case of death during service.
iii. Frequent revisions of pay and allowances of the federal government employees.
iv. Frequent periodical increase in cost of fuel and lubricant oil.
v. Increase in the import cost of plant & machinery, spare parts, raw material etc triggered by an abnormal increase in the foreign exchange rates.
vi. Pakistan Railway Management is facing difficulty to maintain its dilapidated infrastructure and depleted rolling stock owing to less allocation of funds in PSDP, revenue and improvement fund. This leads to imposition of speed restrictions etc. which then becomes another factor of loss due to extra consumption of fuel besides affecting punctuality of trains.

vii. Non-allocation of due share in the PSDP allocation as compared to other transport/communication sectors of Pakistan thus ignoring the financial stability of Pakistan Railways. On the other hand, road network has not only expanded but has been upgraded with construction of motorways. This disparity has rendered railways uncompetitive viz the growing road transport sector and with the current level of competitiveness and reliability, any drastic jump in its revenue will be a far cry.

viii. Train operations are unavoidable even in non-viable sections being a public utility service and some-times due to political interference.

The management further informed audit that it is determined to make PR a viable going concern and has already taken the following steps:

i. For better financial Management, several new bank accounts have been opened with the State Bank of Pakistan.

ii. Finance Division has been approached for revision of pension scheme for Railway employees by establishing a pension fund and by converting the existing ex-gratia grant into contributing funds.

iii. Huge investment plan is underway through CPEC for revamping the railway infrastructure so that the Pakistan Railway may compete with other road transport services.

**Conclusion**

Over the years, revenue of Pakistan Railways had increased but increase in operational expenses was manifold which resulted in operational losses. This crippled the operation of PR as Railways become dependent on Federal Government to inject subsidies of billions of rupees under grant-in-aid. The prevalent subsidies regime finally resulted in discouraging business model thinking at PR Board and mangling railways operations. Consequently, PR failed to generate revenue from outside market due to non-expansion of business.

Besides this PR is dependent on federal government decision for determination of fairs which indicates that fare determination is not based on business model rather it is based on PSO consideration. Moreover, management inefficiencies in HR, procurement, contract, land, receivables management and inadequate preventive controls also contributed in augmentation of losses. Furthermore, financial statements of PR are not reliable and do not present true & fair view due to overvaluation of current assets, incorrect recognition of revenue & expenses, over-due receivables, non-booking of depreciation of assets, incorrect policy for replacement of assets. Considering the precarious situation of the PR, audit suggest PR management several recommendations to assist the organization in coming out this vicious cycle of 'loss-grant-loss'.

**Recommendations**

Audit recommendations are as under:

i. Introduce contributory pension fund to alleviate the burden of pension expenditure from PR and engage professionals for effective fund management.

ii. Collection on account of sale of tickets in respect of outsourced passenger trains be managed by PR in order to avoid overdue receivables.

iii. Revive the non-existing vital cost management expertise within PR to help and develop costing models for optimal utilization of track infrastructure through a proper mix of freight and passenger trains.

iv. Under PPP model, track access should be given to private sector/freight services to have their own rolling stock to reduce the burden of operational cost of PR.

v. Establish Railway Regulatory Authority to ensure transparent and even playing field for public private partnership arrangements, to promote competitive railway services, and ensure optimal railway infrastructure usage.

vi. Establish an effective governance regime through increase in representation of professional, non-executive directors on the PR Board, in its sub-committees, and in the Boards of PR subsidiaries to inject business model thinking at policy levels with an aim to get railways out of losses.

vii. Bring greater transparency in PPP contracts, and ensure that through such contracts the private party either reduces burden of labor and maintenance cost of PR, or increases revenue by bringing in new business over and above the business already being generated by PR; extend PPP arrangements to cover running of workshops and manufacturing units as well as infrastructure development through improved marketing.

viii. Establish an integrated MIS instead of different patches of un-integrated software systems like MAS, Direct Credit System (DCS), GIS, FIS/MIS, Legal Management System (LMS), Fuel Management System (FMS) and Freight Online Booking System (FOBS). The one integrated MIS can have multiple entities like stores, procurement, quotations, finance, accounting, budgeting, pay & pension roll, HR module including performance measurement report, passenger & freight train operations, signaling management, safety & accidents, internal & external audit, property & land management, subsidiaries management, e-ticketing, customer feedback which can help to provide reliable real time information for decision making to put railways on efficient track.

ix. PR must generate train-wise, route-wise costing data for determination of freight rates, passenger fares and to bench-mark/base price for outsourcing the commercial management of trains.

x. Ensure ISO/TS 22163 quality certification for PR including factories & workshops in order to align with international railroad quality industry standards.

xi. Reduce losses on account of sale of electricity at cheaper rates and distribution losses by installing electricity meters through respective DISCOs.

xii. Complete automation of safe and efficient train operations through synchronization of CBI & ATP to ensure safety of operations and to avoid losses on account of train accidents.

xiii. Ensure corporate HR and operational practices especially in the PR factories and workshops for their efficient functioning.

xiv. Ensure transition of PR to accrual basis of accounting, and till such transition gets finalized, adopt a uniform basis of accounting to record expenditures and revenues so that the financial statements of PR give true & fair view of its affairs for decision making.

xv. Ensure proper implementation of internal control mechanism by forming Internal Audit Committee (IAC) to oversee internal audit reports with an aim to strengthen the internal control environment to plug the grey areas in PR.

## Annex-1

| Summary for the Last Ten Years Financial Data for Calculating Ratios (Rs in billion) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Particulars** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** |
| Passenger Revenue | 12.984 | 12.166 | 14.520 | 16.935 | 19.273 | 22.484 | 23.727 | 26.331 | 31.185 | 24.484 |
| Freight Revenue | 3.338 | 1.583 | 1.985 | 3.556 | 8.354 | 10.768 | 12.421 | 19.003 | 18.853 | 19.208 |
| Sundry Revenue | 2.290 | 1.695 | 1.564 | 2.310 | 4.297 | 3.329 | 3.917 | 4.236 | 4.470 | 3.891 |
| **Total Revenue/ Gross Earnings** | **18.612** | **15.444** | **18.070** | **22.800** | **31.925** | **36.582** | **40.065** | **49.570** | **54.508** | **47.584** |
| Ordinary Working Expenses | 31.502 | 31.481 | 35.173 | 39.862 | 42.055 | 41.944 | 50.192 | 52.152 | 53.850 | 59.362 |
| **Gross Profit** | **(12.889)** | **(16.037)** | **(17.104)** | **(17.062)** | **(10.131)** | **(5.362)** | **(10.127)** | **(2.582)** | **0.657** | **(11.778)** |
| Other Expenses | 9.102 | 12.083 | 13.362 | 15.466 | 17.119 | 21.210 | 30.190 | 33.362 | 32.636 | 37.603 |
| Total Expenses | 40.604 | 43.564 | 48.535 | 55.328 | 59.174 | 63.155 | 80.381 | 85.514 | 86.487 | 96.965 |
| Interest on debt | 4.957 | 1.234 | 0.047 | 0.004 | | 0.422 | 0.403 | 0.683 | 0.796 | 0.775 |
| Miscellaneous Receipt | 0.001 | 0.005 | 0.008 | 0.004 | 0.003 | 0.002 | 0.018 | 0.006 | 0.006 | 0.004 |
| **Net Profit** | **(26.947)** | **(29.349)** | **(30.504)** | **(32.527)** | **(27.247)** | **(26.993)** | **(40.702)** | **(36.622)** | **(32.769)** | **(50.152)** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accounts receivables | 3.201 | 3.767 | 6.618 | 5.353 | 7.195 | 8.373 | 8.555 | 9.105 | 9.818 | 9.857 |
| Long term Debts | 15.539 | 16.283 | 72.765 | 74.127 | 71.747 | 69.819 | 70.484 | 73.630 | 73.538 | 75.792 |
| Current Liabilities* | 46.106 | 46.063 | 5.750 | 8.081 | 9.031 | 10.128 | 12.415 | 16.506 | 18.724 | 20.301 |
| Total Debt | 61.645 | 62.346 | 78.516 | 82.208 | 80.778 | 79.947 | 82.899 | 90.137 | 92.262 | 96.094 |
| Total Equity | 72.381 | 84.548 | 103.784 | 127.021 | 162.770 | 202.658 | 234.135 | 257.982 | 285.222 | 289.211 |
| Current Assets | 40.721 | 45.368 | 49.494 | 53.852 | 65.349 | 84.599 | 55.702 | 68.708 | 76.357 | 75.258 |
| Total Assets | 134.026 | 146.894 | 182.300 | 209.229 | 243.548 | 282.605 | 317.034 | 348.118 | 377.484 | 385.304 |
| Capital employed* | 87.920 | 100.831 | 176.549 | 201.148 | 234.517 | 272.476 | 304.619 | 331.612 | 358.760 | 365.003 |
| Quick assets** | 5.143 | 6.976 | 11.021 | 11.596 | 19.358 | 32.858 | 17.183 | 24.722 | 25.148 | 26.628 |
| Grant in Aid Provided by Federal Government | 32.642 | 30.467 | 33.366 | 33.500 | 37.000 | 37.000 | 37.000 | 38.398 | 37.000 | 45.000 |
| Final PSDP Allocation | 4.840 | 20.981 | 25.832 | 28.014 | 38.235 | 26.284 | 55.875 | 22.020 | 22.793 | 9.016 |

*(Total assets-current liabilities)

**(Current assets-inventory-prepaid expense-balance with Government)

Source: Appropriation Accounts of Pakistan Railways 2010-11 to 2019-20

**Annex-2**

## Financial Data (Economic Survey, Year Book & Appropriation Accounts)

**(Rs in billion)**

| S # | Description | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Passenger Revenue | 12.984 | 12.166 | 14.520 | 16.935 | 19.273 | 22.484 | 23.727 | 24.450 | 29.189 | 24.484 |
| 2 | Freight Revenue | 3.338 | 1.583 | 1.985 | 3.556 | 8.354 | 10.768 | 12.421 | 20.884 | 20.849 | 19.208 |
| 3 | Sundry Revenue | 2.290 | 1.695 | 1.564 | 2.310 | 4.297 | 3.329 | 3.917 | 4.236 | 4.470 | 3.891 |
| 4 | Total Revenue/ Gross Earnings | 18.612 | 15.444 | 18.070 | 22.800 | 31.925 | 36.582 | 40.065 | 49.570 | 54.508 | 47.584 |
| 5 | Passenger Traffic Km | 20.619 | 16.093 | 17.388 | 19.779 | 20.288 | 21.201 | 22.476 | 24.904 | 29.595 | 20.485 |
| 6 | Freight Traffic Km-Tonne | 1.757 | 0.402 | 0.419 | 1.090 | 3.301 | 4.774 | 5.031 | 8.080 | 8.304 | 7.370 |
| 7 | Total Traffic Unit | 22.376 | 16.496 | 17.808 | 20.869 | 23.589 | 25.974 | 27.507 | 32.984 | 37.899 | 27.855 |
| 8 | Accounts receivables | 3.201 | 3.767 | 6.618 | 5.353 | 7.195 | 8.373 | 8.555 | 9.105 | 9.818 | 9.857 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 | Subsidy by FG | 32.642 | 30.467 | 33.366 | 33.500 | 37.000 | 37.000 | 37.000 | 38.398 | 37.000 | 45.000 |
| 10 | Gross Domestic Product | 9,404.102 | 9,733.907 | 10,161.854 | 10,636.891 | 11,140.138 | 11,755.824 | 12,408.775 | 13,133.003 | 13,262.866 | 13,332.566 |
| 11 | Total Operating Cost | 40.604 | 43.564 | 48.535 | 55.328 | 59.174 | 63.155 | 80.381 | 85.514 | 86.487 | 96.965 |
| 12 | Labour Cost | 3.864 | 4.536 | 5.139 | 5.598 | 6.218 | 6.376 | 6.761 | 6.732 | 7.247 | 7.179 |
| 13 | Accounts Payable | 0.272 | 0.290 | (0.139) | (0.138) | 0.036 | 0.740 | 0.568 | 1.724 | 3.700 | 9.618 |
| 14 | Total Debts | 55.539 | 56.222 | 72.765 | 74.127 | 71.747 | 69.819 | 70.484 | 73.630 | 73.538 | 75.792 |
| 15 | Total Equity | 72.381 | 84.548 | 103.784 | 127.021 | 162.770 | 202.658 | 234.135 | 257.982 | 285.222 | 289.211 |
| 16 | Number of Employees | 82,424 | 82,176 | 81,880 | 79,505 | 78,031 | 75,242 | 73,276 | 72,078 | 67,627 | 67,476 |
| 17 | Total Track Kilometer | 11,755 | 11,755 | 11,755 | 11,755 | 11,881 | 11,881 | 11,881 | 11,881 | 11,881 | 11,881 |

**Source:**

- Appropriation Accounts of Pakistan Railways 2010-11 To 2019-20
- Economic Survey of Pakistan (http://www.finance.gov.pk)
- Year books of PR

**Annex-3**

## ACCUMULATED LOSSES

*(Rupees in Million)*

Table : Profit & Loss Account

| Description | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| - Passengers | 12,992 | 12,984 | 12,166 | 14,520 | 16,935 | 19,273 | 22,484 | 23,727 | 26,331 | 31,184 | 24,484 | **204,089** | |
| - Frieght/ goods | 7,136 | 3,338 | 1,583 | 1,985 | 3,556 | 8,354 | 10,768 | 12,421 | 19,003 | 18,853 | 19,208 | **99,070** | |
| - Sundry | 1,761 | 2,291 | 1,700 | 1,564 | 2,310 | 4,297 | 3,329 | 3,917 | 4,242 | 4,474 | 3,895 | **32,019** | |
| | **21,889** | **18,614** | **15,450** | **18,069** | **22,801** | **31,924** | **36,581** | **40,065** | **49,576** | **54,512** | **47,588** | **335,178** | **A** |
| **Expenses** | | | | | | | | | | | - | **-** | |
| - Employee costs | 11,867 | 14,992 | 17,960 | 20,313 | 21,792 | 22,429 | 23,813 | 26,162 | 26,341 | 26,162 | 28,206 | **228,171** | |
| - Pension | 6,324 | 8,651 | 11,734 | 12,855 | 14,879 | 16,463 | 20,404 | 28,773 | 31,858 | 31,419 | 36,896 | **213,933** | |
| - Operating costs: | | | | | | | | | | | | | |
| -Fuel | 11,055 | 9,924 | 8,511 | 8,715 | 10,985 | 11,091 | 11,026 | 11,114 | 13,888 | 16,168 | 18,642 | **120,064** | |
| -Repair & maintennace | 4,759 | 5,265 | 3,920 | 3,643 | 3,851 | 4,990 | 4,045 | 8,314 | 7,477 | 5,644 | 8,096 | **55,245** | |
| -Other costs | 8,037 | 6,728 | 2,672 | 3,048 | 3,821 | 4,198 | 4,286 | 6,403 | 6,634 | 7,889 | 5,899 | **51,578** | |
| | **42,041** | **45,560.971** | **44,797.911** | **48,573.487** | **55,327.937** | **59,170.945** | **63,574.056** | **80,766.348** | **86,198.094** | **87,281.565** | **97,739.583** | **668,991** | **B** |
| **(Loss) for the year** | **(20,152)** | **(26,947)** | **(29,348)** | **(30,504)** | **(32,527)** | **(27,247)** | **(26,993)** | **(40,701)** | **(36,622)** | **(32,770)** | **(50,152)** | **(333,812)** | **C=A-B** |

| Description | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total year wise Increase during 10 years | Percentage contribution | Bifurcation of Accumulkated Losses (Rs in million)* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| - Employee costs | 26% | 20% | 13% | 7% | 3% | 6% | 10% | 1% | -1% | 8% | 93% | 15% | 48,946.69 |
| - Pension | 37% | 36% | 42% | 39% | 38% | 37% | 32% | 31% | 30% | 29% | 351% | 55% | 184,054.46 |
| -Fuel | -10% | -14% | 2% | 26% | 1% | -1% | 1% | 25% | 16% | 15% | 62% | 10% | 32,438.58 |
| Repair & Maintenance | 11% | -26% | -7% | 6% | 30% | -19% | 106% | -10% | -25% | 43% | 109% | 17% | 57,083.68 |
| Other Costs | -16% | -60% | 14% | 25% | 10% | 2% | 49% | 4% | 19% | -25% | 22% | 3% | 11,289.07 |
| | | | | | | | | | | | 636% | 100% | **333,812.48** |

**Annex-4**

| Grant-in-aid (Federal Government Assistance) to meet operational shortfall | | |
|---|---|---|
| | | |
| | | |
| **Description** | **Anount (Rs in million)** | |
| Grant in Aid Provided by Federal Government during 10 years | 361,373.40 | ***A*** |
| transferred to Surplus | 6,813.84 | ***B*** |
| **Offset Losses** | 333,812.5 | ***C*** |
| Railway Reserve fund (Closing Balance) | 20,747.02 | ***D=A-B-C*** |
| | | |
| **Accumulated Losses as on June 30,2020** | **36,924.39** | |

**Source:** Appropriation Accounts of Pakistan Railways 2010-11 to 2019-20

**Annex-5**

**Composition of Railway Board over the years**

| S. No. | Enactment | Total | Detail of Members of Railway Board |
|---|---|---|---|
| 1 | Railway Board Ordinance, 1959 | 3 | Three members from Railways i.e. one from Transportation and Commercial department, one from Engineering department and one Member Finance. The senior of the two first shall be the Chairman. |
| 2 | Ordinance, 1962 | 4 | Three members from Railways (Chairman, Member Traffic & Member Engineering) and one Finance Member from AGP Office. |
| 3 | Ordinance, 1978 | 5 | Four members from Railways (Chairman, Member Traffic, Member Civil Engineering & Member Mechanical Engineering) and one Finance Member from AGP Office. |
| 4 | Presidential Order, 1982 | | ▪ Chairman/ex-officio Secretary from Railways up to December, 1990 & afterword non-Railway.<br>▪ 3 Members from Railways i.e. Member Traffic, Member Civil Engineering, Member Mechanical Engineering.<br>▪ Member Finance from AGP Office. |
| 5 | Ordinance, 1998 | 8 | ▪ six Members from Railways (Secretary/ex-officio Chairman Railway Board,<br>▪ One Member from Railways i.e. GM Operations/CEO<br>▪ Member Finance from AGP office<br>▪ Three private Members |
| 6 | Ordinance, 2000 | 18 | ▪ Five non-Railways Members (Secretary/ex-officio Chairman Railway Board, Secretary |

| | | | |
|---|---|---|---|
| | | | Communications, Secretary Defence, Secretary Finance & Secretary Planning & Development)<br>▪ Five Members from Railways (GM, Operations, GM, M&S, AGM, Infrastructure, AGM, Passenger & AGM, Freight)<br>▪ Member Finance from AGP Office<br>▪ Three Members from Private Sector.<br>▪ Four co-opted Members from provinces & |
| 7 | Ordinance, 2002 | 10 | ▪ Four non-Railways Members i.e. Secretary/Chairman Railway Board, Secretary Communications, Secretary Finance & Secretary Planning & Development.<br>▪ Two Members from Railways (GM, Operations & GM, M&S)<br>▪ Member Finance from AGP Office<br>▪ Three Members from Private Sector |
| 8 | Ordinance, 2012* | 14 | ▪ Three non-Railways Members i.e. Federal Minister for Railways (Chairman), Secretary, Railways & Secretary Privatization Commission.<br>▪ One Member from Railways i.e. GM, Operations.<br>▪ Member Finance from AGP Office<br>▪ Nine Members from Private Sector |

*It was elapsed after 3 months

**Annex-6**

## Functions & Responsibilities of Railway Board

| Sr. # | Railway Board Ordinance/ Authority | Functions & Responsibilities of RB |
|---|---|---|
| 1 | 1959 | The Central Government may, by notification in the official Gazette, invest the Railway Board, either absolutely or subject to conditions with:<br>c. All or any of the powers or functions of the Central Government under the Railway Act IX of 1890.<br>d. The power of the officer referred to in Section 47 of the said Act to make general rules there under. |
| 2 | 1962 | ▪ Consequent upon repeal of the Railway Board Ordinance, 1959 all powers and functions of the Central Government under the Railway Act 1890 (IX of 1890), exercisable by the Railway Board constituted under the said Act, and the power to make general rules under section 47 thereof, shall, in relation of that subject to the other provisions this Order, vest in the Board.<br>▪ All action taken by a Railway Board in the discharge of its functions shall be expressed in writing signed by the Secretary of the Board or by some other officer authorized by it. |
| 3 | Presidential Order No. 95 of 1982 | ▪ The Ministry of Railways and the Railway Board be merged with immediate effect.<br>▪ Consequent upon effecting the merger, the Chairman Railway Board will prepare a plan for the separation of activities not directly connected with |

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| | | the working of the Railway Administration, namely, construction of new railway lines inside or outside Pakistan, export of rolling stock and/or equipment, manufacturing projects not affecting railway operation, provision of Railway Advisory and Consultancy Services etc., and place these activities under the control of one or more Railway Corporations- each under a Chief Executive also to be designated as a General Manager in Grade 21.<br>▪ After approval of the plan by the Governor of Pakistan, its implementation will be entrusted to the Chairman Railway Board who may, until he considers the volume of work sufficient to justify the creation of such separate post, assign the responsibilities of Corporation to a Member of the Railway Board.<br>▪ The Chief Executive of the Railway Administration at Lahore will be a General Manager in Grade 21 to be appointed by the Federal Government as defined in Chapter 1 Clause 3(6) of the Railway Board/Secretary Ministry of Railways, and be directly responsible to him. |
| 4 | Functions and Responsibilities of the Railway Board<br>Issued by the Ministry of Railways vide Notification No. S.R.O No. 208(KE)/90 dated 15.11.1990 | ▪ Consequent upon the merger of Railway Board and Ministry of Railways under Presidential Order No. 95 of 1982. According to the decision of the Economic Coordination Committee of the Cabinet taken in its meeting held on 30.04.1990 an executive authority has been transferred to the Chief Executive of the different functional Units with Railway Board |

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| | | functioning as a Policy and Review Board.<br>▪ Powers of the Railway Board:<br>i. the capital and revenue budget of the Railway<br>ii. the construction of new railway lines or the modification, closing or dismantling of any railway line;<br>iii. changes in the general conditions of service and methods of recruitment of Class1 officers of the Railway Services;<br>iv. changes in the pay structure and allowances of persons in the service of the railway;<br>v. the appointment of officers in the Senior Administrative Grade; and<br>vi. Not, except with the prior approval of the Central Government in the Ministry of Defence, alter the terms and conditions of any contract relating to the conveyance of Defence traffic.<br>▪ In the discharge of its functions, the Board is further guided by such directions as the Government may give on main questions of policy and major financial issues from time to time.<br>▪ With the exception of the above limitations, the Board, in the exercise of its functions has all powers in respect of regulation, administration. Construction, maintenance and operation of the different units through the respective Chief Executives. Railway Board shall, from time to time, delegate such powers and authority to the Chief Executives as are necessary for the efficient management and operation of the units and optimum utilization of the assets placed at their |

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| | | disposal.<br>**Functions of the Railway Board**<br>▪ After the merger of the Railway Board with the Ministry of Railways under President's directive No. 95 of 1982, the Railway Board as a Federal Government Ministry, carries out all the Secretariat and policy making functions of the Government.<br>▪ Railway Board, in view of the decision of the ECC taken in its meeting held on 30.04.1999 regulates the Policy and Reviews the performance of the following units:<br>a. Railway operational unit<br>b. production unit-I (Carriage Factory/ Islamabad, Automatic Vehicles Launching Bridge Section, Steel Shops and other Manufacturing units after segregating maintenance activities from such Units.<br>c. Production Units-II (Locomotive Factory, Risalpur, Locomotive Rehabilitation Project, Moghalpura.<br>d. Production Unit-III (Concrete Sleeper Factories etc.)<br>e. Property Development and Management Unit<br>f. Railway Construction Pakistan Ltd. (RAILCOP)<br>g. Pakistan Railway Advisory & Consultancy Services (PRACS)<br>▪ As a part of its Secretariat functions, Railway Board has to maintain close liaison with other Federal Ministries such as Finance Division, mainly during the preparation of Revenue and Capital Budget, etc. Planning and Development Division, for the |

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| | | preparation of development projects and plans, Establishment Division, Ministry of Defence etc.<br>▪ For the formulation of policies and carrying out review of the difference units, the Railway Board functions as Corporate body. the Board, as a body, has the following responsibilities:<br>i. to advise the Government on all matters connected with working of the Railway Units<br>ii. to keep the Government advised of important developments on the Railway units.<br>iii. to ensure that affairs of the Railway Operations Unit are conducted in a most business-like, efficient and professional manner, quality of service is maintained and socio-economic needs of the people are always kept in view.<br>▪ To frame policies and provide guidance on all matters (technical establishment, etc.) for proper working of different units:<br>a. approval of the Corporate Plans of the different units<br>b. framing of the annual revenue and development budget<br>c. carrying out periodical review of performance of the different units<br>▪ For evaluation and determination of all technical problems connected with the working of the Units. Decisions on important matters (concerning policies, specifications, maintenance practices etc.) having long term bearing on the working of the Railways shall be taken with the approval of the Railway |

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| | | Board. Other matters will be dealt with the Members concerned.<br>▪ Act as a Tender Committee for tender cases submitted to the Railway Board by the Units<br>▪ To ensure implementation of covenants and other conditionalities of the agreements, with the foreign agencies like World Bank, IDB, Kuwait Fund etc.<br>▪ Work as Selection Committee for promotion of staff from B-17 to 19.<br>▪ Other functions of the Railway Board being looked after by members, individually and collectively, are given in the succeeding paragraphs.<br>▪ Members shall keep each other informed of the important matters arising with their allotted fields of responsibility.<br>▪ The work of development planning and progressing is an important function of the Board, Board has to ensure that the funds allocated are utilized in a proper manner, approved scheme are completed with the least possible delay and the desired results of investments are achieved.(MCE & MF)<br>▪ Reconciliation of foreign Aids and Loans, their prepayment schedule, calculation of interest due etc. (MCE & Member concerned)<br>▪ Preparation of Five-Year Plans, PC1s, PC IIs, Project evaluation reports. (,CE & Member concerned)<br>▪ Re-appropriation of Funds within the budget allotment (MCE, MF and Member concerned) |

