PERFORMANCE AUDIT REPORT ON THE PROJECT OF MECHANIZATION OF TRACK MAINTENANCE (PILOT PROJECT) BY PAKISTAN RAILWAYS

AUDIT YEAR 2018-19

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General of Pakistan conducts audit in terms of Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. Performance audit of project titled "Mechanization of Track Maintenance (Pilot Project)" was carried out accordingly.

The Directorate General of Audit Railways conducted performance audit of the project during Audit Year 2018-19 for the period from October 2012 to June 2019 with a view to report significant findings to stakeholders. Audit examined the record with due regard to economy, efficiency and effectiveness aspects of the project. In addition, Audit also assessed on test check basis whether the management complied with applicable laws, rules and regulations in managing the project affairs. The Audit Report indicates specific actions that, if taken, will help the management realize the objectives of the project of Mechanization of Track Maintenance (Pilot Project). All observations included in this report have been finalized in the light of departmental replies as well as discussions in the DAC meetings.

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

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

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Abbreviations and Acronyms

AEN	Assistant Executive Engineer
AGM/I	Additional General Manager/Infrastructure
AO	Accounts Officer
APO	Assistant Personal Officer
CCP	Chief Controller of Purchase
CCS	Chief Controller of Stores
CEN	Chief Executive Engineer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	Cost and Freight
CIA	Chief Internal Auditor
CIP	Carriage and Insurance Paid
CME	Chief Mechanical Engineer
CPEC	China-Pakistan Economic Corridor
CPO	Chief Personal Officer
DAC	Departmental Accounts Committee
DCOS	District Controller of Stores
DDP	Delivered duty paid
DG	Director General
ECNEC	Executive Committee of National Economic Council
FEC	Foreign Exchange Component
FIR	First Information Report
FOB	Free on board
ISSAI	International Standard of Supreme Audit Institutions
KC	Karachi Cantt.
KP	Khyber Pakhtunkhwa
KPR-LON	Khanpur – Lodhran
LPR	Last purchase rate
MOR	Ministry of Railways
MTM	Mechanization of Track Maintenance
NPV	Net present value
O&M	Operation and Maintenance
OEM	Original Equipment Manufacturer
PC-I	Planning Commission Proforma-I
PCP	Planning Commission of Pakistan
PCT	Pakistan Custom Tariff
PD	Project Director
PMES	Project Monitoring & Evaluation System

PNSC	Pakistan National Shipping Corporation
PO	Principal Officer
PPRA	Public Procurement Regulatory Authority
PR	Pakistan Railways
PSDP	Public Sector Development Programme
PWI	Permanent Way Inspector
Railcop	Railway Construction Company
RFD	Rehabilitation of Flood Damages
S&C	Survey and Construction
SOP	Standard Operating Procedure
Sr.GM	Senior General Manager
SSKP	Sub Store Keeper
TLA	Temporary Labour Application
TORs	Terms of References
TR	Track Rehabilitation
UK	United Kingdom
XEN	Executive Engineer

EXECUTIVE SUMMARY

The Directorate General of Audit Railways conducted performance audit of the project titled "Mechanization of Track Maintenance (Pilot Project)" from February 2019 to May 2019. Prime objective of the audit was to assess whether project was managed with due regard to economy, efficiency and effectiveness. The performance audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI).

PC-I of the project was got approved without carrying out proper feasibility study (PC-II). Consequently, significant changes in approved scope of work were made during execution without prior approval from ECNEC. Moreover, in disregard to Guidelines for the project management, independent Project Director for execution of the project was not appointed with the approval of recruitment committee nominated for the purpose. Despite provision for independent Project Director in the approved PC-I, the project was inappropriately managed on "Additional charge/Look-After-Basis" by deputing different in-house officers from time to time. Accordingly, the project which was required to be completed within 24 months was actually closed on 30th June, 2019 with deficient scope of work and time overrun of 57 months. The overall performance of the project was unsatisfactory because envisioned monetary benefits of Rs 832.586 million per annum were not realized upon completion of the project.

Key Audit Findings

i. Contracts valuing Rs 50.572 million were irregularly awarded to bidders by deceptively declaring them technically qualified on the basis of false/fake information.[1]

ii. Uneconomical procurement of machinery/equipment valuing Rs 1,846.345 million due to tailor-made specifications. [2]

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[1] Para 4.2.1 & 4.2.19

[2] Para 4.2.2, 4.2.10, 4.2.23 & 4.2.25

iii. Loss of Rs 955.825 million due to procurement of machinery at higher rates due to negligent/ irrational evaluation of tenders.[3]

iv. Non-replacement of long-life assemblies/spare parts failing within warranty period Rs 94.318 million.[4]

v. Project management failure either to recover the value of defective material supplied by the contractor valuing Rs 14.155 million or to get the material replaced with correct one.[5]

vi. Procurement of irrelevant machinery/equipment valuing Rs 149.920 million due to non-involvement of end-users during planning stage.[6]

vii. Non-realization of planned monetary benefits of Rs 832.586 million per annum on completion of the Project.[7]

Recommendations

i. Mechanism to ban suppliers and contractors, who were found indulging in corrupt/ fraudulent practices or consistently failed to provide satisfactory services, from tendering processes must be followed in letter and spirit.

ii. The specifications of machinery/ equipment should be generic to allow widest possible competition being neither favorable to any single supplier nor putting others at a disadvantage.

iii. Evaluation of tenders and reasonability of rates be ensured during procurements to realize best value for the money.

iv. Parts under warranty and defective material be got replaced or recovery be effected from the defaulters immediately. Moreover, the issue regarding premature failure of long-life assemblies/parts be investigated to determine the root cause of failure.