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| | | **The Chairman**<br>i. The Chairman, Railway Board, is solely responsible for the proper functioning of the Units, arriving at decisions on policy and technical questions and advising the Government in matters of policy. The Chairman is responsible for intra Board Coordination. He has the power to over-rule the other Members of the Board, except that the Finance Member, if in any matter of finance, he does not agree with the Chairman, can ask the Board to refer it to Finance Division for their opinion.<br>ii. He will keep the Federal Minister/Minister of State for Railways informed of all important developments on the Railways, Summaries to the Prime Minister, Cabinet, ECC and on important issues shall be submitted with the approval of the Minister of the Minister for Railways.<br>iii. Chairman Railway Board shall also look after all establishment matters.<br>iv. The ultimate and final responsibility for arriving at decisions on technical and policy matters rests with the Chairman, whilst in the discharge of their respective technical responsibilities, the Members drive delegated.<br>v. Chairman Railway Board will attend the meetings of ECC and in his absence a Member to be nominated by him.<br>**Member Civil Engineering**<br>Member Civil Engineering has the following duties and responsibilities:<br>i. Providing technical guidance to the Civil Engineering and Planning |

| | | |
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| | | Departments of different Units and Signaling and Telecommunication Department of Railway Operations Unit.<br>ii. Formulating policies and issuing directives to ensure that the technical matters of the departments and Units mentioned in Para (i) above are managed in a business-like manner and on sound Engineering practices according to latest techniques.<br>iii. Up-dating and revision of Pakistan Railways Engineering Code and other Codes as far as their provisions concern the Civil Engineering and Signaling and Telecommunication Department.<br>iv. Up-dating and revision of Schedule of Standard Dimensions.<br>v. Up-dating and revision of the various Codes of the Engineering Department as Steel Code, Bridge Code, RCC Code etc.<br>vi. Framing of the Budget for the Annual Development Programme and Coordination for this purpose with the Planning and Development Division. Economic Affairs Division and Finance Division.<br>vii. Monitoring of the expenditure against allocation chargeable to development budget and Improvement Fund to ensure that the expenditure is evenly distributed throughout the year and disproportionate heavy expenditure do not take place in the later part of the year.<br>viii. Monitoring of the progress of the works chargeable to Capital, DRF and Improvement Fund so that the funds |

| | | |
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| | | allocated are utilized fully and in a manner that the works are completed in a reasonable period of time.<br>ix. Scrutiny of the Purchase Programme of the Civil Engineering and Signal and Telecommunication Department of the Railway Operations Unit and other functional Units.<br>x. Up-dating and revision of specifications for the material and components to be used in the constructions of track, Signaling and Telecommunication and other items having bearing on the safety of train operation.<br>xi. Monitoring of the working of the Civil Engineering Department Signal and Telecommunication Department, Planning Department under the General Manager/Operations, Production Unit No. III, RAILCOP, Railway Property Development and Management Unit to ensure that they meet the laid down targets.<br>xii. Scrutiny of all the PC Is, Co-ordination with the Planning Division, arranging and attending meetings of the DDWP, attending meetings of the CDWP and ECNEC.<br>xiii. Scrutiny, Consolidation and presentation of the reports for Review of the Railway Board on the working of the Civil Engineering Department and Signal and Telecommunications Department under the Property Development and Management Unit.<br>xiv. Attend meetings of the Tender Committee of the Railway Board.<br>xv. Any other functions assigned by the |

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|---|---|---|
| | | Chairman/Railway Board.<br>**Member Mechanical Engineering**<br>Member Mechanical Engineering has the following duties and responsibilities:<br>i. Technical guidance to Mechanical, Electrical, Stores and Purchase Departments of Pakistan Railways.<br>ii. Up-dating and revision of technical specifications relating to Locomotives, Carriages, Wagons and fixed electrical installations.<br>iii. Formulating policies in respect of technical matters pertaining to Mechanical, Electrical, Stores and Purchase Departments.<br>iv. Up-dating and revision of the standard conditions of contract for Pakistan Railways and the bidding documents for foreign purchases funded by International Aid/Loan giving agencies.<br>v. Revision of Codes pertaining to Mechanical, Electrical and Stores Departments.<br>vi. Monitoring the budget and expenditure under revenue allocated to the Stores Department.<br>vii. Monitoring the budget and expenditure under revenue allocated to the Stores Department.<br>iii. Attend meetings of the Tender Committee of the Railway Board.<br>ix. Standardization of the Rolling Stock.<br>x. Co-ordinate the working of Manufacturing Units I & II and issue directives so that these Units conduct their activities in a business-like manner and on sound Engineering practices according to the latest techniques. |

| | | |
|---|---|---|
| | | xi. Co-ordinate preparation of Annual Development Programme in respect of Rolling Stock, Plant and Machinery.<br>xii. Monitoring the progress of works pertaining to Mechanical and Electrical Departments chargeable to Capital, DRF and Improvement Fund.<br>xiii. Scrutiny consolidation and presentation of the reports for review of the Railway Board on the working of Mechanical, Electrical, Stores and Purchase Departments under the GM and Production Units No. I & II and PRACS.<br>xiv. Any other assignment given by Chairman/Secretary Railways.<br>**Member Traffic**<br>Member Traffic deals with issues pertaining to Operations, Business, Commercial, Safety, MIS, Staff Training and Research, Medical and Security matters of Pakistan Railways.<br>**Member Finance**<br>Member Finance represents the Ministry of Finance in the Ministry of Railways (Railway Board). He provides technical opinion on all issues pertaining to the various matters of the Finance in PR.<br>**Secretary Railway Board**<br>Secretary Railway Board is responsible for:<br>i. The Administration of the Board office as well as assisting the Chairman in technical questions regarding staff & establishment.<br>ii. He assists the Board in its policy making functions and is responsible for recording of all decisions of the Railway Board and monitoring |

| | | |
|---|---|---|
| | | progress thereon.<br>iii. Secretary of the Board also function as Secretary of the Selection Committees.<br>iv. He also acts and exercises powers of joint secretary. |
| 5 | 1998 | Amendments in Powers:<br>▪ The terms & conditions of service of members of the Board shall be such as may, from time to time, be determined by the Federal Government.<br>▪ The Board may delegate to any of its members of such of its powers as it may deem fit.<br>▪ To assists the Board in the discharge of its functions there shall be a Secretary, and such other officers and servants as the Board may appoint. |
| 6 | Decision taken in the Joint Meeting of the National Security Council and Cabinet No.3/JM/99-D dated 04.01.2000 | It was decided in the joint meeting of the National Security Council (NSC) and the Cabinet held on 29.12.1999 that:<br>i. Pakistan Railways should be declared as the main system of transportation for the country and it should be accorded requisite priority in planning and resource allocation.<br>ii. the re-organization of the Pakistan Railways was approved, as presented, subject to the following modifications:<br>a. Secretary, Ministry of Communications should be on the Railway Board in place of Secretary, Ministry of Food, Agriculture and Livestock<br>b. there should be four co-opted members from the Provincial Governments<br>iii. The Railway Board was allowed to exercise the same powers as |

| | | |
|---|---|---|
| | | authorized vide Presidential Order No. 33 of 1962.<br>iv. Creation of a Vigilance Directorate was approved.<br>v. The Railway Board was authorized to approve the promotion of officers up to BS-19.<br>vi. Declaring PR as essential service of strategic value will be considered later.<br>vii. Planning and Development Division should develop a National Transport Policy.<br>viii. The Railway Board was authorized to sell the land surplus to their needs in a transparent and discreet manner.<br>ix. The proposal for 7.5% increase in freight tariff was approved. However, permission for increase in Passenger Tariff would be considered after three months.<br>**x.** Emergency repair plan was approved. |
| 7 | 2000 | ▪ The Board may delegate to any of its member such of its powers as it may deem fit.<br>▪ There shall be an Executive Committee consisting of Secretary, Ministry of Railways who shall be its Chairman and General Manager Railways Operations, General Manager, Manufacturing and Services and Member Finance as its members for taking day to day decisions to be approved later on by the Railway Board.<br>▪ To assists the Board in discharge of its functions, there shall be a Secretary and such other officers and servants as the Board may appoint. |

| | | |
|---|---|---|
| 8 | 2002 | The Director Administration, Railways Division, shall act as Secretary of the Board and to assist the Board in discharge of its functions there shall be such other officers and servants as the Board may appoint. |
| 9 | 2012 | Secretary Railway Board, Railway Division shall act as Secretary of the Board and to assist the Board in discharge of its functions there shall be such other officers and servants the Board may appoint. |

**Annex-7**

## Appointment of Private Members

| Sr. No. | Date | Name of Private Member | Status | Designation | Qualification | Experience |
|---|---|---|---|---|---|---|
| 1 | 14.02.08 | Mr Jalees Ahmed Siddique | Resigned | MD, PSO, Karachi | | |
| 2 | 05.07.09 | Mr. Majyed Aziz | Tenure Expired | President, Chamber of Commerce, Karachi | | |
| 3 | 05.07.09 | Mian Muhammad Latif | Tenure Expired | Chairman, ChenOne, Faisalabad | | |
| 4 | 28.11.14 | Mr Amer Bilal Soofi | Appointment | Advocate Supreme Court | Law Graduate | Member Advisory Council UN Human Rights, visiting Professor |
| 5 | 04.12.14 | Prof Dr Zahid Saleem | Appointment | COMSAT University, Islamabad | Electric Engineer | Professor |
| 6 | 04.12.14 | Mr Muhammad Ashfaq Khattak | Appointment | Retired Railway Officer | MPA, Law Graduate | Pakistan Railways |
| 7 | 04.12.14 | Mr Ashtar Ausaf Ali | Appointment | Advocate Supreme Court | Law Graduate | Law Professor |
| 8 | 16.12.16 | Mr Asad Saeed | Appointment | Retired Railway Officer | Mechanical Engineer | Pakistan Railways |
| 9 | 19.08.19 | Syed Muhammad Talib Rizvi | Appointment | Group Executive/ Head of retail Bank at Habib Metropolitan Bank | MBA, MSc - Strategic Studies | Banking |

| | | | | | | |
|---|---|---|---|---|---|---|
| 10 | 19.08.19 | Syed Ijaz Hussain | Appoint ment | Retired Member FBR | MSc-International Relations, MSc Defense & Strategic Studies | FBR |
| 11 | 19.08.19 | Mr Amir Khan | Appoint ment | Retired Railway Officer | Civil Engineer | Pakistan Railways |

**Annex-8**

## Board Composition & Participation of Board Members in Board Meetings

| Railway Board Meeting | Meeting Date | Actual Composition of Board Members(Attendance) | | | Percentage | |
|---|---|---|---|---|---|---|
| | | Total | Private Members (Independent) | Ex-Officio Members | Private Members (Independent) | Ex-Officio Members |
| 1st | 30.04.2015 | 11 | 3 | 8 | 27% | 73% |
| 2nd | 11.06.2015 | 10 | 2 | 8 | 20% | 80% |
| 3rd | 16.11.2015 | 11 | 3 | 8 | 27% | 73% |
| 4th | 24.05.2016 | 9 | 1 | 8 | 11% | 89% |
| 5th | 04.01.2017 | 12 | 2 | 10 | 17% | 83% |
| 6th | 16.08.2017 | 9 | 2 | 7 | 22% | 78% |
| 7th | 18.05.2018 | 9 | 1 | 8 | 11% | 89% |
| 8th | 28.11.2019 | 11 | 3 | 8 | 27% | 73% |
| 9th | 25.02.2020 | 11 | 3 | 8 | 27% | 73% |
| 10th | 20.05.2020 | 11 | 3 | 8 | 27% | 73% |
| | | | | **Total** | **217%** | **783%** |
| | | | | **Average** | **22%** | **78%** |

**Summary Of Board Meetings**

| Railway Board | Meeting Date | No. of Agenda | Agenda Items | | Conclusive Decisions | | Interim / deferred | |
|---|---|---|---|---|---|---|---|---|
| | | | Non- | Core* | Non- | Core | Non- | Core |
| 1st | 30.04.2015 | 4 | 3 | 1 | 2 | 0 | 1 | 1 |
| 2nd | 11.06.2015 | 3 | 3 | 0 | 1 | 0 | 2 | 0 |
| 3rd | 16.11.2015 | 9 | 7 | 2 | 1 | 1 | 6 | 1 |
| 4th | 24.05.2016 | 7 | 6 | 1 | 2 | 1 | 4 | 0 |
| 5th | 04.01.2017 | 6 | 4 | 2 | 1 | 2 | 3 | 0 |
| 6th | 16.08.2017 | 7 | 6 | 1 | 1 | 1 | 5 | 0 |
| 7th | 18.05.2018 | 3 | 2 | 1 | 1 | 1 | 1 | 0 |
| 8th | 28.11.2019 | 3 | 3 | 0 | 2 | 0 | 1 | 0 |
| 9th | 25.02.2020 | 16 | 9 | 7 | 8 | 5 | 1 | 2 |
| 10th | 20.05.2020 | 11 | 10 | 1 | 4 | 1 | 6 | 0 |
| **Total** | | **69** | **53** | **16** | **23** | **12** | **30** | **4** |
| **Percentage wise decisions** | | | **77%** | **23%** | **43%** | **75%** | **57%** | **25%** |

**** Core** Agenda items/Decisions pertains to either core operation or may result in substantial

***Non-Core** Other than core issues

**Source:** minutes of meeting of Railway Board (2015 to 2020)

**Summary of Railway Board's Minutes of Meetings**

| Railway Board Meeting | Description | |
|---|---|---|
| | Non-Core | Core |
| 1st | (i) Modality for ratification of decision taken by the Executive Committee from 12.09.15 to 24.03.15 (ii) Appointment of General Cadre posts BS-21 & BS-20 (iii) Up gradation of the post of General Manager/ Operations (BS-21) to Chief Executive Officer/Sr. General Manager (BS-22) | (i) Outline of Pakistan Railways Strategic Plan |
| 2nd | (i) Amendment in the rules of Pakistan Railway Benevolent Fund & Group insurance 1969 (ii) Approval of Railway Board for making advance payment to M/S Toyota Indus Motors, Karachi for import of vehicle from Japan (ii) write off of irrecoverable amount of Railway's investment in West Pakistan Transport Corporation (WPRTC) during 1960-61(iii) Payment of 15 % mobilization advance against (a) Procurement of 55 DE Locos (b) Procurement/Manufacture of 780 Open top Rapid discharge Hopper Wagons & 20 Brake | |

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| 3rd | (i) Settlement of lease arrangements with Pakistan Rangers (Punjab) against Rangers Public School constructed on Pakistan Railways land measuring 3.11 acres at Narowal (ii) Modality for rationalization of the decisions taken by the executive committee of Railway Board (iii) Appointment of BS-20 General Cadre Posts (iv) Permission for call of Expression of Interest (EOI) for Pakistan Railways Schools Kotri, Marshalling Yard Piri and Faisalabad (v) Powers of Railway Board (vi) Payment of Mobilization advance against foreign Purchase (vii) Approval of 15% share of Railway Estate Development & Marketing Company (pvt) Limited (REDAMCO) | (i) Public Private Partnership of 3 Trains (ii) Purchase of new Locomotives & Hopper Wagons |

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| 4th | (i) Revalidation & subsequent joining of PR Servants Benevolent Fund Organization with Federal Employees Benevolent Funds and Group Insurance (ii) Conversion of residential plots to commercial & installation of bill board & towers on Railway Land in Pakistan Railways Employees Cooperative Housing Societies over the system (iii) Payment of Mobilization advance against contract agreement for procurement of Self-propelled material lorries (iv) payment for 15% mobilization advance against contract agreement for procurement of bogie open top rapid discharge Hopper wagons and Brake vans (v) Modality for rationalization of the Decision taken by the Executives committee of Railway Board (vi) Write off irrecoverable amount of Railway's investment in West Pakistan Road Transport Corporation (WPRTC) during 1960-61 (v) Approval of 15% share of Railway Estate Development & Marketing Company(pvt) Limited (REDAMCO) from receipts on behalf of MOR | (i) Outsourcing of Commercial management of Loss making Trains |

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| 5th | (i) Army welfare trust-CNG project, pro rating of licensing fee (ii) Write off statement for the theft of P-way material amounting Rs 5.247 million (iii) Conversion of residential plots to commercial & installation of bill boards & towers on railway land in PR (iv) Honorarium for the board members | (i) Outsourcing the commercial management of passenger trains under public private partnership (PPP) (ii) Uniform rate of Plate form tickets over the system |
| 6th | (i) Status of decision of previous Railway Board meetings (ii) Ratification of the decisions of the executive committee regarding advance payment of purchase of road vehicles (iii) Payment of 15% mobilization advance for maintenance contract od ZCU-20/30 DE Locos (iv) Conversion of Residential plots to commercial & installation of bill boards & towers on Railway land in Pakistan Railways Employees Cooperative Housing Societies over the system (v) Settlement of amount in different head of accounts (vi) Ratification of executive committee decision regarding payment of 15% mobilization advance for procurement of 20 Diesel Electric Locomotives | (i) Investment planning: CPEC, PSDP, Investment possibilities |

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| 7th | (i) Representation registered by PR against findings/recommendations passed by the Wafaqhi Muhtasib (ii) Working paper for approval of 15% share of REDAMCO from receipts on behalf of ministry of Railways | (i) Pakistan Railways Strategic Plan 2018-2025 |
| 8th | (i) Introduction of new members from private sectors (ii) Appointment of BPS-18 & BPS-19 general cadre posts & DTL quota for ex-cadre department of PR | |
| 9th | (i) IFRS based SAP implementation in Railways (ii) Financial analyst for PR (iii) Cost Accountant for PR (iv) Update on supreme court of Pakistan decision regarding Royal Palm (v) Establishment of Government Girls College Rahima Bad, Rawalpindi (vi) PRs Post graduate college for women police station road, Rawalpindi (vii) PPP of Railway Educational Institutions (viii) Up gradation& Rehabilitation of Railway Hospital on PPP mode (ix) Inclusion of daily 92 news & other newspapers in Journalist concession card list | (i) Outsourcing of Railway Land (ii) Creation of Gawadar Railway Division (iii) Track Access (iv) Outsourcing of Freight Trains (v) Policy for outsourcing of Passenger Trains (vi)Private sector participation in railways(vii) Enhancement of penalty on ticketless travelling by 5 times |

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|---|---|---|
| 10th | (i) Briefing by CEO/Sr GM on PR (ii) Briefing by CEO/Sr GM on Safety of Train Operations (iii) Briefing by AGM-I on land lease policy and strategy for commercial utilization of Railway's property & assets (iv) three advisors position (v) Approval for revised organogram for adjustment of Advisor (vi) Procurement of 230 new design high speed passenger carriage -voluntary discounts (vii) Public sector development programme (viii) Approval for the post of Deputy Sector Board under Secretary Railway Board (ix) Transfer of Pension Liability to the Federal Government (x) Reports of the Railway Board Committees | (i) Policy for outsourcing of passenger/ Freight Trains |

**Source:** Minutes of meeting of Railway Board 2015-2021

**Annex-9**

## Implementation Status of Pakistan Railways Corporate Plan 2009-10 To 2014-15, Railway Strategic Plan 2018-2025 And Railway Business Plan 2020

### A. Corporate Plan (2009-2015)

| S. No. | Chapter Name | Objective Name | Article Number | Title | Implementation Status |
|---|---|---|---|---|---|
| 1. | Corporate Objectives | Institutional framework | 2.2.2. | Pakistan Rail Corporation Act | The objective was to convert PR into Pakistan Rail Corporation (PRC). PRC will be a body corporate formed under the companies act and subject to company law.<br>However, no initiative was taken for legislation of PRC Act, throughout the life of the plan and even up till now. |
| 2. | | | 2.3 | Option for PSP in Pakistan Rail Sector | The purpose of PSP proposal was to provide a major contribution towards (i) Improvement in business performance (ii) reduction in public sector support (iii) realization of broader economic benefits. |

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| | | | | | However, no substantial work could be done except outsourcing of operation of certain trains to PRACS just for survival of the company and to create posts for Railway Officers. |
| 3 | Operating Plan | Train planning, management & control | 4.4 | Business Strategy | The business strategy was to replace the telecommunications and upgrading the signaling system in train operations. As the current system realize on the dedication and skill of the working staff.<br>This business strategy model could not be achieved despite lapse of considerable time. |
| 4. | | | 4.6 | Infrastructure | The objective of infrastructure development plan was to improve, upgrade and rehabilitate the track and mechanized maintenance and rehabilitation of bridges.<br>The plan for rehabilitation of important track on Khanpur-Lodhran Section has been abandoned after a handsome |

| | | | | | |
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| | | | | | investment.<br>Following plans of Track/Bridge Rehabilitation have also been abandoned because of its inclusion in ML-1 project.<br>Shahdara- Lala Musa<br>Lahore- Wahgah<br>Sibi-Quetta<br>Improvement of Bridge workshop Jehleum. |
| 5 | Investment Plan | Passenger Business | 5.1 to 5.2 | Investment plan on passenger business | The investment plan was developed for additional 150 carriages, station improvements @ Rs 50 million per annum and computerized ticketing of 12 stations.<br>The investment plan as projected under these articles for improvement of passenger amenities could not be achieved. |
| 6 | | Infrastructure | 5.4 | Investment plan on track and structure | The track and structure plan was to develop a rail link from Gawader to Mastung, rail link from Havalian to |

| | | | | | |
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| | | | | | Khunjrab and rail link from D.I. Khan to Peshawar via Bannu-Kohat. Moreover, track to Lahore to Rawalpindi will be doubled at high speed. Doubling of track from Golra Sharif to Peshawar was also the part and structure.<br>However, the investment plan of track and structure could not be achieved during the life of a plan. |
| 7 | | Electrification | 5.4.4 | Investment in electrification | The infrastructure investment in electrification was planned between Lahore and Khanewal of the rehabilitation of the then existing electrified section @ Rs 500 million.<br>Instead of making investment or improvement Electric Traction System and its extension from Lodhran to Lahore, the existing E.T system between Khanawala-Lahore was abundant during 2009 and its staff is yet to be adjusted/rationalized |

## B. Railway Strategic Plan

The status of implementation framework as outlined in Article 12 of the plan is appended below:

| S. No. | Chapter Name | Article Number | Title | Target as per plan | Present status |
|---|---|---|---|---|---|
| 1 | Implementation Framework | 12.1 & 12.2 | Policy Revisions & Governance Revisions | 2018-20 | The policy and governance revisions were consisted of two years short term plan. The important two years plan are as under:<br>• Review of Railway Act<br>• Restructure of railway board<br>• Redefining Responsibilities for policy formulation, sector regulations and railway management<br>• Restructure of Pakistan Railways.<br>• Review of PR board and to make it more responsive to future commercial and market needs.<br>• Establishment of two railway boards.<br>However, no initiative could be taken on the above items of policy revisions up to 30th June 2021 |

| | | | | | |
|---|---|---|---|---|---|
| 2. | Traffic & Commercial Department | 12.9 | Commercial Issues | 2018-20 | The two year short term traffic and commercial plan were developed. These commercial issues are as under:<br>• Enhancing market forecast capacity<br>• Reviewing and redesigning passenger market forecast<br>• Acquiring modern and analytical demand forecast and pricing based on real time cost analysis.<br>However, no substantial progress could be achieved against above mentioned commercial issues. |
| 3. | Implementation Framework | 12.10 | Infrastructure New standards And work practices | 2018-20 | The development and implementation of fifteen new standards and work practices plans were short term which consisted of following important infrastructural works:<br>• Define new technology standards<br>• Develop standards for wayside and mobile instrumentation<br>• Develop plan for implementing new standards<br>• Develop risk-based infrastructure maintenance planning system<br>• Review , develop and implement new |

| | | | | | |
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| | | | | | organization structure for maintenance work-field, division, HQ<br>• Rationalize staff requirements based on upgraded systems.<br>• Assess and start developing IT systems for risk-based infrastructure maintenance planning.<br>• Initiate analysis of the use of electric traction<br>• Initiate analysis for the use of supplemental solar-power and renewable energy source for power supply arrangements.<br>However, no progress could be achieved against the above works and practices. |
| 4. | | 12.11 | Infrastructure-IT and Technology Development | 2018-20 | There were five short term IT infrastructural plans comprise on the following.<br>• Develop GIS based real estate management database and initiate its implementation.<br>• Manage real estate assets on a commercial basis using GIS based data base<br>• Upgradation of railway infrastructure |

| | | | | | |
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| | | | | | maintenance facilities<br>• Determine plan for outsourcing of production facilities<br>• Develop specifications and plan for developing fiber optics along railway lines on a commercial basis. However, no progress could be achieved against the above works and practices. |
| 5. | | 12.12 | Human Resources | 2018-20 | P.R. took initiatives for HR development by engaging the services of HR advisor during 2020-21.<br>• Assess and rationalize PR's future staff needs in light of new skill requirement.<br>• Modernize training facilities and programs to meet defined professional standards.<br>• Develop plan to integrate pay scales and conditions of employment for federal employees and PR servant.<br>• Design HR management information system to provide disaggregated data to HQ. |

| | | | | | |
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| | | | | | However, no progress could be achieved against the above short term plan. |
| 6. | | 12.13 | Accounting and IT systems | 2018-20 | No progress could be achieved 30-6-2021<br>• Complete development of IFRS accounts for PR<br>• Review current status of ERP development in light of PRSP and future structural changes<br>• Continue development and implementation of ERP systems.<br>• Develop and implement a PR wide high-speed data network<br>• Develop and implement data systems for each department<br>However, no progress could be achieved against the above objectives. |

## C. Railway Business Plan 2020

### 1. Revival of KCR Project

The project is in progress. The Supreme Court of Pakistan is monitoring its implementation.

### 2. Projects relating to Gawadar Port

The Projects are in Progress in calibration with Provincial Government and Chinese Companies.

### 3. Chapter 3, Article 3.1.1 of Business Plan

The Railway Board failed to exercise and over sight on the Railway Affairs because of having no full time members.

### 4. Chapter 6 of Business Plan

No progress could be achieved on Digitalization and Automation as planed in chapter 6 of the Business Plan.

### 5. Chapter 9

No Progress could be achieved on private sector engagement plan during 2020-21.

### 6. Chapter 11 of Business Plan

Non- core business model could not be implemented up to 30-6-2021.

### 7. Chapter 12 of Business Plan (Item No. 12.6.1)

No substantial progress could be achieved on solarization.

### 8. Annexation 9 of Business Plan

Timeline set forth for running of P.R. School and Colleges on PPP and JV model could not be achieved.

**Annex-10**

## Passenger Fares

| Issue date | Train | % increase |
|---|---|---|
| 01.02.2011 | passenger | 10 |
| | Mail, Express | 15 |
| | Non-stop | 20 |
| 15.03.2012 | Passenger | 15 |
| | Mail, Express, intercity, non-stop | 20 |
| 01.09.2012 | All trains | 5 |
| 04.12.2018 | All Trains | 7 to 19 |
| 25.06.2019 | All Trains | 2 to 19 |
| 07.12.2019 | All non-reserved trains | 13 |

**Source:** O/o the Senior Rates Officer

## Train wise Analysis (Revenue & Variable Cost)

| S. No. | Train Name | | 2019-20 (Revenue) | Variable Cost | Per Annum operating Loss (without Fixed Cost) | %age Variance |
|---|---|---|---|---|---|---|
| 1 | 225 UP/ 226 DN | Shaheen Express | 1,132,874 | 23,000,000 | (21,867,126) | -95% |
| 2 | 213 UP/ 214 DN | Mohenjo Dero | 44,666,274 | 529,000,000 | (484,333,726) | -92% |
| 3 | 349 UP/ 350 DN | Chaman Mixed | 12,592,766 | 90,000,000 | (77,407,234) | -86% |
| 4 | 267 UP/ 268 DN | Rawalpindi Express | 13,550,326 | 51,000,000 | (37,449,674) | -73% |
| 5 | 147 UP/ 148 DN | Mianwali Express | 68,044,338 | 187,000,000 | (118,955,662) | -64% |
| 6 | 203 UP/ 204 DN | Jand Pass | 11,081,963 | 29,000,000 | (17,918,037) | -62% |
| 7 | 201 UP/ 202 DN | Attock Pass | 34,124,327 | 77,000,000 | (42,875,673) | -56% |
| 8 | 11 UP/ 12 DN | Hazara Express | 707,005,341 | 1,470,000,000 | (762,994,659) | -52% |
| 9 | 113 UP/ 114 DN | Ghouri Express | 36,381,771 | 74,000,000 | (37,618,229) | -51% |
| 10 | 39 UP/ 40DN | Jaffer Express | 756,418,365 | 1,486,000,000 | (729,581,635) | -49% |
| 11 | 115 UP/ 116 DN | Musa Pak | 111,035,060 | 214,000,000 | (102,964,940) | -48% |
| 12 | 47 UP/ 48 DN | Rehman Baba | 917,637,391 | 1,595,000,000 | (677,362,609) | -42% |
| 13 | 125 UP/ 126 DN | Lasani Express | 47,377,710 | 77,000,000 | (29,622,290) | -38% |
| 14 | 133 UP/ 134 DN | Kohat Express | 68,844,445 | 110,000,000 | (41,155,555) | -37% |
| 15 | 27 UP/ 28 DN | Shalimar Express | 924,186,685 | 1,259,000,000 | (334,813,315) | -27% |

| | | | | | | |
|---|---|---|---|---|---|---|
| 16 | 1 UP/ 2 DN | Khyber Mail | 1,250,325,524 | 1,674,000,000 | (423,674,476) | -25% |
| 17 | 13 UP/ 14 DN | Awam Express | 1,334,408,899 | 1,673,000,000 | (338,591,101) | -20% |
| 18 | 5 UP/ 6DN | Green Line | 1,373,638,318 | 1,572,000,000 | (198,361,682) | -13% |
| 19 | 17 UP/ 18 DN | Millat Express | 1,200,798,810 | 1,349,000,000 | (148,201,190) | -11% |
| 20 | 43 UP/ 44 DN | Shah Hussain | 1,018,581,428 | 1,128,000,000 | (109,418,572) | -10% |
| 21 | 9 UP/10 DN | Allama Iqbal | 1,218,753,929 | 1,326,000,000 | (107,246,071) | -8% |
| 22 | 45 UP/ 46 DN | Pakistan Express | 1,302,742,568 | 1,405,000,000 | (102,257,432) | -7% |
| 23 | 25 UP/ 26 DN | Bahuddin Zakria | 762,256,750 | 814,000,000 | (51,743,250) | -6% |
| 24 | 7 UP/8 DN | Tezgam | 1,402,408,358 | 1,488,000,000 | (85,591,642) | -6% |
| 25 | 15 UP/ 16 DN | Karachi Express | 1,168,618,012 | 1,234,000,000 | (65,381,988) | -5% |
| 26 | 107UP/ 108 DN | Islamabad Express | 190,050,664 | 186,000,000 | 4,050,664 | 2% |
| 27 | 103 UP/ 104 DN | Subak Khaam | 197,994,140 | 181,000,000 | 16,994,140 | 9% |
| 28 | 105UP/ 106 DN | Rawal Express | 209,494,268 | 181,000,000 | 28,494,268 | 16% |
| 29 | 101 Up/ 102 DN | Subak Raftar | 214,252,914 | 181,000,000 | 33,252,914 | 18% |
| 30 | 41 UP/ 42 DN | Karakoram Express | 1,534,483,359 | 1,259,000,000 | 275,483,359 | 22% |
| 31 | 33 UP/ 34 DN | Pak Business | 1,479,165,613 | 1,171,000,000 | 308,165,613 | 26% |
| 32 | 145 UP/ 146 DN | Sukkur Express | 519,304,594 | 350,000,000 | 169,304,594 | 48% |

**Annex-12 A**

## Worldwide Public Private Partnership Models

| Sr. # | Railways | Public Private Partnership (PPP) Projects |
|---|---|---|
| 1 | Indian Railways | ▪ In India, public-private partnership in railways is a major factor behind its immense growth. The construction of High Speed Passenger Corridor and Freight Corridor, and the building of the Surendranagar-Pipavav Gauge Conversion are important milestones in the history of PPPs in the Indian Railways. Proposals have been presented in the Railway budget 2008-09 to develop New Dehli, Mumbai, Patna and Secundrabad railway station world-class stations. Karnataka has established the Karnataka Rail Infrastructure Development (K-RIDE) Corporation to deal with public private partnership in the rail sector. Proposal were also made to resort to open and competitive bidding in place of the Special Purpose Vehicle4.<br>▪ In 2007, concession agreements were signed with 14 container operators as a result of which the monopoly of the Container Corporation of India has now |

[4] SPV is a company with liabilities and assets only for the purpose of carrying out the project which is the subject of public private partnership. Such a subsidiary company is tax neutral. The risks and possibility of bankruptcy of the original company is not transferred to the SPV.

| | | |
|---|---|---|
| | | come to an end.<br>▪ In 2020, Indian Railways has launched the process of opening up train operations to private entities on 109 origin destination (OD) pairs of routes using 151 modern trains, only for a fraction of the total train operations - 5% of the 2,800 Mail and Express services operated by Indian Railways.. It has invited Request for Qualifications proposals, for scrutiny of vendor capabilities, from those who can bring modern trains for operations on existing rail infrastructure. At present, scheduled passenger train services remain paralysed during the COVID-19 pandemic, and various railways have been running only specials such as those for workers. Yet, the Railway Board has moved ahead with a long-pending plan, setting a tentative schedule for private train operations, expected to begin in 2023 and in 12 clusters. |
| 2 | Russia | ▪ Development of 659 km high-speed railroad sections involving total investment of US$ 80 billion. |
| 3 | Kazakhstan railways | ▪ Project involving US$ 526 million regarding construction and operation of the Light rail line in Almaty<br>▪ Project estimated cost of US$ 297 million regarding construction of a bypass railway line pass railway junction of Almaty station |

| | | |
|---|---|---|
| 4 | European Union | The European countries have started using Public Private Partnership to enhance and develop infrastructure. Significant projects under PPP in European countries include:<br>▪ Infrabel's Liefkenshoek Rail Connection set to improve the Port of Antwerp's linkage to the main rail network<br>▪ London Underground (LU) or the Tube and its assets in rolling stock stations, tracks, tunnels and signals are largely managed by private infrastructure Companies under 30 years PPP contract which are reviewed after every 7 ½ years. |
| 5 | Latin America and United States of America Rail Sector | Latin American countries such as Brazil and Argentina have extensive presence of PPPs in the rail sector, the North America, particularly the USA, has witnessed significant increase in PPP endeavors. In these countries, the rail freight is almost entirely in private hands. |
| 6 | China | ▪ Project regarding Hangzhou-Sahoxing-Taizhou Railway involving US$ 6,882 million completed in 2017<br>▪ Project regarding Laos-China Railway involving US$ 5,700 million completed in 2019<br>▪ Project regarding Qingdao Metro Line 4 involving US$ 2,654.42 million completed in 2016<br>▪ Project regarding Beijing Subway Line 14 Part B involving US$ 2,419.35 million. |

**Annex-12 B**

| Significant Responsibilities of Pakistan Railways and Contractors in respect of Commercial Management of & Passenger Facilitation of Business Express Train | | | | |
|---|---|---|---|---|
| **Sr #** | **RESPONSIBILITES** | | | |
| | **Contract Clause Ref.** | **Pakistan Railways (Party-1)** | **Contract Clause Ref.** | **Contractor (Party-2)** |
| 1 | 1.2 | Operation of one set of passenger train and locomotives of description and composition with defined carrying capacity. | 1.3 | Commercial Management of the Business Train and stopping stations en-route:<br>i. Booking of passengers parcels & luggage, on the Business Train and at stoppage stations en-route.<br>ii. Providing food and catering services to the passengers in the lounges and in the Business Train with no obligation on the part of Party No. 1 to provide dinning cars.<br>iii. Display advertisements on the LCDs/TVs in the lounges and platform and on the exterior and interior of the coaches in the use of Party No. 2, with obligation to display timings of trains operated by Pakistan Railway free of charges.<br>iv. receiving and making payments to carry out the operations allowed in this agreement by Party No. 2 and to do all other necessary acts allowed by this Agreement to Party No. 2 for the execution of this Agreement. |

| | | | | |
|---|---|---|---|---|
| 2 | 3.3 | The time table of this train will be framed by the Party No. 1 in consultation with Party No. 2 keeping in view the demand of Party No. 2 path availability with Party No.1 and Public convenience. Any commercial stoppage may be allowed by Party No. 1 upon specific requests made in this regard by Party No. 2 agree to bear the expenses of such stoppages en-route. | 1.5 | Issuance of tickets |
| 3 | | | 2.1 | Payment on daily basis that Party No. 2 is obligated to pay Party No. 1 for Commercial Management of the Business Train as is specified in Article 6. |
| 4 | | | 3.4 | Party No. 2 shall be responsible for passenger facilitation and safety on Business Train including booking of passengers, parcels and luggage at originating and destination and stopping stations en-route. |
| 5 | 4.1 | Ensuring availability of agreed upon composition of Train | 3.5 | Party No. 2 has agreed to invest an amount of Rs 225.786 million audited by jointly selected third party on value addition to passenger services. Party No. 2 will provide to the Party No. 1 a plan containing complete details of the improvements to be made with detailed costing and all value additions, in upgrading the services to be rendered to |

| | | | | |
|---|---|---|---|---|
| | | | | customers availing the facility of the Business Train and at Station Terminals. This investment plan agreed and approved by Party No. 1 amounting to Rs 225.786 million constitute an integral part of this Agreement. The investment plan will provide complete details of the investment with item-wise cost estimates. These cost estimates will be subject to verification and acceptance by party No. 1 and the detail of investment is annexed. |
| 6 | 3.7.10 | Party No. 1 will approve the schematic layout but structural design/ adequacy will be the responsibility of Party No. 2. | 3.6 | During the term, the platform No. 1 at Lahore platform No. 8 at Karachi Cantt. Will be built uplifted by Party No. 2 shall remain in the use of the Party No. 2 for the specified timing which are three hours before departure, one hour after departure and one hour before arrival of train and three hour after arrival of the Business Train. Except for such specified timings Party No. 1 shall continue to the platforms for its own purposes. |
| 7 | 3.8 | Party No. 1 will provide lounges at Platform No. 1 Lahore and Platform No. 8 Karachi Cantt. These lounges will be under exclusive use of Party No. 2, which shall also be responsible for its security and maintenance. | 3.7.1 | The Party No. 2 will build and maintain lounges for facilitation of A.C. Class Passengers AT Lahore, Lahore Cantt. And Karachi Cantt. Railway Stations and Party No. 1 will provide suitable piece of land at these Railway Stations for its own purposes. |

| | | | | |
|---|---|---|---|---|
| 8 | 4.1 | To provide agreed upon composition for Business Train. In case of damages to the Passenger Coaches, Pakistan Railways will replace these with the available Passenger Coaches of similar capacity within 30 days of the Party No. 2 providing the necessary articles for the up grading. | 3.7.2 | The PR passengers holding Air Conditioned class tickets (Business and Sleeper) will be allowed to use the passenger lounges with payment of mutually agreed charges. |
| 9 | 4.2 | PR shall endeavor to maintain timely running of the Business Train in accordance with the Time Table. | 3.7.3 | The Party will pay license fee for each commercial activity in the lounge. |
| 10 | 4.2 (ii) | Maintenance of the passenger Coaches en-route, like repair/provisions of door bolts, water taps, electric bulbs, electric fans, window bolts shutters and other in or repairs will be the responsibility of the Party No. 1. | 3.7.4 | The Party No. 2 will also extend hospitality to passengers holding A.C. Business and AC Sleeper Class tickets of other outsourced Mail and Express Trains, on payment of mutually agreed charges. Terms and conditions in such cases will be decided by both the parties mutually. |
| 11 | 4.3 | Any cost incurred on passenger coaches for any electrical/ mechanical fixtures/ spares, by the Party No. 2 with the approval of Party No. 1, such expenses of Party No. 2 will be paid back by the | 3.7.7 | There will be no liability of Party No. 1 on account of construction, maintenance and operation of the proposed facilities. |

| | | | | |
|---|---|---|---|---|
| | | Party No. 1 through deductions in daily payments by Party No. 2 to the Party No. 1. Deduction on account of such payment will not exceed ten percent (10%) of the daily payment to be made by Party No. 2 to Party No. 1. | | |
| 12 | 4.4 | Party No. 1 will maintain train rakes of business train, regarding safety aspects. | 3.7.8 | Separate electric meters will be installed and charges for provision of electrification and other fittings, air-conditioners etc., their maintenance and payment of bills inclusive of all surcharges will be paid by Party No. 2 |
| 13 | 4.5 | PR will ensure safety of the train | 3.7.9 | Water charges will be paid by Party No. 2 |
| 14 | 4.6 | PR would endeavor to ensure reception of the train at predetermined and agreed upon platforms at station where stoppages have been allowed in accordance with the Time Table. If extra stoppage is demanded by the Party No. 2 at other than the stations or platforms specified in this Agreement, it will pay Rs 10,000 per stoppage per month. | 3.7.11 | The Party No. 2 will not be allowed commercial use of the property other than the purpose it is given. |

| | | | | |
|---|---|---|---|---|
| 15 | 4.7 | Placement of maintained rakes at least 45 minutes before the scheduled departure of the business train. | 3.7.12 | The Party No. 2 will furnish passenger lounges and retiring rooms/accommodation area at its own cost. |
| 16 | 4.1 | Provision of necessary boarding and reservation offices will area at Lahore and Karachi Cantt. and stopping Railway stations en-route on rent as per agreed terms and conditions. | 3.7.13 | The structure built by the Party No. 2 shall become the property of Party No. 1 on termination/expiry/ determination of the contract, without any payment by Party No. 1. |
| 17 | 5 | Commercial Commitments | 3.8 | Rent for the use of Lounges will be paid by the Party No. 2 to Party No. 1 under and in accordance Article 6 on agreed terms and conditions. |
| 18 | 5.1 | PR will provide reservation counters at originating, en-route and destination stations utilizing the available facilities at the stopping stations of Party No. 1. In addition, provision of space on mutually agreed terms and conditions, as per locations/areas specified. | 4.2(ii) | The Claims will be forwarded by the concerned Divisional Office of Pakistan Railways, with recommendations to Claim Section of Commercial Branch, Headquarters Office, for processing. After approval by the CCM/Passenger PR, these claims may be adjusted against the daily settled amount to be paid by Party No. 2 |
| 19 | 5.5 | Party No. 1 is authorized to attach Saloon in the train as and when required and authorized by GM/Operations if load restriction/ | 4.5 | Party No. 2 will permit free travelling facility to such staff without accommodation as approved by Party No. 1. The number of staff will not exceed five subject to clause No. 5.6. |

| | | | | |
|---|---|---|---|---|
| | | hauling power of locomotive permits to do so. | | |
| 20 | 5.8 | PR will provide running room facility/accommodation at a monthly rent to Party No. 2 staff at nominated statins. Respective Divisional Superintendents will arrange facilities/ accommodation for Party No. 2 staff as is being provided to PR running staff. | 4.8 | At the time of maintenance of Passenger Coaches, staff of Party No. 2, shall secure all fixtures installed in the trains. |
| | | | | **Commercial Commitments** |
| 21 | 5.9 | | 5.2 | Party No. 2 at its own cost will print its own tickets for Business trains. |
| 22 | | | 5.3 | The Party No. 2 will follow PR Refund Policy on tickets purchased in advance with due information provided to the Passengers. |
| 23 | | | 5.4 | Party No. 2 is not bound to provide any concession which Party No. 1 provides to its employees and various categories of passengers. |
| 24 | | | 5.1 | Party No. 2 shall defend and indemnify. |
| 25 | | | 5.13 | In case of detection of overloading beyond the carrying capacity of the luggage vans a fine upto Rs. 50,000/- in one offense will be payable by the contractor. Upon accumulation of 3 fines in a year the luggage vans shall be detached. Final decision in case of dispute will lie with |

| | | | | |
|---|---|---|---|---|
| | | | | AGM/Traffic of party No. 1 |
| 26 | | | 5.14 | In case of Train accident, a committee shall be formed as per Railways extent rules to investigate the accident and to determine the cause and evaluate the losses. Notwithstanding anything to the contrary, any loss caused to or incurred by party No. 2 or its passengers on this account will not be a liability of a party No. 1 and party No. 2 agrees to indemnify and hold harmless party No. 1 under pursuant to this Agreement. |
| | 6 | **Financial Commitments** | 6 | **Financial Commitments** |
| 27 | 6.3 | In case of a cancellation of train by PR due to un-avoidable circumstances no amount will be recovered/paid by either of the party. In case party No. 1 has already received the payment, before cancellation of train that will be adjusted accordingly.<br>However, if party No. 2 cancel the train without cogent reasons, unacceptable to PR, the party No. 2 will be bound to pay the full amount. | 6.1 | Party No. 2 is obligated to pay party No. 1, the sum of Rs. 1.573 million per single train journey calculated at 88% capacity of luggage and passengers, normal business class payers for passengers and luggage and composition as per clause 6.4. The journey fair on daily basis will be deposited with the party No. 1 before commencement of the train journey. Any delay after this date will entail an additional penalty of 5% of the amount. If no amount is deposited till the 6th day the party No. 1 shall be entitled to suspend the operations of business train without any notice. Investment of Rs. 225.786 Million by the 2nd party for value addition will be treated as performance guarantee/Security. All additional expenses incurred for value addition of uplifting in respect of the business express |

| | | | | |
|---|---|---|---|---|
| | | | | train would be the sole responsibility and liability of the party No. 2 and such liability under no circumstances would be transferred to the party No. 1. |
| 28 | 6.10 | Diesel fuel Lubricant Oils & Maintenance expenses shall be borne by Party No.1. If however, Party No.2 is asked to bear any such expenses on behalf of party No. 1 such amounts shall be deducted in full from the next daily payment schedule. | 6.2 | In case one or more passenger coaches are not made available by party No. 1, the party No. 1 will not recover from party No. 2 any amount equal to 88% of carrying capacity of the coaches. Conversely, if additional coaches are provided/needed, then party No. 2 shall pay equal to 88% of the amount of carrying capacity of the coaches. |
| 29 | 11.5 | In case the agreement is terminated earlier than five (5) years by Party No. 1 due to its convenience, it shall compensate Party No. 2 on the initial investment made by it under Annex. A depreciated at the rate of (20%) per year. However, if the term is extended to ten (10) years the rate of depreciation shall be calculated accordingly. | 6.3 | If party No. 2 cancel the train without cogent reasons, unacceptable to PR, the party No. 2 will be bound to pay the full amount. |
| 30 | | | 6.3.1 | The business class (private sector) fare to be charged by party No. 1 will remain unchanged during the 1st year of the contract, for the purpose of this clause 1st year will reckon from the day from which business express train started its 1st journey. After 1 |

| | | | | |
|---|---|---|---|---|
| | | | | year party No. 1 can enhance the fairs of all trains under private sector commercial management. |
| 31 | | | 6.3.2 | Any increase in passenger train fares by party No. 1 across the board for private sector fares shall also be applicable to business express train. Party No. 2 agrees that Party No. 1 is fully empowered and authorized to enhance its tariffs as and when deemed fit due to increase in prices of fuel, wages/salaries and other inflationary factors. |
| 32 | | | 6.4 | In case additional coaches/ luggage van/brake van are demanded by Party No. 2 to be attached with business train, party No. 2 will pay minimum 88% of the capacity of the additional coaches/luggage/ brake van. |
| 33 | | | 6.5 | Advance payments to Party No. 1 will be made on daily basis, as below:<br>(i) Per train journey one way Rs.1,572,753.60/-<br>(ii) 2 train journeys one way /day Rs. 3,145,507.20/-<br>(iii) 730 train Journeys/annum Rs. 1,148,110,128.00/- |
| 34 | | | 6.4 | **Notes** |
| | | | a | It is agreed that fare charged by Party No. 2 from the passengers may be higher than Rs. 3500/-. However, they will pay only 88% of carrying capacity of the coach at Railways scheduled fares. |

| | | | | |
|---|---|---|---|---|
| | | | b | In case Party No. 1 raises its fare from Rs. 3500/- per berth, Party No. 2 will pay journey fare based on (88%) of the carrying capacity according to revised fares. |
| | | | c | Increase in fare will accordingly change the daily payments to be made by Party No. 2 to Party No. 1 and the figures in the above paragraphs will stand revised accordingly. |
| 35 | | | 6.9.1 | Party No. 2 will be at liberty to fix and re-fix the fares which it will receive from its passengers and for delivery of luggage from one station to the other station and charges of other services that will provide to its customers |
| 36 | | | 7.1 | Party No. 2 will make their own security arrangements on trains and at stations. This will be in addition to at least two Railway Personnel who will accompany each train as part of their normal duty. |
| 37 | | | 7.2 | Claims, if any in case of losses due to accidents will be dealt with, as per existing Pakistan Railways rules. However, claims of luggage/parcel consignments will be responsibility of Party No. 2. In case of any dispute between a passenger and management of the business express train, the Railways administration will have no liability. |

| | | | | |
|---|---|---|---|---|
| 38 | | | 7.3 | Party No. 2 may enter into sub-contracts with private parties and vendors or assign certain functions for facilitation the passengers during the train journeys. With prior information to Party No. 1. However, Party No. 2 will not engage any contractor/party black listed by Pakistan Railways. Notwithstanding such assignment or sub-contractors. Party No. 2 shall continue to remain obligated and liable joint and severally towards the Party No. 1 under accordance with this Agreement. |

**Annex-13**

| Government Investment in Road Sector over the years | | | | | |
|---|---|---|---|---|---|
| | | | | | **(Rs in billion)** |
| **Sr. #** | **Project Name** | **Length of Road in Km** | **Status** | **Year of Completion** | **Cost** |
| 1 | Havelian-M-1 (Burhan) E-35 | 59 | Completed | 2019 | |
| 2 | M-2 (Lahore-Islamabad) | 402 | Completed | | 46.007 |
| 3 | Multan - Sukkur (M-5) | 392 | Completed | 2019 | |
| 4 | Sukkur - Hyderabad (M-6) | 296 | Under Construction | 2018-23 | 165 |
| 5 | Hyderabad - Karachi (M-9) | 136 | Substantially Completed | 2018 | 44.251 |
| 6 | Sukkur - Shikarpur (N-65) | 40 | Completed | | |
| 7 | Sialkot - Lahore (M-11) | 91.3 | Completed | 2018 | 43.847 |
| 8 | M-1 (Peshawar - Islamabad) | 156 | Completed | | |
| 9 | Construction of 6-Lane Motorway from Multan to Sukkur (Commenced in 2016 & completed in 2019) | 392 | Completed | 2019 | 294.53 |
| 10 | Construction of 4 Lane from Gojra - Jumani-Shorkot | 61 | Completed | 2019 | 16.322 |
| 11 | Widening & improvement of 79 km National Highway N-50 from Zhob-KilliKhuda Nazar-Mughalkot | 79 | Completed | 2020 | 10.599 |

| | | | | | |
|---|---|---|---|---|---|
| 12 | Widening & improvement of 118 km National Highway N-70 from Qila Saifullah-Lorralai-Waigammurd | 118 | Completed | 2020 | 8.304 |
| 13 | Construction of -Quetta - Chaman. Construction of additional works on National Highway N-23 | 24 | Completed | 2019 | 2.725 |
| 14 | Habibabad Bridge | 2 | Completed | 2015 | 0.831 |
| | **Total** | **2248.3** | | **20186** | **632.416** |

**Annex-14**

## PR delivering poor services evident by large number of unsatisfied passengers/customers

| Sr. No. | Railway Services | Feedback from Passengers/ Customers |
|---|---|---|
| 1 | Station Facilities - Availability of proper sitting area, trash bins, Public toilets, car/bike parking facility, Wi-Fi facility, LED sign boards and security mechanism. | 138 passengers (79%) were unsatisfied / unhappy and only 37 passengers (21%) passengers were satisfied with station facilities provided by PR. |
| 2 | Other Station 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. | 114 passengers (65%) passengers were of the view that other station services were poor and only 23 passengers (13%) considered the other station services as average and good |
| 3 | En-route Train Facilities such as fare charged, punctuality of trains, ample space of luggage, corona SOPs and other services | 124 passengers (71%) were not satisfied and only 51 passengers (29%) were satisfied with the en-route facilities provided by PR. |
| 4 | 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. | 18 passengers (10%) passengers considered services as 'excellent', 21 passengers (12%) remarked good and 112 passengers (64%) were of the view that en-route coach facilities were poor/very poor. |

| | | |
|---|---|---|
| 5 | Provision of parcel facilities booking by Pakistan Railways | 336 freight customers (96%) were found very dissatisfied with parcel facilities of Pakistan Railway. |
| 6 | Parcel facilities regarding handling & processing provided by PR such as 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. | A sample of 10 customers at selected divisions revealed that 67% customers said that service was poor/very poor. |

**Annex-15**

## Average Punctuality of Trains (%)

| Year | Mail/Express Trains (%) | Intercity Trains (%) | Total (%) |
|---|---|---|---|
| 2010-11 | 27 | 75 | 76 |
| 2011-12 | 11 | 59 | 43 |
| 2012-13 | 18 | 60 | 42 |
| 2013-14 | 27 | 62 | 49 |
| 2014-15 | 36 | 70 | 58 |
| 2015-16 | 53 | 77 | 69 |
| 2016-17 | 36 | 71 | 61 |
| 2017-18 | 49 | 83 | 71 |
| 2018-19 | 45 | 83 | 70 |
| 2019-20 | 39 | 74 | 63 |

**Source:** Data provided by Railway management regarding Train Punctuality vide letter No. Prog.82/Forensic Audit/2020-21 dated 22.03.2021

**Annex-16**

## Details of Hours lost due to Detention of Trains

| Sr. No. | Year | Hours Lost |
|---|---|---|
| 1 | 2010-11 | 48,516 |
| 2 | 2011-12 | 74,799 |
| 3 | 2012-13 | 51,917 |
| 4 | 2013-14 | 39,789 |
| 5 | 2014-15 | 27,200 |
| 6 | 2015-16 | 15,075 |
| 7 | 2016-17 | 22,069 |
| 8 | 2017-18 | 17,342 |
| 9 | 2018-19 | 17,755 |
| 10 | 2019-20 | 25,117 |
| **Total** | | **339,579** |

**Source:** Data provided by Railway management regarding hours lost due to detention of trains vide letter No. Prog.82/Forensic Audit/2020-21 dated 22.03.2021. 6791580liters of HSD oil worth Rs. 666156181/- has been consumed due to detentions of trains vide letter No. 701-T/526(TT)

**Annex-17**

## Details of Hours lost due to Loco Defects

| Sr. No. | Year | Hours Lost |
|---|---|---|
| 1 | 2010-11 | 21758 |
| 2 | 2011-12 | 46388 |
| 3 | 2012-13 | 31356 |
| 4 | 2013-14 | 19625 |
| 5 | 2014-15 | 8644 |
| 6 | 2015-16 | 3019 |
| 7 | 2016-17 | 3155 |
| 8 | 2017-18 | 2534 |
| 9 | 2018-19 | 1807 |
| 10 | 2019-20 | 1741 |
| | **Sub Total** | **140027** |
| | **Total Hour Lost** | **339579** |
| | **Percentage** | **41.24%** |

**Details of Hours lost due to Engineering Speed Restrictions**

| Sr. No. | Year | Hours Lost |
|---|---|---|
| 1 | 2010-11 | 5627 |
| 2 | 2011-12 | 6108 |
| 3 | 2012-13 | 2825 |
| 4 | 2013-14 | 2575 |
| 5 | 2014-15 | 3159 |
| 6 | 2015-16 | 2531 |
| 7 | 2016-17 | 4542 |
| 8 | 2017-18 | 2642 |
| 9 | 2018-19 | 3055 |
| 10 | 2019-20 | 3250 |

| | |
|---|---|
| **Sub Total** | **36314** |
| **Total Hour Lost** | **339579** |
| **Percentage** | **10.69%** |