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[3] Para 4.2.4, 4.2.9, 4.2.11, 4.2.14 & 4.2.16
[4] Para 4.2.6
[5] Para 4.2.22
[6] Para 4.2.29
[7] Para 4.5.1

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

vi. The involvement of end users be ensured in acquisition/ procurement of machinery and equipment. The participatory and consultative process will add value for money.

vii. PC-I must contain quantifiable performance indicators showing the tangible impacts on performance of Pakistan Railways after completion of the project.

1. INTRODUCTION

Ministry of Railways envisaged mechanization of track maintenance on Pakistan Railways by procurement of modern machinery and equipment. Accordingly, a "Pilot Project" for the mechanization of track maintenance of Primary-A Section of Lahore Division was got approved from ECNEC on 16.08.2012 at a cost of Rs 4,055.403 million with 24 months completion period. Complete mechanization of track maintenance on other operating Divisions was intended to be initiated after gaining experience from implementation of the instant "Pilot Project".

The objectives behind mechanization of track maintenance were to:

a. Ensure the laid down safety standards for higher speed (120/160 KM/Hour),

b. Provide better train running quality and comfort to the travelling public, and

c. Enhance performance and service life of track components and reduce maintenance cost of track and the rolling stock.

The project was commenced w.e.f. 01.10.2012 and closed on 30th June, 2019. Total expenditure of Rs 4,162.526 million had been booked to the project up to 30th June, 2019. Meanwhile, a revised PC-I of the project was prepared in September 2018 and submitted to the Ministry of Railways. The revised PC-I was not approved from the ECNEC till finalization of the report.

2. AUDIT OBJECTIVES

The major objectives of the audit were:

i) To review implementation of standards / regulations covering safety and quality issues in procurement of machinery etc.

ii) To review economy in terms of:

a) procurement of machinery and spares.

b) utilization of labour / material.

iii) To evaluate efficiency issues with regard to the following:

a) composition of technical, non-technical and administrative staff.

b) quality of plant and machinery.

c) turn out and delivery of work done for operational purpose.

d) any complaint issues.

iv) To evaluate effectiveness with regards to following:

a) optimal utilization of resources.

b) client satisfaction.

c) safety and quality issues.

v) To evaluate overall performance of the project with special reference to the following:

a) achievement of overall objectives.

b) internal control mechanism.

c) Incidence of theft, fraud etc.

d) physical verification of assets.

3. AUDIT SCOPE AND METHODOLOGY

3.1 Audit Scope

Performance audit of the project was conducted from February 2019 to May 2019 covering period from October 2012 to June 2019. Audit covered the procurement process and operationalization of the procured track machinery/ equipment. Major locations which were visited for this audit included Project Director Office/Lahore, Director Procurement/ Islamabad, Track Machine Shop/Lahore, DCOS (Shipping) Karachi Cantt. and AEN Offices (Raiwind, Faisalabad and Wazirabad).

3.2 Audit Methodology

All the relevant documents provided by management were scrutinized to assess the transparency in the procurement process and proper operation of procured machinery/equipment. Site visits were conducted, actual results were compared with PC-I of the project and discussions were also held with different tiers of management.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

While conducting the performance audit of the Project, Audit found that the management did not adhere to the Guidelines of the Planning Commission of Pakistan. Significant Audit observations are discussed in the following paras.

4.1.1 Non-appointment of Independent PD

As per guidelines for appointment of independent Project Director in Public Sector Development Projects (PSDP), notified by the Planning Commission of Pakistan (PCP) vide letter No. 20(3) PIA-I/PC/2012 dated 5th April, 2012, appointment of an independent PD is mandatory for projects costing Rs 1,000 million and above. As such provision for the post of PD should invariably be included in the project costing Rs 1,000 million and above. The PD should not be transferred during currency of the project. For appointment/selection of PD, a recruitment committee headed by the Secretary of respective project sponsoring Ministry/ Division including members from Planning Division, Finance Division and Establishment Division has been constituted by the PCP.