**Source:** Data provided by Railway management regarding hours lost due to detention of trains vide letter No. Prog.82/Forensic Audit/2020-21 dated 22.03.2021. 6791580liters of HSD oil worth Rs. 666156181/- has been consumed due to detentions of trains vide letter No. 701-T/526(TT)

**Annex-18**

## Train Accidents

Globally impact of train accidents is measured on the basis of model developed by Jovanis, P.P, & Chang, H. L. (1986). This model indicates number of accidents occurrence after one million kms travel by a train. Over the period of ten years from July 2010 to June 2020, 1331 train accidents were occurred as detailed below:

| Train Accidents during July 2010 to June 2020 | | | | | |
|---|---|---|---|---|---|
| **Year** | **Accidents** | **Passenger train kilometers** | **Freight train kilometers** | **Total train kilometers** | **Accidents per million train kilometer** |
| 2010-11 | 125 | 31.85 | 6.7 | 38.55 | 3.24 |
| 2011-12 | 96 | 21.46 | 0.7 | 22.16 | 4.33 |
| 2012-13 | 117 | 19.96 | 0.73 | 20.69 | 5.65 |
| 2013-14 | 121 | 21.13 | 1.46 | 22.59 | 5.36 |
| 2014-15 | 175 | 21.94 | 4.72 | 26.66 | 6.56 |
| 2015-16 | 153 | 23.1 | 6.64 | 29.74 | 5.14 |
| 2016-17 | 109 | 23.18 | 6.24 | 29.42 | 3.70 |
| 2017-18 | 131 | 23.2 | 7.45 | 30.65 | 4.27 |
| 2018-19 | 159 | 25.16 | 7.98 | 33.14 | 4.80 |
| 2019-20 | 145 | 21.42 | 7.08 | 28.5 | 5.09 |
| | **1331** | | | **282.1** | **4.72** |

**Source:** Data provided by COPS Safety and Year books of Pakistan Railways from 2010-11 to 2019-20

**Annex-19**

## Financial losses due to train accidents

PR suffered following losses on account of accidents of trains during period from 2013 to 2017:

| Sr. No. | Description | Amount (Rs in million) |
|---|---|---|
| 1 | Compensation to deceased | 72.50 |
| 2 | Compensation to injured | 23.56 |
| 3 | Compensation claim of goods damaged | 0.875 |
| 4 | Refund of Tickets | 19.319 |
| 5 | damage to Railway Property (including rolling stock) *Last ten years* | 1,442.61 |
| | **Total** | **1558.864** |

**Source:**
- Data related to financial losses of Freight vide CCM/F letter No. FBU/Audit observation Hooper Wagon/18 dated 14-04-2018
- Data related to deceased compensation received vide CCM letter No. 1-RA/INF/Claims/Accidents/2015 dated 17-03-2018
- Data related to refunds of tickets was received from different divisions

**Annex-20**

## Inefficiencies in the Steel Shop, Moghalpura

| Sr. No. | Brief Issue | Amount (Rs in Million) | Issue |
|---|---|---|---|
| 1 | It was noticed that during the period from 27.03.2014 to 08.04.2017, molten metal 249,920 kg worth Rs 20,743,360/- resulted in loss due to rejection by the Incharge Chemist, Steel Shop owing to wrong chemical composition. | 20.743 | Loss due to sub-standard manufacturing |
| 2 | It was observed that during the period from19.01.2015 to 19.04.2017 Senior Inspector of Production (SIP)/Steel Shop rejected certain manufactured parts worth Rs 100,246,146/- due to bad casting, under size and poor quality of material. | 100.246 | Loss due to sub-standard manufacturing |
| 3 | Record of Steel Shop, Moghalpura revealed that certain items worth Rs 25,798,239/- were manufactured by the Foundry Shop and dispatched to consumers (indenters) which were rejected by the consumers due to heavy porosity, bad casting and poor quality. | 25.798 | Loss due to sub-standard manufacturing |

| | | | |
|---|---|---|---|
| | This resulted in loss of Rs 25,798,239/-. | | |
| 4 | It was observed that Steel Shop completely failed to produce the Axle Caps of desired standard and quality. During the period from 2013 to 2017, 376 Axle Caps were rejected due to porosity and 191 traction motor failures occurred due to breakage of Axle Caps because of substandard quality. This resulted in loss of Rs 53.892 million on account of broken & substandard quality of 376 Axle Caps. | 53.892 | Loss due to sub-standard manufacturing |
| 5 | Rolling Mills of Steel Shop manufactured 15 items and comparison of cost of these items with the market rates disclosed that cost of manufacturing these items at Steel shop was higher than the market rates which resulted in loss of Rs 18,051,044/- due to higher production cost. | 18.051 | Loss due to higher production costs |
| 6 | It was noticed that average oncost (Shop oncost + General oncost) of Steel Shop was 1670% and oncost of Loco Shop was 685%. Thus, oncost of Steel Shop was higher by 985%. In monetary terms, oncost of Steel Shop was higher by Rs 416.125 million during the period from July 2016 to April 2017 as compared to Loco Shop. | 416.125 | Loss due to higher production costs |

| | | | |
|---|---|---|---|
| 7 | It was observed that work orders for different items were issued to the Steel Shop, Moghalpura during the year 2008 to 2013 but executed with a delay ranging from 1 to 8 years. This resulted in financial loss of Rs 215,102,423 due to escalation in production cost. This also caused delay in the repair/maintenance of rolling stock | 215.102 | Loss due to delay in production/manufacturing |
| 8 | It was observed that actual outturn of Steel Shop was far less than the targets during the year 2013-14 to 2016-17. Conversely, an amount of Rs 45.69 million and Rs 12.58 million was paid to employees on account of overtime and piece work profit respectively. This resulted in unjustified payment of overtime and piece work profit amounting to Rs 58.27 million. | 58.27 | Loss due to unjustified payment of over time & piece work profit |

| | | | |
|---|---|---|---|
| 9 | It was noticed that 566 No. of wagons were unnecessarily detained at steel shop from 2 to 405 days beyond free time. It was worth mentioning here that out of 566 No. of wagons 48 No. wagons were detained since April 2016 and had not been dispatched till date of audit. Audit was of the view, had these wagons been released within free time and dispatched to other stations where needed, an amount of Rs 40.143 million could have been earned on account of freight. The unnecessary detention resulted in loss of Rs 40.143 million to Railways. | 40.143 | Detention of Wagons |
| | **Total** | **948.37** | |

**Source:** Works Manager Steel Shops

**Annex-21**

## Inefficient Management in Factories/Workshops

| Sr. No. | Brief Issue | Amount (Rs in Million) | Issue |
|---|---|---|---|
| 1 | It was observed that CSF/Kotri was leased out to M/s HIS Industries in 2009. The cost of sleepers purchased by PR from M/s HIS was much higher as compared to sleeper of same specification manufactured by the CSF/Khanewal. This resulted in loss of Rs 47.186 million to PR due to purchase of sleepers at higher rate. | 47.186 | Loss due to higher production costs |
| **Formation:** MD/ CSF Kotri | | | |
| 2 | It was noticed that 69 DE Locomotives were procured in April, 2001, these locomotives started developing faults from the first year of service and their deletion from books started just after two years i.e. 2005-06. All 69 DPU-20/30 locomotives remained held-up for long period. This resulted in loss of potential earnings of Rs 17,082.75 million during the period from January 2009 to May 2016. | 17,082.75 | Loss due to inordinate detention |
| **Formation:** COPS/Power | | | |
| 3 | It was observed that 70 locomotives received in PLF from other Railway Departments were repaired with abnormal delay up to 1180 days. In some cases, target dates were fixed by the PLF management but locomotives were turned out after expiry of target dates. In many other cases no target date was fixed to turnout the locomotives due to which they were detained abnormally. Thus, PR suffered loss of potential earnings of Rs 2,783.64 million due to abnormal | 2,783.64 | Loss of potential earnings due to inordinate detention |

| | | | |
|---|---|---|---|
| | delay in repair of locomotives. | | |
| **Formation**: New Diesel Shed Lahore | | | |
| 4 | it was observed that 151 hopper wagons were detained for repair and waiting for loading for 4988 days resulting in loss of potential earning Rs 31.295 million | 31.295 | -do- |
| **Formation:** C & W Shops MGPR | | | |
| 5 | It was noticed that Proforma On-cost of PLF Risalpur, which included electricity charges of shops, salary and over time of drivers, common user items for shops, waste for cleaning, Electric and Civil Works, increased abnormally during the last five years.<br>There was very high increase in these costs during the year 2011 12, 2013-14 and 2014-15 as compared to previous years. This expenditure should have been controlled in order to avoid loss to PLF. Thus, PLF incurred extra expenditure of Rs 121.45 million on controllable shop on-costs during the year from 2010-11 to 2014-15. | 121.145 | Loss due to abnormal increase in overhead costs |
| **Formation**: MD PLF Risalpur | | | |
| | **Total** | **20066.016** | |

**Annex-22**

## Inefficient Human Reformation Management

| Sr. No. | Issue in Brief | Amount (Rs in Million) |
|---|---|---|
| 1 | It was observed at Divisional Superintendent, Workshop Division, MGPR, Lahore that four employees were appointed/granted advance increments on presentation of fake educational certificates without verification which resulted in loss of Rs 4.38 million showed inefficient human reformation management. | 4.38 |
| | **Total** | **4.38** |

**Formation:** DS/ Workshops MGPR, Lahore.

**Annex-23**

## Unjustified Payment of Piece-Work profit and Overtime to Workshop labour without Substantial Production

| Sr. No. | Subject | Amount (Rs in million) | Brief of Para |
|---|---|---|---|
| 1 | Irregular/unjustified payment of overtime & piece work - Rs. 192.00 million | 192.00 | Due to scarcity of funds and non-availability of stores, the normal activities of all the shops had declined. Thus, the grant of overtime/piece work without the measurement of work done was unjustified and irregular. An amount of Rs. 192 million on account of overtime/piecework was paid in the Workshops Division, Moghalpura, during the year 2010-11. |
| **Formation:** DS/ Workshops. MGPR, Lahore | | | |
| 2 | Wasteful expenditure due to non-achievement of targets – Rs 416.69 million | 40.08 | Production of Steel Shop Moghalpura was far less than the targets during the years 2009-10 and 2010-11 but overtime and piece-work payments of Rs 25.92 million and Rs14.16 million for the year 2009-10 and 2010-11, respectively was paid. |
| **Formation:** WM/ Steel Workshops, MGPR, Lahore | | | |
| 3 | Loss due to unjustified payment of overtime – Rs 12.49 million | 12.49 | Production of Carriage & Wagon Shops Moghalpura, Lahore during 2010-11 was 653=1306 units, which was 68% of the given targets. Overtime amounting to Rs 12.49 million was paid to the staff despite noticeably low outturn. |

| | | | |
|---|---|---|---|
| **Formation:** DS/ Workshops. MGPR, Lahore | | | |
| 4 | Unjustified expenditure on account of payment of overtime-Rs 10.34 million | 10.34 | In Central Diesel Locomotive (CDL) Workshop Rawalpindi 484 employees were continuously engaged on overtime. An amount of Rs 10.34 million was paid during the year 2010-11 on account of overtime. The CDL Workshop was running on double shift, therefore, payment of overtime was unjustified in the presence of double shift working and shortfall of 32% in achievement of targeted outturn. |
| **Formation:** WM/ CDL RWP | | | |
| 5 | Unjustified payment of overtime and piece work – Rs 124.12 million | 124.12 | i. Works Manager, Steel Shop, Moghalpura, paid overtime allowance of Rs 22.97 million to employees during July, 2011 to April, 2013; whereas, production of Shop remained below the target fixed. Further, an amount of Rs 8.14 million was paid on account of piece work profit, which was unjustified due to the fact that the profit was to be paid only in case of time saved or extra production achieved within the scheduled time.<br>ii. Works Manager, Central Diesel Locomotives (CDL), Workshop Rawalpindi paid overtime allowance of Rs 18.60 million to the employees despite the fact that only 56 locomotives were turned out during April, 2012 to March, 2013 against the fixed target of 96 locomotives per annum.<br>iii. Diesel Shed, Lahore was |

| | | | |
|---|---|---|---|
| | | | working in three shifts and the staff of first shift was also being booked on overtime continuously.<br>Shed management booked 170 to 206 employees on overtime every month during the year 2012-13; whereas the performance of the Shed was less than 50% of the target fixed for the year. This resulted in unjustified incurrence of expenditure of Rs. 4.37 million during the year 2012-13.<br>iv. Works Manager/C&W Shops, Moghalpura paid overtime of Rs 70.04 million to the employees during the year 2012-13 in spite of the fact that production remained below the targets fixed. Besides, the details of jobs completed after the normal duty hours (during over-time) were also not produced to Audit. |
| **Formation:** WM/ Steel Workshops, MGPR, Lahore | | | |
| 6 | Wasteful expenditure without achievement of annual targets – Rs 70.54 million | 70.54 | Works Manager, Loco Shops, Moghalpura incurred an expenditure of Rs 70.54 million during 2012-13 on account of Pay & Allowances, Overtime and Piece Work Profit without any production. |
| **Formation:** WM/ Loco shops, MGPR, Lahore | | | |

| | | | |
|---|---|---|---|
| 7 | Unjustified expenditure on account of overtime allowance – Rs 302.49 million | 302.49 | Overtime & piece-work was paid by following formations without any justification:<br>• Mechanical Department, MGPR, Lahore<br>• Carriage Factory, Islamabad.<br>• CDL Shops, Rawalpindi |
| **Formation:** Mechanical Department, MGPR, Lahore, Carriage Factory, Islamabad, CDL Shops, Rawalpindi | | | |
| 8 | Unauthorized payment of overtime without budgetary provisions – Rs 35.07 million | 35.07 | Works Manager, CDL, Workshop, Rawalpindi incurred an expenditure of Rs 35.07 million on account of overtime allowance without budgetary provision during the year 2016-17. |
| **Formation:** Works Manager, CDL, Workshop, Rawalpindi | | | |
| 9 | Unjustified expenditure on account of overtime payment – Rs 94.04 million | 94.04 | Managing Director, P.R. Carriage Factory Islamabad paid overtime amounting to Rs 94.04 million to the staff from July 2018 to June 2019 which was unjustified because annual target was not achieved and only 138 coaches were turned out against the target of 151 coaches of different categories during the said period. |
| **Formation:** Managing Director, P.R. Carriage Factory Islamabad | | | |
| 10 | Unjustified payment of piece work profit and overtime allowances – Rs 17.98 million | 17.98 | Works Manager/Steel Shop, Mughalpura paid an amount of Rs 17.98 million to the employees on account of overtime and piece work profit during the financial year 2018-19 despite low production of certain types of material as pointed out by Production Engineer vide letter dated 10.08.2019. |

| Formation: Works Manager/Steel Shop, Mughalpura | | | |
|---|---|---|---|
| 11 | Unjustified payment of piece work profit and overtime allowance to staff without any targets- Rs 4.168 | 4.168 | |
| 12 | Overpayment on account of overtime- Rs 50.414 million | 50.414 | |
| 13 | Irregular Grant Of Overtime, Special Technical Allowances & Gazetted Holidays- Rs 0.392 million | 0.392 | |
| 14 | Fudge payment on account of overtime/ piece work profit- Rs 23.616 million | 23.616 | |
| **Total** | | **977.74** | |

**Annex-24**

| S. No. | Financial Year | Formation | Number of TLA Employees | Issue | Amount (Rs in million) |
|---|---|---|---|---|---|
| 1 | 2011-12 | WM, Steel Shop, Mughalpura | 382 | Engagement of 350to 382 TLA employees against skilled and semi-skilled sanctioned post could not perform their duties efficiently and effectively | 52.72 |
| | | MD, CFI | 1000 | Unjustified engagement of 800-1000 TLA Employees in CFI despite non-achievement of targets | 254.29 |
| 2 | 2012-13 | Station Sup., Rawalpindi | 33 | Irregular Expenditure due to engagement of Staff in excess over sanctioned strength | 8.85 |
| | | WM, CDL, Rawalpindi | 9 | | 1.84 |
| | | DCTO, Peshawar | 5 | | 1.02 |
| | | AEN , Jehlum | 9 | | 2.26 |
| | | DTO, Lahore | 5 | | 1.15 |
| | | Karachi Division | 92 | | 5.46 |
| | | MD, CFI | 264 | Engagement of 264 employees on TLA basis which were regularized as muawen against the sanctioned strength of 90 only | 3.14 |
| | | WM Construction, Mughalpura | 49 | Engagement of 49 Muawen in excess of sanctioned strength | 8.82 |
| | | WM Construction, Mughalpura | 200 | Unjustified expenditure on TLA | 33.4 |
| | | WM Construction, Mughalpura | 145 | Unjustified engagement of 42 to 145 employees engaged as TLA | 30.88 |
| | | Multan Division | 6 | Unjustified expenditure on TLA | 1.16 |
| 3 | 2013-14 | Divisional Signal Engineer, Multan | | Engagement of TLA Employees against instruction issued by GM Operation & Finance Division | 5.95 |
| | | Works Account Branch, Lahore | 62 | Services of 62 TLA employees working as patroller, gatekeeper & gangman were posted elsewhere after regularization by the concerned department and new persons were appointed against them | 5.21 |
| 4 | 2014-15 | Project of Rehabilitation of 27 HGMU-30DE Loco | 5 | Irregular Engagement of five employees of Scale 1 | 4.87 |
| 5 | 2016-17 | Civil Engineering, Peshawar | | Incurrence of Rs 24.33 million TLA against provision of 11.62 million | 12.71 |
| 6 | 2018-19 | MD/CFI | 316 | Irregular/Unauthorized engagement of TLA employees ater completion of Project in 2016 | 62.94 |
| | | **Total** | **2582** | | **496.67** |

**Annex-25**

## Details of Losses on Account of Tariff Difference and Line Losses Of Electricity

**(Rs in billion)**

| Year | Units purchased (in billion) | Amount Paid | Avg. unit cost | Units Sold | Amount Billed | Avg. Unit cost | Loss due to tariff | Line losses | Total Loss |
|---|---|---|---|---|---|---|---|---|---|
| 2010-11 | 0.14 | 1.70 | 12.42 | 0.04 | 0.29 | 6.82 | 0.24 | 0.17 | 0.41 |
| 2011-12 | 0.13 | 1.79 | 14.24 | 0.04 | 0.30 | 7.16 | 0.30 | 0.18 | 0.47 |
| 2012-13 | 0.12 | 1.62 | 13.67 | 0.04 | 0.34 | 7.93 | 0.24 | 0.16 | 0.41 |
| 2013-14 | 0.12 | 1.91 | 16.62 | 0.04 | 0.42 | 9.77 | 0.29 | 0.19 | 0.48 |
| 2014-15 | 0.12 | 2.11 | 17.5 | 0.05 | 0.50 | 10.8 | 0.31 | 0.21 | 0.52 |
| 2015-16 | 0.13 | 2.43 | 18.45 | 0.05 | 0.52 | 11.4 | 0.32 | 0.24 | 0.56 |
| 2016-17 | 0.14 | 2.58 | 18.32 | 0.05 | 0.54 | 11.2 | 0.34 | 0.26 | 0.60 |
| 2017-18 | 0.13 | 2.29 | 18.32 | 0.04 | 0.44 | 11.3 | 0.27 | 0.23 | 0.50 |
| 2018-19 | 0.14 | 2.83 | 20.12 | 0.05 | 0.58 | 11.6 | 0.43 | 0.28 | 0.71 |
| 2019-20 | 0.14 | 3.33 | 24.37 | 0.05 | 0.60 | 12.2 | 0.60 | 0.33 | 0.94 |
| **Total** | **1.29** | **22.59** | | **0.45** | **4.51** | | **3.34** | **2.26** | **5.60** |

**Annex-26**

## Operating Fuel - Price & Efficiency Variance Analysis

| Description | HSD Oil (Fuel) Expense (Rs in billion) | HSD Oil (Consumption) Liter/thousand | Total Train KM (in thousand) | HSD oil Expense per Train KM | HSD Oil consumption per Train KM |
|---|---|---|---|---|---|
| 2010-11 | 9.92 | 125,628.00 | 30,470.00 | 325.71 | 3.50 |
| 2011-12 | 8.51 | 87,396.00 | 22,158.00 | 384.12 | 3.94 |
| 2012-13 | 8.71 | 82,422.00 | 20,691.00 | 421.19 | 3.98 |
| 2013-14 | 10.98 | 98,212.00 | 22,589.00 | 486.28 | 4.35 |
| 2014-15 | 11.09 | 121,836.00 | 26,662.00 | 415.98 | 4.57 |
| 2015-16 | 11.03 | 139,487.00 | 29,744.00 | 370.70 | 4.69 |
| 2016-17 | 11.11 | 144,631.00 | 30,118.00 | 369.03 | 4.80 |
| 2017-18 | 13.89 | 15,639.60 | 30,654.00 | 453.04 | 5.10 |
| 2018-19 | 16.17 | 159,927.00 | 33,144.00 | 487.82 | 4.83 |
| 2019-20 | 18.65 | 139,600.00 | 28,492.00 | 654.47 | 4.90 |
| **Variance with 2010-11** | **8.72** | **13,972.00** | **(1,978.00)** | **328.76** | **1.40** |
| **%age increase** | **88%** | **11%** | **-6%** | **101%** | **40%** |

**Annex-27**

**Details of excess consumption of HSD Oil in excess of fixed ration of DE locomotives**

| Sr. No. | Formation/ Assignment Audited | Excess use of HSD oil (Liters) | Value of excess consumption (Rs. in million) |
|---|---|---|---|
| 1 | Analysis of fuel consumption by Diesel Electric Locomotives in Sukkur Division | 751,813 | 51.93 |
| **Formation:** Mechanical SUK | | | |
| 2 | Loco Shed, Kundian | 3,752 | 0.41 |
| **Formation:** Mechanical RWP | | | |
| 3 | Mechanical Department, Karachi | 1867760 | 153.24 |
| **Formation:** Mechanical KYC | | | |
| 4 | Divisional Electrical Engineer/RTL, Lahore | 338280 | 28.42 |
| **Formation:** Electrical LHR | | | |
| 5 | Mechanical Department, Sukkur | 313920 | 25.55 |
| 6 | Mechanical Department, Sukkur | 104112 | 9.33 |
| **Formation:** Mechanical SUK | | | |
| 7 | Mechanical Department, Multan | 52408 | 4.27 |
| **Formation:** Mechanical MUL | | | |
| 8 | Mechanical Department, Peshawar | 14100 | 1.11 |
| **Formation:** Mechanical PSC | | | |
| 9 | Chief Operating Superintendent | 407,285 | 42.79 |
| **Formation:** COPS HQ Lhr | | | |
| | **Total** | **3,853,430** | **317.05** |

**Annex-28**

## Cost and Time overrun of Railway Projects

**(Rs in million)**

| Sr.No | Project Description | Cost of Original PC-I of Project | Actual Cost of Completion of Project | No of Revisions of PC-I | Time Over Run | Cost Over Run | Reasons for Cost Overrun | Reasons for time Overrun |
|---|---|---|---|---|---|---|---|---|
| 1 | Procurement/Manufacture of 202 New Design Passenger Carriages | 15889.9 | 16263.231 | 1 | 1.7 (Months) | 373.33 | Fluctuation in rupee-Dollar parity | Late opening of LC |
| 2 | Procurement/Manufacture of 500 High Capacity Wagons & 40 Power Vans | 11998.0 | 11308.124 | - | - | | - | - |
| 3 | Rehabilitation, Up gradation & Conversion of 400 Coaches | 3434.0 | 4878.643 | 1 | 12 (Months) | 1,444.64 | Devaluation of Rupee against Dollar | Inadequate funds to appoint labour |
| 4 | Dualization & Rehabilitation of Track between Port Qasim and Bin Qasim Stations | 1568.396 | 1490.764 | - | 16 (Months) | | - | Delay in Procurement of P-Way Material & Funds Constraint |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 5 | Rehabilitation of Rolling Stock & Track | 4000.016 | 3653.418 | - | 24 (Months) | | - | Systematic Obstructions of Non receipt of imported material & funds |
| 6 | Rehabilitation /Procurement of Remanufactured 300 Traction Motors | 1650.0 | 1696.178 | 1 | 21 (Months) | 46.18 | - | Non-Posting of Project Directors, Decision making process being too lengthy |
| 7 | Special Repair of 800 Passenger Coaches & 2000 Bogie Wagons | 1810.0 | 2060.726 | - | 32 (Months) | 250.73 | - | Non-Provision of Required Funds & Late release of funds |
| 8 | Special Repair of 150 D.E Locos | 5005.0 | 5512.697 | - | 12 (Months) | 507.70 | | Late appointment of Staff, Delay in Decision Making Process |
| 9 | Procurement of 58 Diesel Electric Locomotives | 19406.61 | 15683.566 | 2 | 06 (Months) | | - | Non-Completion of Civil Works & supply/ Installation/ Commissioning of Plant & |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | equipment |
| 10 | Special Repair of 100 Nos Diesel Electric Locomotives | 4966.751 | 5402.255 | - | 48 (Months) | 435.50 | | Late release of funds, Non appointment of staff, Delay in Decision making process |
| 11 | Rehabilitation of 27 Nos. HGMU-30 DE Locomotives | 5106.0 | 6558.225 | 1 | 36 (Months) | 1,452.23 | Escalation of Dollar exchange rate | Load Shedding, Late shipment of Foreign materials, Shortage of Staff |
| 12 | Procurement of 08 sets of Re-Railing & Rescue equipment for relief operations | 220.0 | 203.17 | - | - | | - | - |
| | **Total** | | | | | **4,510.30** | | |

**Annex-29**

| Non-preparation & Submission of Completion Reports & Performance Reports of the Projects | | | | |
|---|---|---|---|---|
| **Sr. No.** | **Project Description** | **Date of Completion of Project** | **Preparation of Completion Report (PC-IV)** | **Preparation of PC-V** |
| 1 | Procurement/Manufacture of 202 New Design Passenger Carriages | 31.01.2015 | Not Received | Not Received |
| 2 | Procurement/Manufacture of 500 High Capacity Wagons & 40 Power Vans | 30.06.2016 | Not Received | Not Received |
| 3 | Rehabilitation, Up gradation & Conversion of 400 Coaches | June, 2016 | Received | Not Received |
| 4 | Dualization & Rehabilitation of Track between Port Qasim and Bin Qasim Stations | 30.06.2019 | Received | Not Received |
| 5 | Rehabilitation of Rolling Stock & Track | 30.06.2019 | Received | Not Received |
| 6 | Rehabilitation /Procurement of Remanufactured 300 Traction Motors | 30.11.2020 | Not Received | Not Received |
| 7 | Special Repair of 800 Passenger Coaches & 2000 Bogie Wagons | 30.06.2020 | Not Received | Not Received |

| | | | | |
|---|---|---|---|---|
| 8 | Special Repair of 150 D.E Locos | 30.06.2016 | Received | Not Received |
| 9 | Procurement of 58 Diesel Electric Locomotives | 30.06.2017 | Not Received | Not Received |
| 10 | Special Repair of 100 Nos Diesel Electric Locomotives | 30.06.2020 | Received | Not Received |
| 11 | Rehabilitation of 27 Nos. HGMU-30 DE Locomotives | 30.06.2018 | Not Received | Not Received |
| 12 | Procurement of 08 sets of Re-Railing & Rescue equipment for relief operations | 30.06.2017 | Received | Not Received |
| 13 | Strengthening/Rehabilitation of 159 Weak Bridges on Pakistan Railways. | Completed | Not received | Not received |
| 14 | Feasibility Study for Dedicated Freight Corridor for Transportation of Coal from Karachi to Lahore. | Completed | Not received | Not received |
| 15 | Feasibility Study for Improvement/Up-gradation of Existing Track Wazirabad-Sialkot-Narowal-Shahdara Section. | Completed | Received | Not received |
| 16 | Doubling of Track from Shahdara to Lalamusa. | Completed | Not received | Not received |
| 17 | Feasibility Study for Improvement/Up-gradation/Rehabilitation of Shahdara-Narowal-Sialkot-Wazirabad & Narowal-Chak Amru Section. | Completed | Received | Not received |
| 18 | Revival of Karachi Circular Railway (KCR) at | Completed | Not received | Not received |

| | | | | |
|---|---|---|---|---|
| | Modern Commuter System (Revised) (Federal Share) | | | |
| 19 | Coal Transportation by Rail to Jamshoro Power Plant. | Completed | Not received | Not received |
| 20 | Feasibility Studies Lump sum (Revised). | Completed | Not received | Not received |
| 21 | Comprehensive Feasibility Study for Up-gradation/Rehabilitation of Mainline (ML-I) and New Dry Port at Havelian (Buldher) District Haripur under (CPEC). | Completed | Not received | Not received |
| 22 | (i) Feasibility Study to connect Gwadar with Karachi through Rail Link (Approx.700). (ii) Feasibility Study of a Rail Link from Gwadar to Besima and Besima to Jacombad via Khuzdar (1048 Km). | Completed | Received | Not received |
| 23 | Provision of Solar System at Pakistan Railways Headquarter Office, Lahore | Completed | Not received | Not received |
| 24 | Rehabilitation and Improvement of Track (Revised) Karachi to Khanpur | Completed | Not received | Not received |
| 25 | Replacement of two Generating Sets of 1000 KW (1MW) at Railway Power House, Moghalpura | Completed | Not received | Not received |
| 26 | Feasibility Study for Up-gradation and Extension of ML-III in connection with CPEC | Completed | Not received | Not received |

| | | | | |
|---|---|---|---|---|
| 27 | Doubling of Track from Khanewal to Raiwind-246 Km (3rd Revised) | Completed | Not received | Not received |
| 28 | Mechanization of Track Maintenance (pilot project) | Project Physically Completed | Not Received | Not received |
| 29 | Reopening of rail car from Kohat- Rawalpindi-Kohat Section. | Completed | Not received | Not received |
| 30 | Up-gradation of VHF communication system for operational staff. | Completed | Not received | Not received |
| 31 | Updation of Feasibility Studies up-gradation of existing Railway Link from Rohri to Kohi-Taftan via Quetta including the realignment of Sibi-Spezand Section (1022 Kms) and Feasibility Study of Rail Link from Quetta to Kotla Jam (538 Kms)ML-III | Completed | Received | Not received |
| 32 | Completion of remaining work of Government College for Women, Police Station Road near Railway Station, Rawalpindi | Completed | Not received | Not received |
| 33 | Installation and Commissioning of 300 KW Solar System at P.R HQ Lahore | Completed | Not received | Not received |
| 34 | Acquisition of land for Railway Container Yard, Station and Railway line from Sea Port up to Coastal Highway at Gwadar (Revised). | Completed | Received | Not received |

| | | | | |
|---|---|---|---|---|
| 35 | Procurement/Manufacturing of 50 Diesel Electric Locomotives. | Completed | Not received | Not received |
| 36 | Procurement/Manufacture of 585 Hopper Wagon & 20 Bogie Brake vans and for coal transportation. | Completed | Not received | Not received |
| 37 | Procurement/Manufacture of 780 High Capacity Bogie (Hopper) Wagons and 20 Bogie Brake Vans for coal Transportation (Ph-I). | Completed | Not received | Not received |
| 38 | Conversion of 260 Passenger Coaches from 110 Volts to 220 Volts Electrical System | Completed | Not received | Not received |
| 39 | Special Repair to 150 Nos. Diesel Electric Locomotives | Completed | Received | Not received |

**Annex-30**

## Accounts Receivables of Pakistan Railways

**(Rs in million)**

| Sr. # | Name of Parties | Prior to 2010-11 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21* | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Defense | 243.357 | | | 35.278 | 34.361 | 10.035 | | | | | 3.979 | 7.299 | 334.30 |
| 2 | Food | 115.999 | | | | | | | | | 196.112 | 52.082 | 319.089 | 683.28 |
| 3 | Saloon | 0 | | | | | 1.657 | | 0.081 | 0.018 | | | | 1.756 |
| 4 | Highway | 63.513 | 19.402 | | 50.049 | 172.932 | | 48.662 | 240.917 | 279.185 | 284.688 | 58.525 | 127.827 | 1345.7 |
| 5 | Irrigation | 1.565 | | | | | 2.796 | | | 2.27 | 0.439 | | 2.67 | 9.74 |
| 6 | PWD | 5.53 | | 0.117 | | | 2.863 | | 2.404 | 3.92 | 2.846 | | 1.02 | 18.7 |
| 7 | WAPDA | 19.771 | | | | | | | | | 455.232 | | 57.794 | 532.79 |
| 8 | PTCL | 0.538 | 0.023 | | | | | | | | | | | 0.561 |
| 9 | Postal | 0 | | | | | | | | | 12.49 | 15.511 | 11.858 | 39.859 |
| 10 | Municipalities | 0.066 | | 0.002 | 0.001 | | 0.171 | 0.004 | 0.001 | 0.005 | 0.006 | 0.016 | 0.017 | 0.289 |
| 11 | Accountant General | 7.236 | | | | | | | | | | | | 7.236 |
| 12 | Police | 16.291 | | | | | 5.316 | | | | | | | 21.607 |
| 13 | Industries | 3.783 | | | | | | | | 2.064 | 0.225 | 3.02 | 0.752 | 9.844 |
| 14 | Miscellaneous | | | | | | | | 0.88 | 34.62 | 5.653 | 28.078 | 1.928 | 71.16 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 15 | Oil Company | | | | | | 671.932 | | | 15.86 | 157.888 | 10.433 | 36.26 | 892.37 |
| 16 | TMA | | | | | 3.111 | 40.456 | 5.58 | 6.59 | 3.493 | 6.886 | 6.499 | 0.994 | 73.609 |
| 17 | SSGCK | | | | | | 0.072 | | 0.072 | 4.897 | | 0.111 | | 5.152 |
| 18 | TMO | | | | | | 2.063 | 1.902 | 6.183 | 4.87 | 5.376 | | | 20.394 |
| 19 | Local Council Board PSC | | | | | | 28.042 | 4.551 | 4.855 | 6.591 | 4.561 | | | 48.6 |
| 20 | Autonomous Bodies | 6.409 | 2.541 | | 5.45 | 10.379 | | 5.779 | | 2.707 | | | 0.073 | 33.338 |
| 21 | Private Bodies | | | | | 7.74 | 10.05 | 6.095 | 22.484 | 15.38 | 2.126 | 1.845 | | 65.723 |
| 22 | Railcop | | | | | | | 184.77 | | | | | | 184.77 |
| | Grand Total | 484.058 | 21.966 | 0.119 | 90.778 | 228.523 | 775.453 | 257.34 | 284.467 | 375.884 | 1134.528 | 180.09 | 567.581 | **4400.80** |

* Up to December 2020

**Source:** Accounts Officer Efficiency (PAC)

**Annex-31**

## Outstanding Amounts against Operators of Private Trains

| Sr. No. | Contractor | Train | Status | Amount (Rs in million) |
|---|---|---|---|---|
| 1 | M/s Four Brothers | Business Train 303Up/304Dn | Court Case-Arbitration | 2,762.500 |
| 2 | M/s Air Rail Services | Shalimar Express 27Up/28Dn | Court Case-Arbitration | 402.437 |
| 3 | M/s Shalimar Group | Night Coach 43Up/44Dn | Court Case-Arbitration | 290.167 |
| 4 | M/s Rano Khan Juskani | 3Up/4Dn | Case in Sindh High Court, Karachi | 10.456 |
| 5 | M/s Faizullah | Chaman Passenger 349Up/350Dn | Court of District Judge Baluchistan, Quetta | 2.497 |
| **Total** | | | | **3,468.057** |

**Source:** CCM - vide Letter No.6-DC741/448/2020. (ACM-1) dated 06-05-2021

**Annex-32**

## Revenue budget and expenditure of Pakistan Railways

**Rs in million**

| S. No. | Years | Final Grant | Expenditures | Saving (-) Excess(+) | Percentage |
|---|---|---|---|---|---|
| **1** | **2010-11** | 51,788 | 48,682 | **(3,106)** | **-6.00%** |
| **2** | **2011-12** | 44,967 | 45,445 | **478** | **1.06%** |
| **3** | **2012-13** | 51,129 | 47,917 | **(3,213)** | **-6.28%** |
| **4** | **2013-14** | 57,100 | 55,741 | **(1,359)** | **-2.38%** |
| **5** | **2014-15** | 65,000 | 59,118 | **(5,882)** | **-9.05%** |
| **6** | **2015-16** | 69,000 | 63,646 | **(5,354)** | **-7.76%** |
| **7** | **2016-17** | 73,000 | 80,925 | **7,925** | **10.86%** |
| **8** | **2017-18** | 88,500 | 86,503 | **(1,997)** | **-2.26%** |
| **9** | **2018-19** | 90,000 | 87,664 | **(2,336)** | **-2.60%** |
| **10** | **2019-20** | 95,000 | 98,102 | **3,102** | **3.27%** |
| | | **685,484** | **673,744** | | |

| **Description** | |
|---|---|
| **Excess** | 11,505 |
| **Savings** | (23,246) |

**Pakistan Railways (PSDP budget and expenditure)** **Rs in million**

| S. No. | Years | Final Grant | Expenditures | Saving (-) Excess(+) | Percentage |
|---|---|---|---|---|---|
| **1** | **2010-11** | 4,840 | 3,357 | **(1,483)** | **-30.65%** |
| **2** | **2011-12** | 20,981 | 6,185 | **(14,796)** | **-70.52%** |
| **3** | **2012-13** | 25,832 | 28,005 | **2,173** | **8.41%** |
| **4** | **2013-14** | 28,014 | 22,492 | **(5,522)** | **-19.71%** |
| **5** | **2014-15** | 38,235 | 28,375 | **(9,860)** | **-25.79%** |
| **6** | **2015-16** | 26,284 | 15,792 | **(10,492)** | **-39.92%** |
| **7** | **2016-17** | 55,875 | 50,640 | **(5,235)** | **-9.37%** |
| **8** | **2017-18** | 22,020 | 14,683 | **(7,337)** | **-33.32%** |
| **9** | **2018-19** | 22,793 | 21,127 | **(1,666)** | **-7.31%** |
| **10** | **2019-20** | 9,016 | 8,787 | **(229)** | **-2.54%** |
| | | **253,890** | **199,443** | | |

| **Description** | |
|---|---|
| **Excess** | 2,173 |
| **Savings** | (56,619) |

**Source:** Appropriation Accounts of Pakistan Railways from 2010-11 to 2019-20

**Annex-33**

## Statement showing Loss of potential earning due to inefficient utilization of locomotives

**(Rs in million)**

| S. No. | Month | No. of idle locos average daily | Estimated earning per loco per month as per PC-I (Rs) | Loss of potential earning per annum (Rs) |
|---|---|---|---|---|
| 1 | Jul. 2018 | 11.32 | -- | -- |
| 2 | Aug. 2018 | 20.87 | -- | -- |
| 3 | Sep. 2018 | 19.53 | -- | -- |
| **Total** | | **51.72** | -- | -- |
| **Average** | | **17.24** | **15.09** | **3,121.82 or say Rs 3.122 billion** |

Total Locomotives in operation=**54**

Average locomotives remained idle=**17.24**

Percentage of idle locos= 17.24/54*100=**31.93%**

**Annex-34**

| Losses/Irregularities in Procurement Management | | | | | |
|---|---|---|---|---|---|
| | | | | | **(Rs in million)** |
| **Sr. No** | **Financial Year** | **Brief Issue** | **Losses** | **Irregularities** | **Issue** |
| 1 | 2019-20 | Bidding documents not standardized & harmonized with PEC as per ECNEC directives. | | 73.843 | Non standardized bidding documents |
| **Formation:** Procurement Contract of CCP | | | | | |
| 2 | 2016-17<br>2017-18 | Blockage of capital due to procurement of hopper wagons in excess of traffic demand | 3.20 | | Procurement of hooper wagons in excess of demand |
| **Formation:** Project 780 HCHW | | | | | |
| 3 | 2016-17 | Loss due to purchase of material at higher rates | 1.056 | | Procurement at higher rates |
| **Formation:** Project 780 HCHW | | | | | |
| 4 | 2012-13 | Loss due to procurement of Telescopic Boom Cranes at higher rate | 183.15 | | Procurement at higher rates |
| **Formation:** Project Mechanization of Track Maintenance | | | | | |
| 5 | 2014-15 | Loss due to procurement of Ballast Cleaning machine at higher rate | 105.58 | | Procurement at higher rates |
| **Formation:** Project Mechanization of Track Maintenance | | | | | |
| 6 | 2015-16 | Loss due to procurement of Sleeper Exchange machines at higher rate | 196.00 | | Procurement at higher rates |
| **Formation:** Project Mechanization of Track Maintenance | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 7 | 2013-14 | Loss due to procurement of Dogmatic Tamping machines at higher rate | 447.33 | | Procurement at higher rates |
| **Formation:** Project Mechanization of Track Maintenance | | | | | |
| 8 | 2015-16 | Loss due to procurement of Light Weight Tamping machines (Universal) at higher rate | 23.77 | | Procurement at higher rates |
| **Formation:** Project Mechanization of Track Maintenance | | | | | |
| 9 | 2020-21 | Inordinate delay of 24 months in tendering total completion period of the project 48 months. Not in 4th attempt | | | Non-finalization of tenders in multiple tendering |
| **Formation:** Director procurement | | | | | |
| 10 | 2018-19 | Inordinate delay in tendering due to poor procurement planning. Despite attempting tenders 3 times in 19 months could not be finalized | | | Non-finalization of tenders in multiple tendering |
| **Formation:** Director procurement | | | | | |
| 11 | 2015-16<br>2016-17<br>2018-19 | Bidding documents without bid evaluation criteria | | 51.276 | Inappropriate bid evaluation |
| **Formation:** Director procurement & CCP | | | | | |
| 12 | 2017-18 | No market rate analysis by the bid evaluation committee | | | Inappropriate bid evaluation |
| **Formation:** CCP | | | | | |
| 13 | 2020-21 | No record of bids opening & minutes | | | Inappropriate bid evaluation |

| | | | | | |
|---|---|---|---|---|---|
| | | of meetings | | | |
| **Formation:** CCP | | | | | |
| 14 | 2019-20 | Use of irrational benchmark for sale of scrap | | | Inappropriate bid evaluation |
| **Formation:** CCS | | | | | |
| 15 | 2018-19 | Financial evaluation of bid without qualified member | | 38.228 | Inappropriate bid evaluation |
| **Formation:** CCP | | | | | |
| 16 | 2015-16 | Loss due to award of tenders at higher rates | | 5.117 | Inappropriate bid evaluation |
| **Formation:** Project 159 Bridges | | | | | |
| 17 | 2020-21 | No independent bid evaluation | | | Inappropriate bid evaluation |
| **Formation:** CCP | | | | | |
| 18 | 2014-15<br>2015-16 | Irregular expenditure due to splitting of purchases | | 20.78 | Violation of PPRs |
| **Formation:** PLF Risalpur | | | | | |
| 19 | 2016-17<br>2017-18 | Irregular expenditure due to purchase of goods from shops other than approved quotations | | 1.94 | Violation of PPRs |
| **Formation:** Project 780 HCHW | | | | | |
| 20 | 2015-16 | Irregular procurement due to enhancement of contract value beyond permissible limit | | 195.307 | Violation of PPRs |
| **Formation:** Project 780 HCHW | | | | | |
| 21 | 2018-19 | Award of contracts through negotiation | | 11.145 | Violation of PPRs |

| | | | | | |
|---|---|---|---|---|---|
| **Formation:** CCS | | | | | |
| 22 | 2017-18 | No market rate analysis by the bid evaluation committee | | | Violation of PPRs |
| **Formation:** CCP | | | | | |
| 23 | 2012-13 | Violation of PPRA Rules resulting in non-competitive bidding process | | | Violation of PPRs |
| **Formation:** Project Mechanization of Track Maintenance | | | | | |
| 24 | 2020-21 | No legal and financial vetting of contracts in Pakistan Railways | | | No legal & financial vetting of contracts |
| **Formation:** CCP & Director Procurement | | | | | |
| **Total** | | | **960.08** | **346.36** | |

**Annex-35**

## Inefficient Project Management

| Sr. No. | Brief Issue | Amount (Rs in Million) | Issue |
|---|---|---|---|
| 1 | It was noticed that 66 bridges included in PC-I of the project for rehabilitation under Rehabilitation & Strengthening of 159 Bridges over Pakistan Railway at an estimated cost of Rs 156.507 million, were dropped from the project on the plea that very minor repair works were involved in those bridges as such the same would be got repaired by respective divisions. On the other hand, another 3 bridges not included in the PC-I of the project, were repaired at a cost of Rs 8.586 million. These modifications were carried out without approval from the CDWP. This resulted in incurrence of unauthorized expenditure of Rs 165.093 million due to negligence and inefficiency of the project management. | 165.093 | Un-authorized change in scope of approved PC-I |
| **Formation:** Rehabilitation & Strengthening of 159 Bridges | | | |

| | | | |
|---|---|---|---|
| 2 | Review of Journal Slips of AO/Projects, PR HQs Office, Lahore for the month of September & December 2019 disclosed that the stone ballast valuing Rs 13.656 million procured for PSDP i.e. PD, Track Rehabilitation (Khanpur-Lodhran) was unauthorizedly transferred to Multan and Sukkur Divisions which was highly objectionable. This indicated non-compliance with the rules besides, indicated poor budgetary controls and lack of pre audit checks. | 13.656 | Irregular transfer of ballast procured for PSDP to railway division for use on revenue works |
| **Formation:** Journal Slips of AO/Projects | | | |
| 3 | It was observed that other employees were sent for training abroad instead of sending locomotive drivers. Had management acted upon the schedule provided by the seller for foreign training of locomotive drivers the operational efficiency of DPU locomotives could have been better. Thus, wasteful expenditure of Rs 13.45 million (22 man-months x US$ 7,190/man-month x Rs 85) was incurred on the training of employees instead of drivers. | 13.45 | wasteful expenditure on foreign trainings |
| **Formation:** List of Nomination and contract with Dongfang electric Corporation | | | |

| | | | |
|---|---|---|---|
| 4 | Pakistan Railways made two agreements for Transfer of Technology to be utilized for local manufacturing of locomotives with a cost of Rs 94.82 million but these TOTs were not utilized as locomotives were procured instead of manufacturing in PLF through utilization of the TOTs. | 94.82 | Non-utilization of transfer of technology |
| **Formation:** PLF Risalpur | | | |
| 5 | It was observed that two works involving rehabilitation of bridges involving Rs 16.776 million were initiated by the Project Director, Bridge Rehabilitation and were subsequently abandoned due to intervention of the FGIR because they were started without obtaining his approval which was mandatory. Thus, the objective for which the money was spent was not achieved. This resulted due to negligence of the project management: | 16.776 | Execution of unapproved work |
| **Formation:** PD/Bridges Rehabilitation | | | |
| 6 | It was noticed that repair/ rehabilitation work of PWI/Kot Addu residence was completed including additional scope of construction work with an amount of Rs 4.105 million. However, provision for the repair work of the said residence in revised PC-I was Rs 0.184 million only. Therefore, an expenditure of Rs 3.921 million was incurred over and above the provision available in PC-I which was unauthorized. This occurred due to weak financial management. | 3.921 | Un-authorized change in scope |
| **Formation:** Civil Multan/PD Flood Damages | | | |
| **Total** | | **307.716** | |

**Annex-36**

## Major Reasons of Increase in Pension Expenditure of Pakistan Railways for the Period from 2010-11 to 2019-20

i. Increase in rate of family pension from 50% to 75% of Gross or Net Pension w.e.f. 01.07.2010 vide Finance Division letter No. F.2(3)-Reg-6/2010-786 dated 05.07.2010.

ii. Grant of Medical Allowance of 25% to pensioners of BPS 1-15 and 20 % to pensioners of BPS 16-22 w.e.f. 01.07.2010 vide Finance Division letter No. F.16(1)-Reg-6/2010-778 dated 05.07.2010.

iii. Minimum pension increased from Rs 2,000 to Rs 3,000 per month vide Finance Division letter No. F.15(1)-Reg-6/2010-777 dated 05.07.2010.

iv. Increase in pension @ 20% to pensioners who retired before 01.12.2001 and @ 15% to pensioners who retired after 01.12.2001 vide Finance Division letter dated 05.07.2010.

v. Cost of living allowance 7% included in pension vide Finance Division letter No. F.13(10)-Reg-6/2018/413 dated 16.05.2011.

vi. Increase in pension @ 20% was allowed vide Finance Division letter dated 02.07.2012.

vii. Minimum pension increased from Rs 3,000 to Rs 5,000 per month vide Finance Division letter No. F.15(1)-Reg-6/2010-1375 dated 16.07.2013.

viii. Increase in pension @ 10% was allowed vide Finance Division letter dated 16.07.2013.

ix. Minimum pension increased from Rs 5,000 to Rs 6,000 per month vide Finance Division letter No. F.15(1)-Reg-6/2014 dated 07.07.2014.

x. Increase in pension @ 10% was allowed vide Finance Division letter dated 07.07.2014.

xi. Grant of family pension to widow/divorced daughter vide Finance Division letter No. F.2(2)-Reg-6/96- dated 07.07.2015.

xii. Increase in Medical Allowance @ 25% was allowed w.e.f 01.05.2015 vide Finance Division letter No. F.16(1)-Reg-6/2015-698 dated 07.07.2015.

xiii. Increase of 25% in pension of pensioners who attained the age of 85 years vide Finance Division letter No. F.4(1)-Reg-6/2016-1052 dated 26.09.2016.

xiv. Increase in pension @ 10% was allowed vide Finance Division letter dated 03.07.2017.

xv. Increase in pension @ 10% was allowed vide Finance Division letter dated 03.07.2018.

xvi. Minimum pension increased from Rs 6,000 to Rs 10,000 per month and minimum pension of pensioners who attained the age of 75 years was increased to 15,000 vide Finance Division letter No. F.15(1)-Reg-6/2018-644d dated 03.07.2018.

xvii. Minimum family pension increased from Rs 4,500 to Rs 7,500 per month and minimum pension of family pensioners who attained the age of 75 years was increased to 12,500 vide Finance Division letter No. F.15(1)-Reg-6/2018-644d dated 03.07.2018.

xviii. Increase in pension @ 10% was allowed vide Finance Division letter dated 15.07.2019.

xix. Increase in orderly allowance from Rs 8,000 to Rs 14,000 per month.

xx. Revival of restoration of pension for those pensioners who opted package of pay scale 2001.

**Source:** Ministry of Finance

**Annex-37**

## Major Reasons of Increase in Employee Related Expenses of Pakistan Railways for the Period from 2010-11 to 2019-20

i. Grant of 50% adhoc relief allowance vide Finance Division's notification dated 05.07.2010.

ii. Revision of Pay Scales (2011) vide Finance Division's notification dated 04.07.2011.

iii. Revision of conveyance allowance of scale 1-4 vide Finance Division's notification dated 15.12.2010.

iv. Grant of 20% adhoc relief allowance vide Finance Division's notification dated 02.07.2012.

v. Revision of conveyance allowance of scale 1-19 vide Finance Division's notification dated 03.07.2012.

vi. Revision of Special Pay and Allowances vide Finance Division's notification dated 17.07.2011.

vii. Grant of 10% adhoc relief allowance vide Finance Division's notification dated 16.07.2013.

viii. Revision of conveyance allowance of scale 1-15 vide Finance Division's notification dated 07.07.2014.

ix. Grant of 10% adhoc relief allowance vide Finance Division's notification dated 07.07.2014.

x. Revision of Special Pay and Allowances vide Finance Division's notification dated 26.05.2015.

xi. Revision of Pay Scales (2015) vide Finance Division's notification dated 07.07.2015.

xii. Revision of Pay Scales (2016) vide Finance Division's notification dated 28.07.2016.

xiii. Revision of Pay Scales (2017) vide Finance Division's notification dated 03.07.2017.

xiv. Grant of 10% adhoc relief allowance vide Finance Division's notification dated 02.07.2018.

xv. Grant of 10% and 5% adhoc relief allowance to employees in BPS 01 to 16 and BPS 17-22 respectively vide Finance Division's notification dated 05.07.2019.

**Source:** Ministry of Finance

**Annex-38**

## Inefficient Land Management

| Sr. # | Issue in Brief | Amount (Rs in Million) | Issue |
|---|---|---|---|
| 1 | It was observed that in 2013 a local firm namely KK Builders illegally constructed residential apartments on Railway land measuring 14196 SqYds at Johar Town Karachi. The Deputy Director Property & Land, P.R, Karachi requested the Commissioner Karachi for assistance to stop the illegal construction. Surprisingly, KK Builders filed a Civil Suit No.1364 against Pakistan Railways and claimed ownership of the land on the basis of fake mutations. Pakistan Railways approached the Sindh High Court and succeeded to get injunction against illegal construction but failed to either stop the illegal construction or get the railway land vacated. Negligence of the Railway management resulted into loss of Rs 1,022.11 million. | 1022.11 | Encroachment of railway land |
| **Formation:** Deputy Director Property & Land, P.R, Karachi | | | |

| | | | |
|---|---|---|---|
| 2 | It was observed that 8.43 acres Railways land valuing about Rs 579.79 million was encroached by private parties for commercial and residential purposes. Thus a Railway land was under encroachment due to negligence of management and Pakistan Railways was being deprived of potential earnings. | 597.79 | Encroachment of railway land |
| **Formation:** DS PSC | | | |
| 3 | It was noticed that Pakistan Railways (PR) acquired 165-acre land in Gwadar from Government of Balochistan (GoB) for construction of container yard and operational activities. The GoB was paid cost of land amounting to Rs 977,198,125 in December 2019 without the process of proper mutation in the name of Pakistan Railways. | 977.19 | Non mutation of procured land |
| **Formation:** Chief Engineer/S&C | | | |
| 4 | Record of Railways Employees Cooperative Housing Society Rawalpindi revealed that RIRECHS allotted plots measuring 8760 sq. Yard valuing Rs 456.68 million to its bonafide members for residential purposes but the same were converted into commercial areas by the occupants by violating the above mentioned clause of agreement. The Railway management failed to take punitive action against the Society as well as the allottees in wake of serious violation of agreement. | 456.68 | Un-authorized conversion of residential plots into commercial plots |
| **Formation:** Railways Employees Cooperative Housing Society Rawalpindi | | | |
| **Total** | | **3,053.77** | |

**Annex-39**

## Deposit of government money in Private Bank Account

| Sr. No. | Subject | Formation | Detail of Bank | Amount (Rs in million) | Brief of Issue | Formation |
|---|---|---|---|---|---|---|
| 1 | Unauthorized maintenance of bank account - Rs 2.15 million | DPO Karachi | Personal bank account maintained in the National Bank of Pakistan | 2.15 | An amount of Rs 2.15 million collected from the candidates with application forms was deposited into a personal bank account maintained by the then DPO Karachi in the National Bank of Pakistan instead of Railway Treasury. | Statement received from DPO Karachi |
| **Formation:** DPO KYC | | | | | | |
| 2 | Irregular/ unauthorized depositing of | Deputy Director Property & | 286-6 NBP, MGPR (Account of Divisional Support | 5.68 | i. Land leased out to VASAS Marriage Hall | Statement received from DD P& L MGPR |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Railway earnings in private accounts – Rs 7.92 million | Land (DEN) Workshops | Association) | | ii. Griffin Ground leased out to M/s Usman International private limited | |
| | | SRP, Multan | 0012690023805403, HBL Sher Shah Road Branch, Multan (Superintendent, PRP, Multan) | 1.33 | Examination fee/sale of forms/postal orders etc. | Letter received from SRP Multan vide letter no. Est:/REC-14/Mul/11/59 dated 26.06.2014 |
| | | Divisional Personnel Officer Peshawar | No. 900737-5 NBP, Saddar Road Branch, Peshawar. (Divisional Sports Officer, Pakistan Railway, Peshawar) | 0.91 | Parking lot | DPO PSC |
| **Formation:** Property & Land Workshops, SRP MUL, DPO PSC | | | | | | |
| 3 | Unauthorized depositing of Railways earnings into private accounts – | DPO, Rawalpindi | ABL Cabinet Sectt. Rwp 0010025515720014 | 6.56 | Shrine | Statement received from DPO RWP |
| | | MD, Carriage Factory | MCB Dhok Mangtal 0102001010006684 | 0.50 | Library subscription, school fees, canteen rent | MD, Carriage Factory Islamabad |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Rs 7.84 million | Islamabad | 0102002010021059<br>0102002010008061<br>0102001010005775 | | | |
| | | Railway Station Jhelum | NBP 4052746711 | 0.44 | Shrine | Railway Station Jhelum |
| | | Works Manger, CDL/RWP | Allied Bank 0010007320100011 | 0.34 | Marriage and other functions | Scroll of Allied Bank |
| **Formation:** DPO RWP, MD CFI, CDL shop RWP, Railway station Jhelum | | | | | | |
| 4 | Unauthorised depositing of Railways earnings into private accounts – Rs 56.03 million | Deputy Director, P&L, Multan | Not provided by management | 32.85 | Land lease charges | Deputy Director, P&L, Multan |
| | | Deputy Director, P&L, Quetta | NBP, Institute Club, Quetta<br>1324-9 | 11.21 | Marriage Lawn | Deputy Director, P&L, Quetta |
| | | PRFTC | MCB 0010034221990015<br>ABL 0010043566560014 | 8.37 | Transportation of Coal | Statement received from PRFTC |
| | | MD, PRACS | ABL 0010002900700020 | 3.60 | Marriage Hall | MD, PRACS |
| **Formation**: P & L MUL, QTA, PRFTC, PRACS | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5 | Unauthorized deposit of funds into private accounts – Rs 146.67 million | RAILCOP | Various bank accounts | 111.93 | Railway funds were deposited/transferred into private accounts instead of Government treasury without legal authorization | RAILCOP |
| | | IG.PRP | NBP, PR, HQ Office Lahore 18821-9 | 19.38 | | Letter of Joint Director P & L dated 28.01.2016 |
| | | DG, Walton Academy | NBP, Walton 4070100400 | 14.12 | | Scroll of NBP |
| | | DGM, Headquarters Office Lahore | UBL Empress Road, Lahore 0112059010070598 | 1.24 | | Scroll of UBL |
| **Formation:** RAILCOP, IG PRP, DG Walton, DGM HQ Lahore | | | | | | |
| **Total** | | | | **220.61** | | |

**Annex-40**

## Statement Showing the Detail of Cash Held by the NBP Quetta Due to Unknown Reasons

| Station | Dates of Detention of Cash | | No. of Days of detention | Amount involved (Rs) |
|---|---|---|---|---|
| | From | To | | |
| Quetta | 26-07-2014 | 04-08-2014 | 09 | 1,458,966 |
| | 04-05-2015 | 18-05-2015 | 14 | 111,000 |
| **Total** | | | | **1,569,966** |
| **Total Rs in million** | | | | **1.570** |

**Annex-41**

## Deposit Miscellaneous-Railway Fund

| Sr. # | Month | Opening Balance (Rs.) | Addition (Rs.) | Clearance (Rs.) | Balance (Rs.) |
|---|---|---|---|---|---|
| 1 | July-14 | 217,210,494 | 337,896,432 | 120,283,815 | 434,823,111 |
| 2 | August-14 | 434,823,111 | | | 434,823,111 |
| 3 | September-14 | 434,823,111 | 138,381,496 | 144,349,387 | 428,855,221 |
| 4 | October-14 | 428,855,221 | 176,836,294 | 163,336,486 | 442,355,029 |
| 5 | November-14 | 442,355,029 | 248,539,479 | 173,421,679 | 517,472,829 |
| 6 | December-14 | 517,472,829 | 213,479,477 | 211,272,538 | 519,679,768 |
| 7 | January-15 | 519,679,768 | 312,986,672 | 164,156,551 | 668,509,889 |
| 8 | February-15 | 668,509,889 | 375,089,777 | 147,544,946 | 896,054,720 |
| 9 | March-15 | 896,054,720 | 192,307,025 | 173,501,016 | 914,860,729 |
| 10 | April-15 | 914,860,729 | 194,691,658 | 139,734,832 | 969,817,555 |
| 11 | May-15 | 969,817,555 | 192,490,049 | 166,276,386 | 996,031,218 |
| 12 | June-15 | 996,031,218 | 187,574,270 | 155,046,117 | 1,028,559,371 |
| **Average balance of Deposit Miscellaneous** | | | | | **687,653,546**<br>**Rs 687.654 million** |

**Annex-42**

**Statement Showing Unauthorized Utilization of Revenue Earnings at Quetta Railway Station**

| Sr. No. | Station Name | Date | Purpose of utilization of Earning | Amount (Rs) |
|---|---|---|---|---|
| 1 | Quetta | 19-09-2012 | Demolishing of Encroachments | 45,000 |
| 2 | -do- | 19-11-2012 | Restoration of Gas Supply | 765,692 |
| 3 | -do- | 31-12-2012 | Restoration of Sui-Gas | 926,780 |
| 4 | -do- | 06-02-2013 | Payment of Sui-Gas Bill | 908,405 |
| 5 | -do- | 12-03-2016 | Reparation of breaches | 50,000 |
| **Total** | | | | **2,695,877 (Rs 2.695 million)** |

**Annex-43**

**Payments made against Fake invoices**

| Sr. No. | Subject | Amount (Rs in million) | Brief of Para |
|---|---|---|---|
| 1 | Fraudulent drawl of government money - Rs 1.67 million | 1.67 | An amount of Rs 1.67 million was drawn fraudulently through various fake and bogus bills with collaboration of officials/officers of Mechanical and Accounts departments of Karachi Division during Jan 2009 to Mar 2010. |
| **Formation:** DAO KYC | | | |
| 2 | Fraudulent payment of consultancy fee on fake sales tax invoice – Rs 5.77 million | 5.77 | M/s Crimson Engineering (Pvt.) Ltd, the third partner of the Joint Venture in vetting consultancy contract, was not registered with FBR. However, an amount of Rs 5.77 million was paid to the company in September 2018 on fake Sales Tax invoices. The NTN shown for the company on its invoices was actually the personal NTN of its Chief Executive Officer and the registered official address of this company with SECP was also his personal address. This was not only tantamount to fraud by the contractor but also highlighted vulnerable financial management of the project which allowed payment to an unentitled company. |
| **Formation:** CPEC ML-I Preliminary Design Project | | | |

| | | | |
|---|---|---|---|
| 3 | Suspicious adjustment of cash advances through fake/ self-generated invoices – Rs 101.04 million | 101.04 | RAILCOP employees were granted cash advances for local purchases of different materials and services like ballast, cement, steel, tiles, sand and labour charges etc. for construction works and track rehabilitation. The procurement of material was made through shopping committees on cash basis and adjustment of the same was made through invoices. Audit observed that invoices presented for adjustment of advances valuing Rs 101.04 million were either bogus or self-generated due to the following reasons:-<br>a) The invoices were without serial number. In some cases, serial numbers were given but they were in continuous order as no other firm except M/s RAILCOP was the customer of the supplier. This depicts that invoice books were in custody of the RAILCOP employees and they themselves prepared the bills.<br>b) The invoices were not signed by the suppliers and official stamps were also not affixed on bill.<br>c) No proof of payments to supplier was available.<br>d) Payments to suppliers were not made through banking channels.<br>e) Reference of ledger cards for receipt and accountal of material was not mentioned on the bills.<br>f) The bills were signed by the project engineer himself instead of shopping committee.<br>g) All invoices were without GST and the procurement was made from unregistered GST persons/ entities. Furthermore, hand writing on the bills of different suppliers was same. |

| | | | |
|---|---|---|---|
| | | | h) The procurement was made without tendering process.<br>i) Procurement of material for station building Narowal was made from Lahore which caused extra expenditure on account of transportation charges.<br>j) Computer generated invoices were presented in case of steel procurement.<br>k) Address and telephone number of two suppliers M/s Aftab Traders and Tariq Saleem& Sons were the same. During physical verification it was found that offices of M/s MZ Enterprises did not exist at the given address i.e. 1st Floor, Rehman Arcade, 218-Main Ferozepur Road, Lahore.<br>l) In particular cases, the invoices were prepared on RAILCOP's own letter head. |
| **Formation:** RAILCOP | | | |
| 4 | Loss due to double payment for the same services – Rs 71.95 million | 71.95 | 19 turnouts valuing Rs 359,730,929 were supplied by M/s Equinox (Pvt.) Ltd. The assembling of the turnouts at site was also the responsibility of said firm. Audit observed that payment of assembling the turnouts was made twice, once to the supplier and later on to another contractor M/s Infrastructure Engineers vide agreement dated 19.10.2016 for linking of track from Yousafwala Railway Station to Qadirabad Power Plant. This resulted in loss of Rs 71,946,185 (20% of total cost of turnouts) due to double payment for the same services. |
| **Formation:** PRFTC | | | |
| **Total** | | **180.43** | |

**Annex-44**

| Aging of Surveyed Scrap | | | | | |
|---|---|---|---|---|---|
| **Sr. No** | **No. of Lots** | **Type of Scrap** | **Quantity (kg)** | **Value Of Scrap (Rs)** | **Aging of Scrap** |
| 1 | 27 | Ferrous | 24,510 | 1,608,150 | Above 20 years |
| 2 | 156 | Ferrous | 134,500 | 48,586,705 | Above 10 years |
| 3 | 285 | Ferrous | 9,199,900 | 186,054,307 | Above 05 years |
| 4 | 182 | Ferrous | 6,234,350 | 140,453,272 | Above 02 years |
| 5 | 353 | Ferrous | 5,570,500 | 125,373,483 | Above 01 years |
| **Total** | **1003** | | **21,163,760** | **502,075,917** | |

**Note:**

- It includes 235 Lots which have zero rate/book value. It includes Vehicles, Trucks, Buses, Motorcycles, Coaches, drilling Machines, Locomotives.
- It includes 240 Lots which have zero book weight, out of 240 lots quantity in Nos. against 192 lots shown only 1.

**Source:** Information received from Store Department

**Annex-45**

## Summary of Un-surveyed/Un-segregated Scrap Material

| Sr. No. | Lot No. | Type of Scrap | Quantity in kg | Value of Scrap @ Rs 60/kg | Aging of Scrap |
|---|---|---|---|---|---|
| 1 | Nil | Misc. | 10,120,190 | 607,211,400 | Above 20 years |
| 2 | Nil | Misc. | 5,550,000 | 333,000,000 | Above 10 years |
| 3 | Nil | Misc. | 3,550,000 | 213,000,000 | Above 05 years |
| 4 | Nil | Misc. | 1,050,000 | 63,000,000 | Less than 5 years |
| **Total** | | | **20,270,190** | **1,216,211,400** | |

## Detail of Un-surveyed/Un-segregated Scrap Material

| Sr. No. | Description of Scrap | Approx. Quantity in M.Ton | Location | Year | Approx. Aging |
|---|---|---|---|---|---|
| 1 | Mix Scrap | 4500 | Yard Jungla to gate 2 & 3 boundary Wall left & Right Side on different Points | 1995 | 25 |
| 2 | Mix Scrap | 300 | Cement Line left & Right Side on different Points | 1995 | 25 |

| | | | | | |
|---|---|---|---|---|---|
| 3 | Mix Scrap | 500 | Trazo Line left & Right Side on different Points | 1996 | 24 |
| 4 | Mix Scrap | 50 | Bora Line left & Right Side on different Points | 1998 | 22 |
| 5 | Mix Scrap | 2770.19 | Near STY Masjid & waste Pepper Godown to 8 & 9 No Gate left & Right Side on different Points | 1998 | 22 |
| 6 | Mix Scrap | 2000 | G-Khuda to SMFY left & Right Side on different Points | 2000 | 20 |
| **Total above 20 years** | | **10120.2** | | | |
| 7 | Mix Scrap | 50 | Back Side of P/Press | 2001 | 19 |
| 8 | Mix Scrap | 2000 | A-Line left & Right Side on different Points | 2005 | 15 |
| 9 | Mix Scrap | 1000 | Main Road line to RS on different Points | 2005 | 15 |
| 10 | Mix Scrap | 500 | Cooler Line left & Right Side on different Points | 2007 | 13 |
| 11 | Mix Scrap | 2000 | Bari Line left & Right Side on different Points | 2010 | 10 |
| **Total above 10 years** | | **5550** | | | |
| 12 | Mix Scrap | 2000 | F-Line DSKP side left & Right Side on different Points | 2012 | 8 |
| 13 | Mix Scrap | 300 | Main Line DSKP-I Side left & Right Side on different Points | 2012 | 8 |

| | | | | | |
|---|---|---|---|---|---|
| 14 | Mix Scrap | 200 | Cooler Line Main Depot ADC Side left & Right Side on different Points | 2013 | 7 |
| 15 | Mix Scrap | 500 | G-Plate form labour Jhugi left & Right Side on different Points | 2014 | 6 |
| 16 | Mix Scrap | 400 | Main Line D-Godwon Side left & Right Side on different Points | 2015 | 5 |
| 17 | Mix Scrap | 150 | Beside R.S Jungla front of gumbad | 2015 | 5 |
| **Total above 5 years** | | **3550** | | | |
| 18 | Mix Scrap | 600 | In Side ADC/Sec left & Right Side | 2016 | 4 |
| 19 | Mix Scrap | 400 | Old TP Godown to 8 No. Gate | 2016 | 4 |
| 20 | Mix Scrap | 50 | In Side Jungla on different Points | 2018 | 2 |
| **Total less than 5 years** | | **1050** | | | |
| **Total Weight** | | **20270.2** | | | |

**Total Value @ Rs 60000 per MT = Rs 1,216,211,400**

**Source:** Information received from Store Department MGPR

**Annex-46**

## Theft of inventory

| Sr. No. | Subject | Amount (Rs in million) | Brief of Issue |
|---|---|---|---|
| 1 | Theft of Railway material valuing Rs. 34.747 million | 34.747 | Audit of various offices of PR transpired theft of material valuing Rs. 34.747 million<br>P. Way material was dispatched by PWI/Malakwal in covered wagon Moghalpura but seal of the said wagon was found tampered and material in question was stolen. |
| **Formation:** Electrical Deptt. LHR & RWP, Signal Engineer LHR, Telecom Sukkur and Kundian | | | |
| 2 | Suspected misappropriation of retrievable parts - Rs. 200.00 million | 200.00 | 1465 condemned Goods Wagons were sold out through 22 Sale Orders from 2008 to 2010. But the record of receipt of retrievable parts (wheels, axle, etc.) valuing Rs. 200.000 million and its disposal was not produced on the grounds that the record was not being maintained by the Stores Department. |
| **Formation:** Chief Controller of Stores | | | |
| 3 | Loss due to misappropriation of wood Rs 1.71 million | 1.71 | 43.75 CMT shisham wood valuing Rs. 1.71 million was received/ issued by the Inspector of Works (IOW), Okara but proper record was not available in support of their utilization / consumption. |
| **Formation:** Works Accounts Branch Lahore | | | |

| | | | |
|---|---|---|---|
| 4 | Misappropriation of material - Rs 1.38 million | 1.38 | In Carriage & Wagon Shops Moghalpura, Lahore 596 Kg Copper Wire and 467 Kg Solder valuing Rs 1.38 million was misappropriated by the employees during the period from Sep, 2007 to Dec, 2010. |
| **Formation:** C&W Shops MGPR | | | |
| 5 | Misappropriation of 8600 kg calcium carbide - Rs 1.27 million | 1.27 | In Pakistan Locomotive Factory, Risalpur 16,500 kg Calcium Carbide was issued to Foreman Welding Shop during the period from Apr, 2009 to June, 2011. Foreman Welding Shop utilized 3,000 kg up to August, 2011. A quantity of 4,900 kg instead of 13,500 kg (16,500 - 3,000) was available with Foreman Welding Shop. |
| **Formation:** PLF Risalpur | | | |
| 6 | Theft of Permanent Way Material – Rs 259.47 million | 259.47 | Theft of material valuing Rs 259.47 million was pointed out in the following offices:<br>• AEN, Jhelum<br>• AEN, Larkana<br>• PLF Risalpur |
| **Formation:** AEN Jhelum, Larkana and Works Manager Risalpur | | | |
| 7 | Loss due to shortage of material – Rs 34.37 million | 34.37 | Permanent-Way and Signal material valuing Rs 34.37 million was found short in following office:<br>• AEN SIBI<br>• Signal Department, Rawalpindi<br>• Engineering Deptt RWP |
| **Formation:** AEN Sibi, DSE RWP, Works Accounts Branch RWP | | | |
| 8 | Loss due to theft of material – Rs 20.77 | 20.77 | (i) Permanent way material valuing Rs 13.61 million was |

| | | | |
|---|---|---|---|
| | million | | taken away by the Military authorities during the period from 2000-2007 from Kala-Dina loop under the jurisdiction of Permanent Way Inspector (PWI), Jhelum.<br>(ii) Material valuing Rs 5.48 million was stolen at 150 different locations of Lahore Division, during the period from January, 2011 to June, 2013.<br>(iii) Material and trees worth Rs 1.19 million were stolen in the jurisdiction of AEN Malakwal.<br>(iv) 3 transformers and 225 kg copper wire valuing Rs 0.49 million had been stolen from different stations of Multan Division during the period from June, 2011 to April, 2013. |
| **Formation:** Civil Dept RWP, DEE LHR, DAEE Multan | | | |
| 9 | Loss due to theft/misappropriation of material – Rs 139.02 million | 139.02 | Railway material valuing Rs 139.02 million was misappropriated under following formation:<br>• Civil Engineering Department, Quetta.<br>• Civil Engineering Department, Rawalpindi<br>• Civil Engineering Department, Peshawar<br>• Civil Engineering Department, Peshawar<br>• DTE Multan<br>• DSE, Lahore.<br>• DTE, Karachi.<br>• PD, DoT, Lahore.<br>• DME-II, Lahore |

| | | | |
|---|---|---|---|
| **Formation:** Civil Engineering RWP, QTA, PSC, DTE Multan, DSE LHR | | | |
| 10 | Loss due to theft/ misappropriation of material – Rs 42.03 million | 42.03 | Material valuing Rs 42.03 million was stolen in eleven offices of Mechanical, Civil and Electrical Departments. |
| **Formation:** Civil Engineering MUL, RWP,RWP,KYC, PSC, MD CSF, Mechanical SUK & QTA | | | |
| 11 | Theft of material – Rs 160.83 million | 160.83 | Two cases of theft of Railway material valuing Rs 160.83 million in office of Chief Electrical Engineer, Lahore and Civil Engineering Department, Sukkur were noticed. |
| **Formation:** CEE LHR, Civil SUK | | | |
| 12 | Loss due to theft of distributor valves – Rs 135.00 million | 135.00 | 270 distributor valves along with related parts/items valuing Rs 135.00 million were stolen from Karachi Division. |
| **Formation:** Chief Mechanical Engineer C & W | | | |
| 13 | Misappropriation of material – Rs 72.34 million | 72.34 | Railway material valuing Rs 72.34 was misappropriated in Civil Engineering Department of Lahore, Karachi, Peshawar and Multan. |
| **Formation:** Civil LHR, PSC, KYC & MUL | | | |
| 14 | Loss due to theft of distributor valves – Rs 7.50 million | 7.50 | 15 distributor valves along with related parts valuing Rs 7,500,000 were stolen from Karachi Division during February to April 2018. No concrete efforts were made by Railway management to recover the stolen material. |
| **Formation:** Mechanical KYC | | | |
| 15 | Misappropriation of carriage and wagon material valuing Rs 1.40 million | 1.40 | The Head Train Examiners Washing Line, Goods and Railway Station, Lahore received material from General Store, |

| | | | |
|---|---|---|---|
| | | | Depot Mughalpura, Lahore from time to time but released material was not returned to concerned depots as per received quantity. There was a considerable difference between received and returned quantities but no action was taken by management to resolve the issue. This resulted in misappropriation of Rs 1.40 million due to weak inventory controls. |
| **Formation:** Mechanical LHR | | | |
| 16 | Loss due to misappropriation/theft of material – Rs 61.62 million | 61.62 | Various types of items valuing Rs 61.62 million were misappropriated/ stolen due to negligence and slackness of the management. |
| **Formation:** Civil KYC, RWP, MUL, Mechanical MUL, KYC,LHR | | | |
| **Total** | | **1173.457** | |

**Annex-47**

**Deficiencies in rolling stock**

| **Sr. No.** | **Subject** | **Amount (Rs in million)** | **Brief of Issue** |
|---|---|---|---|
| 1 | Loss due to deficiencies in Coaches and Wagons – Rs 11.39 million | 11.39 | Deficiencies of different parts valuing Rs 10.34 million in Coaches and Wagons received in Carriage & Wagon Shops for periodic overhauling / repair during the period from July, 2011 to June, 2012 were observed.<br>Various items of coaching and goods stock valuing Rs1.05 million were stolen / misappropriated as intimated by different subordinates during the period from July, 2011 to June, 2012. |
| **Formation:** Chief Mechanical Engineer | | | |
| 2 | Loss due to deficiencies in Coaching and Goods Stock– Rs 37.27 million | 37.27 | Deficiencies of fittings valuing Rs 37.27 million in coaching and goods stock of Lahore, Karachi and Rawalpindi Divisions were observed during July, 2012 to September, 2014. |
| **Formation:** Mechanical LHR, KYC, RWP | | | |
| 3 | Loss due to deficiencies in Coaching and Goods Stock Rs 31.07 million | 31.07 | Deficiencies of fittings valuing Rs 31.07 million in coaching and goods stock were observed. |
| **Formation:** Mechanical MUL, LHR, RWP, PSC | | | |
| 4 | Loss due to deficiencies in Coaching and | 86.35 | Deficiencies of fittings valuing Rs 86.35 million in coaching and goods stock of Lahore, Karachi, |

| | | | |
|---|---|---|---|
| | Goods Stock – Rs 86.35 million | | Multan and Workshop Divisions were observed during July, 2015 to June, 2016. |
| **Formation:** Mechanical MUL, LHR, KYC, MGPR | | | |
| 5 | Loss due to deficiencies in Coaching and Goods Stock– Rs 96.88 million | 96.88 | Deficiencies of fittings valuing Rs 86.35 million in coaching and goods stock of Workshop Divisions were observed. |
| **Formation:** C & W MGPR | | | |
| 6 | Loss due to deficiencies in Coaching and Goods Stock– Rs 82.81 million | 82.81 | Deficiencies of fittings in coaching and goods stocks valuing Rs 82.81 million were observed. |
| **Formation:** Mechanical MGPR, LHR, SUK, KYC, MUL & PSC | | | |
| 7 | Loss due to deficiencies in Coaching and Goods Stock– Rs 71.15 million | 71.15 | Deficiencies of fittings in coaching and goods stocks valuing Rs 71.15 million were observed. |
| **Formation:** Electrical MGPR, Mechanical MUL, LHR, C&W Shop HDR | | | |
| **Total** | | **416.92** | |

Note: Railway management took only 25% cost of deficiencies for reporting, therefore, total cost of deficiencies would be Rs 416.92x4= Rs 1667.68

**Annex-48**

| Embezzlement, Fraud Cases Reported By Audit | | | | |
|---|---|---|---|---|
| **Sr. No.** | **Audit Para#** | **Year** | **Subject** | **Amount (Rs in million)** |
| 1 | 2.4.4 | 2018-19 | Embezzlement of public funds | 27.39 |
| **Formation:** Ministry of Railways | | | | |
| 2 | 2.4.5 | 2018-19 | Fraudulent receipt compensation from Govt. of Punjab for Railway land | 11.61 |
| **Formation:** Property & Land, Lahore | | | | |
| 3 | DP # 9769 | 2019-20 | Fraudulent award of contract to the 2nd lowest bidder by PRFTC | 3.762 |
| **Formation:** PRFTC | | | | |
| 4 | DP # 10050 | 2019-20 | Misappropriation due to tempered supplementary bills for salaries | 0.737 |
| **Formation:** Project BQM-PQM | | | | |
| 5 | DP # 10066 | 2019-20 | Misappropriation of ballast in PSDP project at PQM at Karachi | 10.205 |
| **Formation:** Project D & RT | | | | |
| 6 | DP # 10126 | 2019-20 | Theft of material from Lahore Dry Port MGPR in connivance with Railway police | 16.017 |
| **Formation:** Dry Port MGPR | | | | |
| 7 | 2.4.3 | 2014-15 | Embezzlement of Railway revenue | 27.64 |
| **Formation:** Civil Engineering Multan, Transportation Department Karachi, Railway Station Khanpur | | | | |
| 8 | 2.4.4 | 2015-16 | Embezzlement by the staff of Commercial Department | 24.65 |
| **Formation:** Station Superintendent, Rohri, Reservation office Sukkur, Transportation Department, Sukkur, Station Manager, Karachi | | | | |
| 9 | 2.4.10 | 2017-18 | Embezzlement of Government money | 1.67 |
| **Formation:** DCO, Quetta | | | | |
| **Total** | | | | **123.681** |

**Annex-49**

## Cases of Embezzlement & Fraud Reported By FA&CAO/Revenue

| Sr. No | Case # | Date of Reporting | Nature of Fraud | Amount (Rs in million) |
|---|---|---|---|---|
| 1 | IA/12529/RC-2/2010 | 04.01.2011 | Less charging of fare for 44 stations by the booking staff of Raiwind Railway station | 1.76 |
| 2 | IA/12561/RC-4/2012 | 02.08.2012 | Misappropriation in Railway tickets stock by showing the tickets returned to general store. | 19.55 |
| 3 | IA/12582/RC-3/2013 | 14.10.2013 | Shortage of cash at booking office Karachi Cantt | 2.65 |
| 4 | IA/12545/RC-3/2013 | 25.05.2013 | Embezzlement in refund of Railway tickets by booking staff of Karachi Cantt. | 0.54 |
| 5 | IA/12610/RC-4/2014 | 21.01.2014 | Bogus reservations on factious Railway free passes by reservation staff at Sukkur | 1.76 |
| 6 | IA/12571/RC-3/2016 | 09.05.2016 | Misappropriation of Govt. money in booking office Sibi | 1.06 |
| 7 | IA/12601/RC-4/2016 | 15.04.2016 | Embezzlement of cash by the station staff at Kot Sultan Railway station | 0.26 |
| 8 | IA/12614/RC-4/2019 | 31.07.2019 | Mis-utilization of Railway land at Pakpattan Railway station | 4.76 |
| **Total** | | | | **32.34** |

**Source:** Cases received from FA&CAO/Revenue

**Annex-50**

## Cases of Embezzlement & Fraud Reported By Management

| Sr. No. | Description | Amount (Rs in million) | Action Taken |
|---|---|---|---|
| 1 | Excess payment paid to contractor against supply of ballast to M/S NLL in Rehabilitation of Sibi-Harnai Section. | 75.98 | AEN and IOW/Sibi & DEN-II QTA have been suspended |
| 2 | Fraudulent advance payment to contractors without execution of work in case of four track related work at Peshawar & Rawalpindi Division during the period from 2011-12 to 2013-14. | 21.56 | FIR has been lodged during 2021 and case is under investigation of Railway Police |
| | **Total** | **97.54** | |

**Formation**: CPO & Project RFD

**Annex-51**

**Internal Controls Matrix of Pakistan Railways**

| Sr. No. | Type of Controls | Description of Controls | Status of Controls | Gaps in internal controls | Impacts |
|---|---|---|---|---|---|
| 1 | Financial Controls | Receivables | Weak | Not timely raising of claims Missing punitive measures e.g. penalties, forfeitures of securities, blacklisting of defaulting firms | Non recovery of long outstanding receivables |
| 2 | Financial Controls | Budgetary controls | Weak | Non-finalization of tenders timely Delay in payments to contractors<br>Non-maintenance of Fund registers Reconciliation of expenditure and liability registers Incorrect calculation of rates Non-scrutiny of financial reviews | Savings/Excess, misclassifications, excess payments |
| 3 | Financial Controls | Cost benefit analysis | Weak | Privatization of trains | Financial loss |

| | | | | | |
|---|---|---|---|---|---|
| 4 | Inventory Controls | Need Assessment | Weak | Non-review of actual requirements<br>Inflated demands by consumers<br>Non-review of periodical usage reports | unnecessary procurement |
| 5 | Inventory Controls | Storing/stacking | Weak | security controls (insufficient police personnel, boundary walls) | Theft and misappropriation |
| 6 | Inventory Controls | Receipts and issuance | Weak | Missing acknowledgements<br>Non-approval of A class indents | Misappropriation |
| 7 | Inventory Controls | Receiving Release material | Weak | Non-provision of released material in estimates<br>Non-accountal of released material<br>Non-review of release material | Misappropriation |
| 8 | Inventory Controls | Disposal of scrap material | Weak | Non-survey of scrap inventory<br>Non-floating of tenders for sale<br>Non-valuation of scrap | Blockage of capital |

| | | | | | |
|---|---|---|---|---|---|
| 9 | Assets Controls | Recording | Weak | Not recording of date of purchase, model number acquisition cost, Missing physical verification | Not maintenance of Assets Register |
| 10 | Assets Controls | Reporting | weak | Non reporting of depreciation, salvage value | Misrepresentation in financial statements about assets valuation |
| 11 | Procurement controls | Need assessment | Not exist | Missing annual procurement plan | Splitting of procurement |
| 12 | Procurement controls | Financial evaluation | weak | Rate reasonability not conducted<br>Fair price determination | Procurement at higher rates |
| 13 | Procurement controls | Contract agreement | Weak | Non vetting legal advice | Litigations |
| | | | | Non-harmonized contract agreement with PEC | Arbitrations |
| 14 | Procurement controls | Receipts of material | Weak | Acceptance of material without inspections | Receipt of substandard material |
| | | | | Non-conducting laboratory tests and trials | |
| 15 | Procurement controls | Payment to supplier | Weak | Non-conducting proper measurements of quantities<br>Incorrect application of rates | Excess payments |
| 16 | Production Controls | Effectiveness of machinery | weak | Outdated machinery | Production of substandard material |

| | | | | | |
|---|---|---|---|---|---|
| | | | | Idle machine hours | Higher production cost |
| 17 | Production Controls | Engagement of labour | | Poor workmanship | Production of substandard material |
| | | | | Idle labour | Higher production cost |
| 18 | Production Controls | Dispatch of material | | Delay in production | Non-completion of works within scheduled time |
| | | | | | Non-achievement of envisaged benefits |
| 19 | Land controls | Safety and security of land | weak | Non reporting of encroachment | Encroachment |
| | | | | Non-maintenance of encroachment register | |
| | | | | Ineffective anti-encroachment operations | |
| 20 | Land controls | Lease agreements | weak | Non-compliance of terms and conditions of agreement | Financial loss |
| 21 | Land controls | Lease policies | weak | Non-compliance of lease policies<br>Defective clauses in agreement | Financial loss |

| | | | | | |
|---|---|---|---|---|---|
| 22 | HR Controls | Recruitment | Weak | Over and above sanctioned strength | Unjustified/irregular appointments |
| | | | | Violation of recruitment rules | |
| | | | | Recruitment of over aged persons | |
| 23 | HR Controls | Posting and transfer | Weak | Ineffective Job rotation | Mis-utilization of services of staff and idle staff |
| | | | | Inefficiencies in workflow and shortage of material | |
| 24 | Project Controls | Appointment of project team | Weak | Excessive turnover of personnel | Inconsistency in policies and non-achievement of objectives. |
| | | | | Non-compliance of recruitment rules<br>Irrelevant job description | Inefficient appointment of project team |
| 25 | Project Controls | Work break down structure | weak | Improper planning and estimation | Change in scope of work during execution |
| 26 | Project Controls | Proper monitoring of approved cost and completion time | weak | Late execution of projects | Cost and time overrun |
| | | | | Late finalization of tenders<br>Increase in scope of work | |

| | | | | | |
|---|---|---|---|---|---|
| 27 | Safety Controls | Traffic safety controls | weak | Overloading of goods trains | Derailment of trains |
| | | | | Non-conduction of scheduled inspections | |
| | | | | Inefficient/negligent operation of level crossings | |
| | | | | Unmanned level crossings | |
| 28 | Safety Controls | Signal Controls | Weak | Non-functioning of CBI system | Accidents of trains |
| | | | | Non-functioning of ATP system in Locos | |
| | | | | Non-conduction of scheduled inspections | |
| 29 | Safety Controls | Civil engineering controls | weak | Insufficient Track Rehabilitation and complete track renewals | Accidents of trains |
| | | | | Non-conduction of scheduled inspections | |
| 30 | Safety Controls | Mechanical controls | Weak | Running of overdue POH rolling stock | Excess consumption of HSD oil |
| | | | | Substandard repair of rolling stock | Breakdown of locos en-route |
| | | | | Non-conduction of scheduled inspections | Threat of fire |

| | | | | | |
|---|---|---|---|---|---|
| | | | | Non-installation of Fire extinguishers | |
| | | | | Transportation of flammable material | |
| | | | | Non-functioning of Scanning machines | |
| 31 | Management Controls | Change management | Not exist | Non-automation of revenue collection and accounts | Delay deposit of revenue earning in Railway fund Delay in decision making |
| | | | | Non generation of real time information | |
| 32 | Management Controls | Risk management | Not exist | Non-awareness of risks | Non-achievement of goals and objectives |
| | | | | Non-assessment and categorization of risk | |
| 33 | Management Controls | Monitoring controls | Weak | Non-review of periodical progress reports | goals and objectives are not achieved |
| | | | | Non-measurement of Performances | |
| | | | | Poor implementation of corrective decisions | |
| 34 | Management Controls | Crisis Management | Not exist | Non-formulation of Quick Response team | Late attending accidents and recovery of crisis |
| | | | | Delay response time | |

**Source:** Information received from CIA

**Annex-52**

## Existing Internal Controls in Pakistan Railways and Their Status

| Authority for control | Description of control<br>Existing controls as per Railway statutory rules | Status of Control |
|---|---|---|
| | 1) As per provisions of Railway Accounts Code, pre-audit of Railway Receipts & Expenditure is the responsibility of Railway Accounts Department for prevention of incorrect payments. For this purpose following controls have been prescribed. | |
| P.O/1958, Para 101 of Accounts Code | a) Prior financial concurrence in respect of incurrence of expenditure and abandonment / waiver of claims is necessary. | Available & performed. |
| Chapter-III of Railway A/cs code | b) Maintenance of Register of Sanctions and audit of sanctions with reference to the legitimacy and competency. | Not performed. |
| -do- | c) Maintaining objectionable item registers for recording the provisional payments. | Not being performed. |
| -do- | d) Maintaining Register of losses by the Accounts Department. | Not being maintained. |

| | | | |
|---|---|---|---|
| Book & Budget Manual | e) | Maintaining Register of fixed Asset Register. the purpose of keeping the inventory of Railway fixed Assets and calculation of contribution towards DRF in respect of Wasting Assets. | Not being maintained. |
| Chapter-8 of PR General code Vol-I | f) | Issuance of Budget order under detailed classification of receipt & expenditure against Revenue and I.F | Exist. |
| General code Chap:8 | g) | Preparation of Financial Review on monthly, quarterly or annual basis. | Exist. |
| Ch-12 of A/cs code Chapter-16 of Mech. Code | h) | Regular review of suspenses balances by the Accounts offices and preparation of half years and yearly statement for the information of FA&CAO. | Not being carried out. |
| Ch-9 of Engg. Code, Guidelines of planning commission. | i) | Preparation of estimates, PC-I, in respect of all revenue/PSDP Works. | Maintained. |
| PPRAs 2004 PEC Rates 1976 | j) | Following of procurement Rules & procedures duly harmonized with PPRA/PEC. | Partially followed. |
| Chap. 14 & 17 of Engg. Code | k) | Maintaining Register of Works and liability registers including its reconciliation. | Partially carried out. |
| Ch-14 of Engg. Code Bridge, Track workshops and Sleeper Factories | l) | Maintaining manufacture Accounts in respect of Factories particularly Sleepers factories. | Not maintained. |

| | | |
|---|---|---|
| Ch-15 of Store code | m) Regular survey of surplus, released material moving assets, obsolete assemblies and its parts. | Insufficient. |
| PR Store code | n) Controls in respect of Receipt, testing, inspection and issuance of material to the consumers and its ultimate accountal. | Not fully operative rather compromised. |
| PR Personnel Manual & Rly. Est. code | o) Regular O&M study for rationalization and rightsizing of staff. | Not being observed. |
| State Railway General code | p) Regular revision/updation of Railway codes, Manuals & Procedure. | Being performed. |
| Ch-8 Engg code & SOPs of Mech. Deptt. | q) System of safeguarding of Railway assets including land and prompt steps for reclaiming/removal of encroachments and collection of penal land revenue for the period of encroachments. | |
| Ch-18 of General code | r) Efficient system of investigating fraud & negligence facilitated to fraud through independent enquiry cell/section. | Not exists. |
| Justification of revamping Directorate of legal affairs | s) System of monitoring of legal cases and fixing responsibilities in case of failure of court cases. | Not fully observed. |

| | | |
|---|---|---|
| Instructions of MoR. | t) System of legal & financial vetting of agreements. | Partially not exist. |
| GFR-287 (2) (B) | u) Existence of proper leasing policies duly harmonized with the provisions of GFR. | Not fully exist. |
| Ch-7 General code | v) System of costing of operative ratios by incorporating all factors. | Insufficient. |
| Audit Manual | w) System of review of Railway laws, Rules and procedures at regular intervals including legislations where required. | Not exist. |
| International HR Standards | x) System of keeping HRMIS Data and its updation. | Not exist. |
| International Standards | y) System of Training of officers & staff with modern techniques. | Not exist. |
| Instructions of MoR. | z) Purchase/distribution of electricity, Sui gas & water supply and its ultimate recovery from consumers. | Not exist. |
| PR Mech: code | aa) System of job costing in respect of various jobs executed at Railway Workshops with a view to arrest the wastages and over-employment. | Not fully functional. |

**Source:** Information received from CIA

**Annex-53**

| Brief Comments On The Status Of Compliance With PAC Directives | | | | | | |
|---|---|---|---|---|---|---|
| **Sr #** | **Audit Year** | **Total Paras** | **Total No. of Actionable Points** | **Full/ Partial Compliance** | **Compliance not received** | **Date of PAC** |
| 1 | 2011-12 | 97 | - | - | - | PAC Not Held |
| 2 | 2012-13 | 73 | - | - | - | PAC Not Held |
| 3 | 2013-14 | 59 | 2 | - | 2 | 07.12.2016 |
| 4 | 2014-15 | 86 | - | - | - | PAC Not Held |
| 5 | 2015-16 | 84 | 13 | - | 13 | 27.11.2019 |
| 6 | 2016-17 | 49 | - | - | - | PAC Not Held |
| 7 | 2017-18 | 70 | 10 | - | 10 | 28.01.2021 |
| 8 | 2018-19 | 79 | 10 | - | 10 | 26.03.2021 |
| 9 | 2019-20 | 114 | - | - | - | PAC Not Held |
| 10 | 2020-21 | 23 | - | - | - | PAC Not Held |
| **Total** | | **734** | **35** | | **35** | |

**Annex-54**

## Issues Related to Non- Recovery of Railway Dues

| Sr. No | Financial Year | Subject | Amount (Rs in million) |
|---|---|---|---|
| 1 | 2008-09 | Non-recovery of departmental charges - Rs. 17.236 million | 17.24 |
| 2 | 2009-10 | Non-recovery from the Government Departments – Rs. 224.055 million | 224.06 |
| 3 | 2009-10 | Loss to government exchequer due to non-recovery of sales tax -Rs. 137.751 million | 137.75 |
| 4 | 2009-10 | Loss due to non-recovery of guaranteed amount - Rs. 9.441 million | 9.44 |
| 5 | 2009-10 | Loss due to non-recovery of wharfage charges - Rs. 11.165 million | 11.17 |
| 6 | 2009-10 | Loss to public exchequer due to non-recovery of sales tax -Rs 6.466 million | 6.47 |
| 7 | 2009-10 | Non-recovery of bills receivables - Rs. 689.125 million | 689.13 |
| 8 | 2009-10 | Non-recovery on account of rental charges from Lahore Development Authority - Rs. 85.737 million | 85.74 |
| 9 | 2009-10 | Loss due to non-recovery of liquidated damages – Rs. 6.589 million | 6.59 |
| 10 | 2009-10 | Loss due to non-recovery of telephone charges - Rs. 0.203 | 0.20 |
| 11 | 2009-10 | Loss due to non-recovery of liquidated charges - Rs. 1.224 million | 1.22 |
| 12 | 2009-10 | Non-recovery of rental charges from NLC - Rs 15.84 million | 15.84 |
| 13 | 2009-10 | Non-recovery of rental charges from various departments - Rs 1,258.44 million | 1,258.44 |
| 14 | 2009-10 | Non-recovery of outstanding dues - Rs 204.28 | 204.28 |

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|---|---|---|---|
| | | million | |
| 15 | 2009-10 | Non-recovery of advance payment – Rs 25.00 million | 25.00 |
| 16 | 2009-10 | Non-recovery of rental charges of Rs 7.16 million | 7.16 |
| 17 | 2009-10 | Non-recovery of loans & advances - Rs 3.65 million | 3.65 |
| 18 | 2009-10 | Non-recovery of loss from insurance company – Rs 1.35 million | 1.35 |
| 19 | 2009-10 | Loss due to non-recovery of rental charges and irregular occupation of land - Rs. 2.069 million | 2.07 |
| 20 | 2010-11 | Non-recovery of electric wire track crossing charges - Rs. 45.500 million | 45.50 |
| 21 | 2010-11 | Non-recovery/adjustment of Rs. 5.706 million (approx.) | 5.71 |
| 22 | 2010-11 | Loss due to non-recovery of railway dues from Government Departments – Rs. 247.295 million | 247.30 |
| 23 | 2010-11 | Loss due to non-recovery of rental charges - Rs. 20.076 million | 20.08 |
| 24 | 2010-11 | Loss due to demurrage charges and non-recovery of liquidated damages - Rs. 12.630 million | 12.63 |
| 25 | 2010-11 | Non-recovery of rent from outsiders - Rs. 0.905 million | 0.91 |
| 26 | 2010-11 | Non-recovery of electricity bills - Rs. 0.719 million | 0.72 |
| 27 | 2010-11 | Loss due to non-recovery from the contractor of Business Train - Rs 101.30 million | 101.30 |
| 28 | 2010-11 | Loss due to non-recovery of rent and penalty – Rs 82.71 million | 82.71 |
| 29 | 2010-11 | Non-recovery of lease and rental charges from Education Department Rawalpindi – Rs 3.77 million | 3.77 |
| 30 | 2011-12 | Less recovery of utility charges - Rs 34.53 million | 34.53 |
| 31 | 2011-12 | Non-recovery of GST from contractors - Rs 7.46 million | 7.46 |

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|---|---|---|---|
| 32 | 2011-12 | Non-recovery of Railway dues - Rs. 136.23 million | 136.23 |
| 33 | 2011-12 | Non-recovery of railway dues on account of cancellation of trains - Rs 66.06 million | 66.06 |
| 34 | 2011-12 | Non-recovery from contractors of private trains – Rs 468.28 million | 468.28 |
| 35 | 2011-12 | Non-recovery of Railway dues from public/private bodies - Rs 241.73 million | 241.73 |
| 36 | 2012-13 | Less recovery of operational charges - Rs 1.88 million | 1.88 |
| 37 | 2012-13 | Less recovery of rental charges - Rs 1.38 million | 1.38 |
| 38 | 2012-13 | Non-recovery of Railway dues – Rs 1,097.67 million | 1,097.67 |
| 39 | 2013-14 | Less recovery of electricity charges – Rs 959.65 million | 959.65 |
| 40 | 2013-14 | Non-recovery of electrical power crossing charges - Rs 1,121.70 million | 1,121.70 |
| 41 | 2013-14 | Non-recovery of Railway dues from M/s Four Brothers, contractor of Business Express Train – Rs 961.50 million | 961.50 |
| 42 | 2013-14 | Non-recovery of fine and damages –Rs 18.94 million | 18.94 |
| 43 | 2013-14 | Short recovery of accommodation charges from the contractor of Business Express Train - Rs 10.61 million | 10.61 |
| 44 | 2013-14 | Less recovery of rental charges – Rs 2.35 million | 2.35 |
| 45 | 2013-14 | Loss due to non-recovery of recoverable from different entities –Rs 18.70 billion | 18,704.6 |
| 46 | 2013-14 | Non-Recovery of Rental Charges from Oil Companies – Rs 16.03 Million | 16.03 |
| 47 | 2014-15 | Less recovery of revenue share of Hazara express and Rohi express from PRACS – Rs 807.57 million | 807.57 |

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|---|---|---|---|
| 48 | 2014-15 | Loss due to non-recovery of Railway dues from different entities – Rs 3,822.61 million | 3,822.61 |
| 49 | 2014-15 | Unauthorized allotment of Railway land by S.I.T.E. and loss on account of non-recovery of rental charges – Rs 59.51 million | 59.51 |
| 50 | 2015-16 | Loss due to non-recovery of Railway dues from different entities – Rs 8,327.82 million | 8,327.82 |
| 51 | 2015-16 | Non-recovery of outstanding dues on account of operational charges of sidings and level crossings – Rs 1,047.63 million | 1,047.63 |
| 52 | 2015-16 | Non-recovery from contractors on account of Sales tax – Rs 186.88 million | 186.88 |
| 53 | 2015-16 | Non-recovery of accidental loss from National Logistics Cell – Rs 7.98 million | 7.98 |
| 54 | 2016-17 | Loss due to non-recovery of Railway dues from different entities – Rs 6,621.41 million | 6,621.41 |
| 55 | 2016-17 | Non-recovery of outstanding dues on account of operational charges of sidings and level crossings – Rs 2,638.04 million | 2,638.04 |
| 56 | 2017-18 | Non-recovery of warranty claims from supplier of Diesel Electric (D.E) locomotives – Rs 260.63 million | 260.63 |
| 57 | 2017-18 | Loss due to non-recovery of cost of land from Government of the Punjab – Rs 5,534.62 million | 5,534.6 |
| 58 | 2017-18 | Loss due to non-recovery of Railway dues from private individuals – Rs 495.66 million | 495.66 |
| 59 | 2017-18 | Loss due to non-recovery of dip shortage from CRR contractor – Rs 91.05 million | 91.05 |
| 60 | 2018-19 | Loss due to non-recovery of Railway dues from Government Departments – Rs 369.24 million | 369.24 |
| **Total** | | | **57,348.6** |

**Source:** Audit Reports of last 10 years

**Annex-55**

| Position of Mis-Procurement In Pakistan Railways During the Year 2010-11 To 2019-20 | | | |
|---|---|---|---|
| **Sr. No.** | **Financial Year** | **Subject** | **Amount (Rs in million)** |
| 1 | 2008-09 | Loss due to uneconomical procurement of ballast – Rs.3.803 Million | 3.80 |
| 2 | 2009-10 | Loss due to procurement of material at higher rates -Rs. 35.100 million | 35.10 |
| 3 | 2009-10 | Loss due to procurement of material at higher rates – Rs. 6.699 million | 6.70 |
| 4 | 2009-10 | Blockage of capital due to unnecessary procurement – Rs. 212.061 million | 212.06 |
| 5 | 2009-10 | Blockage of capital due to unnecessary procurement – Rs. 4.138 million | 4.14 |
| 6 | 2009-10 | Irregular procurement of vehicles - Rs. 7.228 million | 7.23 |
| 7 | 2010-11 | Mis-procurement – Rs 61.63 million, Loss due to non-supply of material within delivery period - Rs 72.69 million | 134.32 |
| 8 | 2011-12 | Blockage of capital due to unnecessary procurement – Rs. 67.340 million | 67.34 |
| 9 | 2011-12 | Irregular/un-economical expenditure due to splitting up – Rs. 5.025 million | 5.03 |
| 10 | 2011-12 | Loss due to procurement of material at higher rates –Rs. 26.836 million | 26.84 |
| 11 | 2011-12 | Irregular procurement of material for maintenance of DPU 20/30 Locos - Rs 1,205.24 million | 1,205.24 |
| 12 | 2011-12 | Mis-procurement - Rs 4.04 million | 4.04 |
| 13 | 2011-12 | Irregular expenditure due to splitting-up works/contracts – Rs 3.80 million | 3.80 |

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|---|---|---|---|
| 14 | 2012-13 | Blockage of capital due to un-necessary procurement – Rs 130.61 million | 130.61 |
| 15 | 2012-13 | Loss due to procurement of material at higher rate – Rs 8.35 million | 8.35 |
| 16 | 2013-14 | Unauthorized procurement of High Speed Diesel Oil - Rs 2,913.57 million | 2,913.57 |
| 17 | 2013-14 | Irregular procurement of pitching stone on through rate - Rs 3.15 million | 3.15 |
| 18 | 2013-14 | Unnecessary procurement of material – Rs 222.20 million | 222.20 |
| 19 | 2013-14 | Unjustified expenditure on procurement of material – Rs 257.04 million | 257.04 |
| 20 | 2013-14 | Loss due to procurement of spare parts at higher rates - Rs 268.55 million | 268.55 |
| 21 | 2013-14 | Unnecessary procurement resulting in blockage of capital - Rs 61.51 million | 61.51 |
| 22 | 2013-14 | Loss due to award of contract at higher rates – Rs 8.92 million | 8.92 |
| 23 | 2014-15 | Uneconomical/irregular procurement/execution of material / work – Rs 120.65 million | 120.65 |
| 24 | 2014-15 | Unauthorized/ irregular procurement of vehicles – Rs 33.09 million | 33.09 |
| 25 | 2014-15 | Irregular award of catering contracts by PRACS without fair competition and bidding in violation of PPRA Rules-2004 – Rs 58.94 million | 58.94 |
| 26 | 2014-15 | Loss due to procurement of material at higher rates without fair competition in violation of PPRA Rules-2004 – Rs 7.06 million | 7.06 |
| 27 | 2014-15 | Loss due to purchase of stone ballast at higher rates –Rs 26.61 million | 26.61 |
| 28 | 2015-16 | Illegal/unjustified procurement of breakdown cranes Rs 1,142.00 million | 1,142.00 |
| 29 | 2015-16 | Unauthorized procurement of physical assets-Rs 60.39 million | 60.39 |

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| 30 | 2015-16 | Irregular splitting up of similar nature works - Rs 42.62 million | 42.62 |
| 31 | 2015-16 | Extra expenditure on procurement of ballast by road – Rs 40.40 million | 40.40 |
| 32 | 2015-16 | Irregular/unauthorized enhancement of contract value –Rs 6.97 million | 6.97 |
| 33 | 2015-16 | Unnecessary procurement / Non-utilization of material resulting in blockage of capital – Rs 41.95 million | 41.95 |
| 34 | 2016-17 | Irregular expenditure on account of splitting up purchases/ works – Rs 21.21 million | 21.21 |
| 35 | 2016-17 | Irregular procurement of Diesel Generator sets and wasteful expenditure on power van shells thereof – Rs 194.66 million | 194.66 |
| 36 | 2016-17 | Procurement of incompatible and unsuitable Automatic Train Protection (ATP) system resulting in financial loss – US$ 15.512 million (Rs 1,551.20 million) | 1,551.20 |
| 37 | 2016-17 | Un-necessary/unjustified expenditure on procurement of laptops – Rs 5.49 million | 5.49 |
| 38 | 2016-17 | Irregular award of work without tenders – Rs 108.45 million | 108.45 |
| 39 | 2016-17 | Loss due to award of contracts at exorbitant rates – Rs 152.25 million | 152.25 |
| 40 | 2017-18 | Irregular expenditure due to splitting up of purchases/works – Rs 76.34 million | 76.34 |
| 41 | 2017-18 | Shortage in supply of spare parts – Rs 14.07 million | 14.07 |
| 42 | 2017-18 | Unnecessary procurement resulting in blockage of capital – Rs 5,561.73 million | 5,561.73 |
| 43 | 2017-18 | Loss due to award of contracts at exorbitant rates – Rs 212.73 million | 212.73 |
| 44 | 2017-18 | Irregular award of work without tenders – Rs 86.27 million | 86.27 |
| 45 | 2018-19 | Irregular award of contract in violation of PPRA Rules – Rs 3,287.94 million | 3,287.94 |

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|---|---|---|---|
| 46 | 2018-19 | Irregular expenditure due to splitting of purchases/works – Rs 192.56 million | 192.56 |
| 47 | 2018-19 | Irregular procurement of auxiliary material without competitive process – Rs 57.52 million | 57.52 |
| 48 | 2018-19 | Irregular procurement of material – Rs 10.89 million | 10.89 |
| 49 | 2018-19 | Unnecessary procurement resulting in blockage of capital – Rs 190.97 million | 190.97 |
| 50 | 2018-19 | Wasteful expenditure due to excess procurement – Rs 383.29 million | 383.29 |
| 51 | 2018-19 | Irregular award of work without generating fair competition – Rs 276.55 million | 276.55 |
| 52 | 2018-19 | Loss due to award of contracts at exorbitant rates – Rs 264.20 million | 264.20 |
| 53 | 2019-20 | Irregular award of contract through negotiation in violation of Public Procurement Rules – Rs 555.96 million | 555.96 |
| 54 | 2019-20 | Un-necessary procurement resulting in blockage of capital – Rs 200.04 million | 200.04 |
| 55 | 2019-20 | Irregular award of contract – Rs 45.00 million | 45.00 |
| 56 | 2019-20 | Irregular expenditure due to splitting of purchases/works – Rs 59.46 million | 59.46 |
| 57 | 2019-20 | Irregular award of contract through negotiation in violation of Public Procurement Rules – Rs 555.96 million | 555.96 |
| **Total** | | | **21,234.9** |

**Annex-56**

**Position Of Inventory Mismanagement In Pakistan Railways During The Year 2010-11 To 2019-20 (Theft, Misappropriation And Blockage Of Capital)**

| Sr. No. | Financial year | Subject | Amount (Rs in million) |
|---|---|---|---|
| 1 | 2009-10 | Non-disposal of electric equipment-919.140 million | 919.14 |
| 2 | 2009-10 | Non-disposal of scrap - Rs. 702.015 million | 702.02 |
| 3 | 2009-10 | Non-disposal of surplus stores- Rs 579.907 million | 579.91 |
| 4 | 2009-10 | Misappropriation of scrap – Rs. 194.717 million | 197.72 |
| 5 | 2009-10 | Loss due to pilferage of fittings/equipment from rolling stock – Rs. 151.873 million | 151.87 |
| 6 | 2009-10 | Loss due to shortage of stores – Rs. 1.808 million | 1.81 |
| 7 | 2010-11 | Loss due to blockage of capital - Rs. 3.433 million | 3.43 |
| 8 | 2010-11 | Theft of Railway material valuing Rs. 34.747 million | 34.75 |
| 9 | 2010-11 | Shortage of Railway material – Rs. 1.543 million | 1.54 |
| 10 | 2011-12 | Non-disposal of scrap – Rs. 4,996.07 million | 4,996.07 |
| 11 | 2011-12 | Blockage of capital due to keeping stock above maximum level – Rs. 173.803 million | 173.80 |
| 12 | 2011-12 | Loss due to misappropriation of wood – Rs 1.71 million | 1.71 |
| 13 | 2011-12 | Misappropriation of material - Rs 1.38 million | 1.38 |
| 14 | 2012-13 | Non-disposal of scrap - Rs 517.75 million | 517.75 |
| 15 | 2012-13 | Misappropriation of 8600 kg calcium carbide - Rs 1.27 million | 1.27 |
| 16 | 2013-14 | Blockage of capital worth Rs 498.34 million | 498.34 |

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|---|---|---|---|
| 17 | 2013-14 | Non-disposal of obsolete stock valuing Rs 51.79 million | 51.79 |
| 18 | 2013-14 | Theft of Permanent Way Material – Rs 259.47 million | 259.47 |
| 19 | 2013-14 | Loss due to shortage of material – Rs 34.37 million | 34.37 |
| 20 | 2014-15 | Non-disposal of scrap – Rs 1,895.21 million | 1,895.21 |
| 21 | 2014-15 | Loss due to theft of material – Rs 20.77 million | 20.77 |
| 22 | 2014-15 | Loss due to theft/misappropriation of material – Rs 139.02 million | 139.02 |
| 23 | 2015-16 | Blockage of capital due to non-disposal of surplus material –Rs 641.45 million | 641.45 |
| 24 | 2015-16 | Non-disposal of scrap – Rs 1,241.95 million | 1,241.95 |
| 25 | 2016-17 | Blockage of capital in inventory – Rs 74.72 million | 74.72 |
| 26 | 2016-17 | Loss due to theft/misappropriation of material – Rs 46.37 million | 46.37 |
| 27 | 2016-17 | Theft of material – Rs 160.83 million | 160.83 |
| 28 | 2017-18 | Non-disposal of scrap – Rs 1,474.44 million | 1,474.44 |
| 29 | 2017-18 | Misappropriation of material – Rs 72.34 million | 72.34 |
| 30 | 2017-18 | Misappropriation of carriage and wagon material valuing Rs 1.40 million | 1.40 |
| 31 | 2018-19 | Non-disposal of scrap – Rs 2,006.49 million | 2,006.49 |
| 32 | 2018-19 | Non-disposal of scrap – Rs 81.03 million | 81.03 |
| 33 | 2019-20 | Loss due to misappropriation/theft of material – Rs 61.62 million | 61.52 |
| **Total** | | | **17,045.68** |

**Source:** Audit Reports of last 10 years

**Annex-57**

| Issues Related to Manufacturing/Production | | | |
|---|---|---|---|
| **Sr. No.** | **Financial Year** | **Subject** | **Amount (Rs in million)** |
| 1 | 2008-09 | Defective manufacturing of spares | 119.15 |
| 2 | 2009-10 | Substandard repair/overhauling of traction motors – Rs. 175.42 million | 175.42 |
| 3 | 2009-10 | Loss of potential earnings due to delay in repair of locomotives - Rs. 467.405 million | 467.41 |
| 4 | 2010-11 | Wasteful Expenditure due to failure of Traction Motors and Locos - Rs 522.19 million | 522.19 |
| 5 | 2011-12 | Loss due to substandard repair/failure of traction motors – Rs 139.97 million | 139.97 |
| 6 | 2011-12 | Loss due to manufacturing of substandard sleepers- Rs 16.42 million | 16.42 |
| 7 | 2011-12 | Excess expenditure on manufacturing of sleepers – Rs 188.78 million | 188.78 |
| 8 | 2011-12 | Loss due to manufacturing of substandard sleepers- Rs 16.42 million | 16.42 |
| 9 | 2015-16 | Inordinate delay in repair of locomotives resulting in loss of potential earnings – Rs 13,557.57 million | 13,557.57 |
| 10 | 2016-17 | Loss due to substandard repair of locomotives – Rs 86.16 million | 86.16 |
| 11 | 2016-17 | Inordinate delay in repair of locomotives and coaches resulting in loss of potential earnings – Rs 1,775.01 million | 1,775.01 |
| 12 | 2017-18 | Loss due to defective production of parts – Rs 122.41 million | 122.41 |
| **Total** | | | **17,186.91** |

**Source:** Audit Reports of last 10 years

**Annex-58**

| Issues Related to Land Management | | | |
|---|---|---|---|
| **Sr. No.** | **Financial Year** | **Subject** | **Amount (Rs in million)** |
| 1 | 2005-06 | Loss due to negligence of Land Branch | |
| 2 | 2008-09 | Loss due to non-recovery of rental charges and irregular occupation of land - Rs. 2.069 million | 2.07 |
| 3 | 2009-10 | Potential loss of lease/rental charges due to non-utilization of land | |
| 4 | 2009-10 | Encroachment of Railway Land - Rs. 1,581.200 million | 1,581.20 |
| 5 | 2009-10 | Loss of Rs 7.97 million due to unjustified maintenance of Railway siding | 7.97 |
| 6 | 2009-10 | Wrong utilization of Railway land - Rs 1.28 million | 1.28 |
| 7 | 2010-11 | Unauthorized occupation of Railway land - Rs. 2,416.20 million | 2,416.20 |
| 8 | 2011-12 | Encroachment of Railway land over Rawalpindi Division - Rs 1,850.62 million | 1,850.62 |
| 9 | 2011-12 | Loss due to unauthorized utilization of rented out premises - Rs 1.88 million | 1.88 |
| 10 | 2011-12 | Loss due to cancellation of lease - Rs 2.52 million per annum | 2.52 |
| 11 | 2011-12 | Unauthorized handing over of Railway land resulting into loss on account of rental charges-Rs 26.21 million | 26.21 |
| 12 | 2012-13 | Irregular leasing of Railway land – Rs 3.12 million | 3.12 |
| 13 | 2012-13 | (i) Un-authorized occupation of Railway land Rs 3,463.16 million<br>(ii) Loss of potential earnings of rental charges – Rs 89.01 million | 3,463.16 |
| 14 | 2012-13 | Loss of potential earnings due to non-finalization of auction process – Rs 11.44 million | 11.44 |
| 15 | 2012-13 | i) Unauthorized leasing out Railway land - Rs 4.78 million<br>ii) Loss due to non-realization of Railway dues - Rs 1.07 million | 4.78 |

| | | | |
|---|---|---|---|
| 16 | 2012-13 | Encroachment of Railway land resulting in loss to PR - Rs 8.54 million | 8.54 |
| 17 | 2012-13 | Loss due to non-execution of fresh agreements – Rs 11.08 million | 11.08 |
| 18 | 2012-13 | Un-authorized utilization of Railway land – Rs 32.23 million | 32.23 |
| 19 | 2012-13 | Loss due to incorrect demarcation of Railway land – Rs 10.80 million | 10.80 |
| 20 | 2013-14 | Un-titled 4147.846 acre Railway land in Dera Ghazi Khan Sub-Division (Multan) – Rs 4,147.85 million | 4,147.85 |
| 21 | 2013-14 | Irregular extension in lease period to M/s Mobilink and alleged misappropriation – Rs 3.15 million | 3.15 |
| 22 | 2014-15 | Loss of revenue earnings due to un-authorized utilization of Railway land and income generated thereon – Rs 37.96 million | 37.96 |
| 23 | 2014-15 | Unauthorized occupation of Railway land – Rs 48.76 billion | 48.76 |
| 24 | 2014-15 | Unauthorized mutation of leased out Railway land – Rs 39.06 million | 39.06 |
| 25 | 2014-15 | Encroachment of Railway land – Rs 67,932.58 million | 67,932.58 |
| 26 | 2014-15 | Unauthorized occupation of land due to negligence of Railway management – Rs 4,017.02 million | 4,017.02 |
| 27 | 2014-15 | Irregular/unauthorized sale of Railway land by Punjab Government – Rs 79.28 million | 79.28 |
| 28 | 2014-15 | Unauthorized allotment of Railway land by S.I.T.E. and loss on account of non-recovery of rental charges – Rs 59.51 million | 59.51 |
| 29 | 2014-15 | Loss of potential earning due to leasing of commercial land at very cheap rates – Rs 33.49 million | 33.49 |
| 30 | 2014-15 | Loss due to non-revision of rental charges and illegal utilization of commercial land – Rs 5.76 million | 5.76 |
| 31 | 2014-15 | Loss due to non-handing over the possession of auctioned land to lessees – Rs 1.67 million | 1.67 |
| 32 | 2014-15 | Loss of land due to negligence of Railway | 12,427.00 |

| | | | |
|---|---|---|---|
| | | management – Rs 12,427 million | |
| 33 | 2015-16 | Loss due to non-assessment of market value of land – Rs 24.44 million | 24.44 |
| 34 | 2015-16 | Loss due to leasing of commercial land on lower rates – Rs 10.90 million | 10.90 |
| 35 | 2015-16 | Irregular handing over of land without contract agreement – Rs 37.89 million | 37.89 |
| 36 | 2015-16 | Encroachment of Railways land – Rs 13,214.15 million | 13,214.15 |
| 37 | 2015-16 | Irregular leasing of Railway land for residential purpose – Rs 581.74 million | 581.74 |
| 38 | 2016-17 | Illegal transfer of Railway land – Rs 437.83 million | 437.83 |
| 39 | 2016-17 | Loss due to non-revision of rental charges in accordance with policy – Rs 3,231.00 million | 3,231.00 |
| 40 | 2016-17 | Loss of land due to negligence of Railway management – Rs 45,330.25 million | 45,330.25 |
| 41 | 2016-17 | Encroachment of Railways land – Rs 5,852.82 million | 5,852.82 |
| 42 | 2017-18 | Encroachment of Railway land – Rs 4,463.94 million | 4,463.94 |
| 43 | 2017-18 | Irregular award of lease agreement and loss due to non-inclusion of escalation clause – Rs 887.00 million | 887.00 |
| 44 | 2017-18 | Irregular lease of land by overriding the decision of Executive Committee – Rs 612.99 million | 612.99 |
| 45 | 2017-18 | Loss due to delay in the execution of lease agreement – Rs 336.56 million | 336.56 |
| 46 | 2017-18 | Irregular execution of lease deed without fair competition – Rs 179.81 million | 179.81 |
| 47 | 2017-18 | Loss due to lease of land below the benchmark – Rs 131.36 million | 131.36 |
| 48 | 2017-18 | Loss due to lease of Railway land at lower rates – Rs 17.84 million | 17.84 |
| 49 | 2017-18 | Loss due to leasing of land at nominal rates without fair competition – Rs 16.85 million | 16.85 |
| **Total** | | | **173,633.4** |

**Source**: Audit Reports of last 10 years

**Annex-59**

| Issues Related To HR | | | |
|---|---|---|---|
| **Sr. No.** | **Financial Year** | **Subject** | **Amount (Rs in million)** |
| 1 | 2008-09 | Irregular one-step up gradation resulting in excess payment of pay and allowances – Rs. 0.864 million | 0.86 |
| 2 | 2007-08 | Wasteful expenditure on pay and allowances - Rs. 35.371 million per annum | 35.37 |
| 3 | 2008-09 | Loss on account of pay and allowances of idle staff – Rs. 7.170 million per annum | 7.17 |
| 4 | 2009-10 | Wasteful / irregular expenditure on account of pay & allowances - Rs. 1.160 million per annum | 1.16 |
| 5 | 2009-10 | Irregular expenditure due to engagement of employees in excess over sanctioned strength - Rs. 20.111 million | 20.11 |
| 6 | 2001-11 | Irregular re-employment after superannuation resulting in irregular expenditure of Rs. 0.697 million | 0.70 |
| 7 | 2009-10 | Unjustified payment on account of reinstatement of an employee -Rs. 0.250 million | 0.25 |
| 8 | 2010-11 | Unauthorized expenditure on engagement of TLA against skilled and semi-skilled essential posts - Rs 52.72 million | 52.72 |
| 9 | 2009-10 | Unauthorized expenditure on utilization of staff in excess of sanctioned strength - Rs 18.64 million | 18.64 |
| 10 | 2011-12 | Unauthorized utilization of staff resulted in irregular expenditure on pay & allowances - Rs 6.49 million per annum | 6.49 |
| 11 | 2011-12 | Irregular payment of TA/DA - Rs 5.00 million | 5.00 |
| 12 | 2011-12 | Unjustified expenditure on appointment of TLA staff - Rs 254.29 million | 254.29 |
| 13 | 2010-11 | Loss due to unjustified payment of overtime – Rs 12.49 million | 12.49 |

| | | | |
|---|---|---|---|
| 14 | 2010-11 | Unjustified expenditure on account of payment of overtime-Rs 10.34 million | 10.34 |
| 15 | 2008-09 | Incorrect fixation of bonus rate resulting in excess payment - Rs 28.73 million | 28.73 |
| 16 | 2008-09 | Unjustified/avoidable expenditure on temporary engagement of staff – Rs 1.68 million | 1.68 |
| 17 | 2010-11 | Irregular expenditure on Health Insurance – Rs 1.07 million | 1.07 |
| 18 | 2011-12 | Irregular expenditure due to engagement of staff in excess over sanctioned strength - Rs 20.59 million | 20.59 |
| 19 | 2010-11 | Irregular expenditure due to wrong utilization of staff –Rs 12.52 million | 12.52 |
| 20 | 2011-12 | Irregular expenditure on pay & allowances of TLA staff regularized in excess of sanctioned strength - Rs. 11.96 million | 11.96 |
| 21 | 2011-12 | Unjustified expenditure due to engagement of staff on TLA - Rs 80.80 million | 80.80 |
| 22 | 2010-11 | Irregular expenditure due to appointment of staff through RAILCOP - Rs 1.30 million | 1.30 |
| 23 | 2012-13 | Loss due to payment of pay & allowances to idle employees – Rs 57.09 million | 57.09 |
| 24 | 2012-13 | Irregular expenditure due to wrong utilization of staff – Rs 49.43 million | 49.43 |
| 25 | 2012-13 | Un-authorized expenditure due to engagement of staff in excess over sanctioned strength – Rs 48.87 million | 48.87 |
| 26 | 2011-12 | Loss due to irregular appointment of TLA staff – Rs 11.16 million | 11.16 |
| 27 | 2011-12 | Irregular appointments of officers / staff – Rs 7.63 million | 7.63 |
| 28 | 2012-13 | Irregular expenditure on re-employment after superannuation - Rs 5.37 million | 5.37 |

| | | | |
|---|---|---|---|
| 29 | 2012-13 | Irregular allotment of Railway accommodation to non-Railway employees–Rs 4.35 million | 4.35 |
| 30 | 2013-14 | Unauthorized appointment of staff in Railway schools – Rs 2.77 million | 2.77 |
| 31 | 2013-14 | Unauthorized grant of Special Allowance to the officers & staff of Accounts –Rs 2.23 million | 2.23 |
| 32 | 2013-14 | Unauthorized/ unjustified grant of deputation allowance-Rs 2.03 million | 2.03 |
| 33 | 2013-14 | Wasteful expenditure on Pay & Allowances of Mayo Garden School staff – Rs 2.73 million | 2.73 |
| 34 | 2013-14 | Irregular/unjustified expenditure on account of TA/DA – Rs 10.29 million | 10.29 |
| 35 | 2013-14 | Loss due to irregular expenditure on account of pay & allowances – Rs 6.30 million | 6.30 |
| 36 | 2014-15 | Irregular appointment of staff on TLA basis – Rs 4.87 million | 4.87 |
| 37 | 2014-15 | Loss due to irregular/unjustified payment of pay and allowances – Rs 1.10 million per annum | 1.10 |
| 38 | 2014-15 | Irregular expenditure on account of pay and allowances of excess/surplus staff – Rs 50.03 million | 50.03 |
| 39 | 2014-15 | Irregular utilization of staff – Rs 15.02 million | 15.02 |
| 40 | 2014-15 | Hiring of staff over the age of 65 years resulting in irregular expenditure on account of pay & allowances – Rs 5.50 million | 5.50 |
| 41 | 2015-16 | Irregular utilization of staff – Rs 108.17 million | 108.17 |
| 42 | 2015-16 | Irregular expenditure on staff in excess of sanctioned strength – Rs 57.50 million | 57.50 |
| 43 | 2015-16 | Excess expenditure on TLA – Rs 12.71 million | 12.71 |
| 44 | 2015-16 | Irregular payment of TA/DA – Rs 11.26 million | 11.26 |
| 45 | 2016-17 | Irregular appointment of staff on TLA basis – Rs 41.48 million | 41.48 |
| 46 | 2016-17 | Irregular utilization of staff – Rs 14.22 million | 14.22 |

| | | | |
|---|---|---|---|
| 47 | 2016-17 | Irregular expenditure on staff in excess of sanctioned strength – Rs 10.79 million | 10.79 |
| 48 | 2016-17 | Irregular appointment of an unqualified employee against a technical post – Rs 2.41 million | 2.41 |
| 49 | 2017-18 | Unjustified expenditure on account of overtime payment – Rs 94.04 million | 94.04 |
| 50 | 2017-18 | Irregular expenditure due to appointment of retired officers in violation of Rules – Rs 93.58 million | 93.58 |
| 51 | 2017-18 | Irregular/unauthorized expenditure on engagement of TLA in excess of sanctioned strength – Rs 62.94 million per annum | 62.94 |
| 52 | 2017-18 | Irregular payment of TA/DA – Rs 12.02 million | 12.02 |
| 53 | 2017-18 | Irregular excess payment of stationary allowance – Rs 8.99 million | 8.99 |
| 54 | 2017-18 | Irregular payment of deputation allowance – Rs 3.75 million | 3.75 |
| 55 | 2017-18 | Irregular expenditure due to creation of a new post – Rs 3.61 million | 3.61 |
| **Total** | | | **1408.48** |

**Source:** Audit Reports of last 10 years

**Annex-60**

| Complaints by Officer (Pakistan Citizen Portal) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **#** | **Officer** | **Total Comp-laints** | **New** | **In-progre ss** | **Reso-lved** | **Esca-lated** | **Super Esca-lated** | **Total Feed-back** | **Satisfied** | **Satisfied %** |
| 1 | Divisional Superintendent Lahore | 7768 | 60 | 6 | 7702 | 0 | 0 | 5447 | 1549 | 29% |
| 2 | Divisional Superintendent Multan | 4551 | 2 | 18 | 4531 | 0 | 0 | 3262 | 1037 | 32% |
| 3 | Chief Commercial Manager | 4066 | 0 | 11 | 4055 | 0 | 0 | 3232 | 1515 | 47% |
| 4 | Chief Operating Superintendent | 4050 | 35 | 0 | 4015 | 0 | 0 | 2860 | 1294 | 46% |
| 5 | Divisional Superintendent Karachi | 3545 | 19 | 0 | 3526 | 0 | 0 | 2303 | 991 | 44% |
| 6 | Director General/IT Railways HQ | 3465 | 46 | 29 | 3390 | 0 | 0 | 2677 | 1330 | 50% |
| 7 | Divisional Superintendent Rawalpindi | 3149 | 32 | 0 | 3117 | 0 | 0 | 2208 | 813 | 37% |
| 8 | Divisional Superintendent Sukkur | 2841 | 9 | 0 | 2832 | 0 | 0 | 2013 | 630 | 32% |
| 9 | Divisional Superintendent Peshawar | 1932 | 16 | 0 | 1916 | 0 | 0 | 1317 | 527 | 41% |
| 10 | DIG, Railways Police | 1101 | 17 | 3 | 1081 | 2 | 0 | 699 | 244 | 35% |
| 11 | Chief Mechanical Engineer | 1098 | 8 | 7 | 1083 | 5 | 0 | 773 | 351 | 46% |
| 12 | Chief Personnel Officer | 772 | 1 | 1 | 770 | 0 | 0 | 556 | 151 | 28% |
| 13 | Divisional Superintendent Mughalpura | 595 | 13 | 14 | 568 | 0 | 0 | 352 | 94 | 27% |
| 14 | Chief Electrical Engineer | 392 | 0 | 0 | 392 | 0 | 0 | 301 | 144 | 48% |
| 15 | Chief Engineer/ Open Line | 370 | 1 | 0 | 369 | 0 | 0 | 263 | 124 | 48% |
| 16 | Secretary, Railways | 346 | 11 | 0 | 335 | 0 | 0 | 267 | 171 | 65% |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Division | | | | | | | | | |
| 17 | Deputy General Manager | 300 | 3 | 8 | 289 | 3 | 0 | 200 | 30 | 15% |
| 18 | Divisional Superintendent Quetta | 253 | 0 | 5 | 248 | 0 | 0 | 161 | 47 | 30% |
| 19 | FA & CAO, Railways | 251 | 4 | 1 | 246 | 0 | 0 | 152 | 58 | 39% |
| 20 | Chief Marketing Manager | 246 | 4 | 1 | 241 | 0 | 0 | 190 | 76 | 40% |
| 21 | Chief Executive Officer Railways | 222 | 5 | 5 | 212 | 0 | 0 | 80 | 15 | 19% |
| 22 | Chief Engineer locomotive | 199 | 0 | 0 | 199 | 0 | 0 | 191 | 102 | 54% |
| 23 | Chief Medical & Health Officer | 140 | 0 | 0 | 140 | 0 | 0 | 107 | 45 | 43% |
| 24 | Managing Director/ Carriage Factory | 137 | 1 | 0 | 136 | 0 | 0 | 89 | 22 | 25% |
| 25 | IG/PRP | 131 | 3 | 0 | 128 | 0 | 0 | 73 | 25 | 35% |
| 26 | Director/ Administration Ministry of Railway | 70 | 1 | 0 | 69 | 0 | 0 | 48 | 8 | 17% |
| 27 | Director General Pakistan Railways Academy | 67 | 7 | 1 | 59 | 2 | 0 | 41 | 13 | 32% |
| 28 | MD-PRACS | 63 | 1 | 0 | 62 | 0 | 0 | 43 | 31 | 73% |
| 29 | DG/Schools (Railway) | 58 | 1 | 5 | 52 | 0 | 0 | 40 | 4 | 10% |
| 30 | Director General (Planning), Railways | 53 | 1 | 0 | 52 | 0 | 0 | 36 | 23 | 64% |
| 31 | Chief Engineer/ Survey & Construction | 53 | 0 | 21 | 32 | 21 | 0 | 24 | 12 | 50% |
| 32 | Additional General Manager/ Infrastructure | 47 | 1 | 0 | 46 | 0 | 0 | 34 | 11 | 33% |
| 33 | General Manager/ Welfare & Special Initiatives | 45 | 0 | 0 | 45 | 0 | 0 | 35 | 26 | 75% |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 34 | Director Establishment Ministry of Railways | 42 | 10 | 0 | 32 | 3 | 4 | 17 | 3 | 18% |
| 35 | Chief Signal Engineer, PR,HQ Office | 39 | 5 | 1 | 33 | 0 | 0 | 22 | 4 | 19% |
| 36 | DG-Technical (Railway) | 36 | 1 | 0 | 35 | 0 | 0 | 34 | 2 | 6% |
| 37 | Chief Controller of States | 36 | 1 | 0 | 35 | 0 | 0 | 19 | 4 | 22% |
| 38 | Director / Land | 32 | 4 | 0 | 28 | 0 | 0 | 17 | 5 | 30% |
| 39 | MD/ Pakistan Locomotive Factory | 31 | 0 | 0 | 31 | 0 | 0 | 21 | 1 | 5% |
| 40 | Additional General Manager/ Traffic | 27 | 0 | 0 | 27 | 0 | 0 | 15 | 8 | 54% |
| 41 | Medical Superintendent – Railway Cairn’s Hospital Lahore | 27 | 2 | 0 | 25 | 0 | 0 | 3 | 0 | 0% |
| 42 | DG Operations | 18 | 0 | 0 | 18 | 0 | 0 | 14 | 5 | 36% |
| 43 | Additional General Manager/ Mechanical | 18 | 0 | 0 | 18 | 0 | 0 | 13 | 7 | 54% |
| 44 | MD. RAILCOP | 18 | 0 | 0 | 18 | 0 | 0 | 5 | 0 | 0% |
| 45 | Chief Telecom Engineer | 16 | 0 | 0 | 16 | 0 | 0 | 12 | 5 | 42% |
| 46 | Managing Director (CSF) | 16 | 0 | 0 | 16 | 0 | 0 | 3 | 2 | 67% |
| 47 | Team Leader PIU/CPEC ML-1 | 16 | 0 | 0 | 16 | 0 | 0 | 4 | 2 | 50% |
| 48 | Chief Traffic Manager | 14 | 0 | 0 | 14 | 0 | 0 | 7 | 7 | 100% |
| 49 | Director General, Legal Railway | 14 | 2 | 0 | 12 | 0 | 0 | 8 | 0 | 0% |
| 50 | Chief Controller of Purchase | 11 | 0 | 0 | 11 | 0 | 0 | 6 | 1 | 17% |
| 51 | Chief Executive Officer (PRFTC) | 11 | 0 | 1 | 10 | 0 | 0 | 3 | 1 | 34% |
| 52 | General Manager/ Manufacturing & Services | 7 | 0 | 0 | 7 | 0 | 0 | 4 | 4 | 100% |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 53 | Financial Advisor & Chief Accounts Officer/M&S | 6 | 0 | 0 | 6 | 0 | 0 | 3 | 2 | 67% |
| 54 | Secretary Railway Board | 4 | 0 | 0 | 4 | 0 | 0 | 3 | 1 | 34% |
| 55 | Managing Director (PAEMS) Moghalpura | 2 | 0 | 0 | 2 | 0 | 0 | 1 | 1 | 100% |
| 56 | Member Finance (Railways) | 2 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 0% |
| 57 | Chief Operating Superintendent (Safety) | 2 | 0 | 0 | 2 | 0 | 0 | 1 | 1 | 100% |
| 58 | Chief Accounts Officer Revenue | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | | **42822** | **329** | **138** | **42355** | **36** | **4** | **30310** | **11579** | |
| | | | | | | | | 72% | 38% | 62% |
| | | | | | | | | From Total Complaints | From Feedback | Unsatisfied |