During performance audit of Mechanization of Track Maintenance (MTM) Project, it was observed that the project was approved by ECNEC on 16.8.2012 at a cost of Rs 4,055.403 million with completion period of 24 months. The project commenced from 1st October, 2012 which was closed on 30th June, 2019. Despite provision of the post of PD in PC-I, no independent PD, after undergoing obligatory recruitment process, was posted for the execution of the project. Rather, the project was managed through additional charge/look after basis by deploying 03 different officers of Pakistan Railways from time to time as detailed in **Annexure-1**. Due to non-appointment of independent PD, the planned activities were not initiated within given timeframe. Thus, the project scheduled to be completed within 24 months, was actually closed on 30th June, 2019. This resulted in 57 months' time overrun which was tantamount to loss due to cost escalation. It happened because of bad governance on the part of Ministry of Railways. Similar irregularity was also pointed out through previous performance/ special audit reports but no action was taken.

The issue was pointed out to management in June 2019. Management replied on 5.11.2019 that although no independent PD was posted but the most relevant and responsible officers who were not only PDs, but also end users were deputed to look after the activities of the Project.

DAC in its meeting held on 01.10.2021 was informed that the contention of Audit that PD was frequently changed was not correct as Mr. Basharat Waheed CEN/S&C remained PD for almost 78% time (62 months out of 80 months) of project execution time. Chair considered to settle the para and directed the management that in future:

1. An independent PD from private sector be appointed with the consultation of Director General/ Planning and Chief Project & Planning Officer after approval of PC-I.
2. The PD be appointed for at least two years.
3. No additional charge would be given to the PD.

However, Audit reiterated that neither any independent PD was appointed in project in violation to the directions of ECNEC nor obligatory recruitment process notified by the Planning Commission of Pakistan was followed while making appointment of the PDs, which was the main cause of time overrun, resulting in non-achievement of envisioned benefits in the given time frame.

Audit recommends that responsibility for non-appointment of Project Director be fixed and action taken against the person(s) held responsible.

4.1.2 Non-preparation of proper feasibility study

As per clause 3.3 of Guidelines for Project Management issued by the Planning Commission of Pakistan, it was mandatory that in case of projects of infrastructure sector and production sector costing Rs 300 million and above, proper feasibility studies should be got carried out before the submission of PC-I. However, for other low cost projects, in-house feasibility is to be carried out.

During performance audit of MTM Project, it was observed that proper feasibility of the project was not carried out before submission of PC-I which was mandatory requirement. Instead, PC-I of the project was got approved by submitting an in-house feasibility study that was applicable for projects costing less than Rs 300 million. Consequently, not only provision of unnecessary machines was made in the PC-I which later on necessitated revision of the PC-I but also certain machinery purchased under the project remained unutilized. This occurred due to negligence of Railway management. The issue of this nature was also pointed out through previous performance/special audit reports but no action was taken.

The issue was pointed out to management in June 2019. Management replied on 15.11.2019 that the title of the project i.e. "Mechanization of Track Maintenance (Pilot Project)" revealed that it was project envisaged to convert the existing conventional track maintenance to mechanized maintenance. Thus, the word "Pilot" itself meant a feasibility or experimental trial that helped an organization to learn how a large-scale project could be executed. Such projects provided a platform to arrange resources and test logistics and revealed deficiencies before spending a significant amount of time, energy or money on a large-scale. Typically, a pilot project was commenced with a proposal that listed the objectives of a pilot project and document the methodology how the project would be executed. Thus, the project management rules should not be applied on this project. However, in-house feasibility was done, based on which PC-I had been framed.

DAC in its meeting held on 01.10.2021 was informed that documents showing objectives and methodology were prepared. Moreover, an in-house feasibility was carried out on the basis of which the PC-I was framed. DAC considered that proper feasibility study for the projects costing Rs 300 million and above was obligatory.

Audit recommends that responsibility for non-adherence to guidelines of project management be fixed and action taken against the persons held responsible.

4.1.3 Irregular appointment of staff on TLA resulting in irregular expenditure – Rs 10.251 million

As per General Manager/Operations letter No. GM. Misc.07/2014 dated 07.07.2014 essential staff against work charged posts of projects should be engaged on contract basis. Moreover, according to policy circulated by Railway administration vide letter No. 803-E/7/4-X (APO-IV) dated 15.07.2014 the TLA employees should be engaged only in grade 1 & 2 strictly in accordance with eligibility criteria for direct recruitment.

During performance audit of MTM Project, it was observed that 25 project employees of BPS-01 to BPS-16 were irregularly engaged on TLA (Temporary Labor Application) basis instead of making appointments on contract basis in a transparent manner. This resulted in irregular appointment of staff and thereby incurrence of irregular expenditure of Rs 10.251 million as detailed in **Annexure-2**. The irregularity was also pointed out through previous performance/special audit reports but no action was taken.

The issue was pointed out to management in June 2019. Management replied that all the staff engaged on TLA was within the sanctioned / approved PC-I of the project. The office staff which was required to keep the record of the project and process procurement cases along with other correspondence regarding the machines was essential.

In the DAC meeting held on 01.10.2021 management repeated its earlier reply. DAC pended the para and directed to constitute a committee comprising CEN, CFO, CPO & CIA for devising a policy focusing on the following points:

1. TLA would be hired for 89 days and further extension maximum up to 89 days could be given.
2. After expiry of 178 days, proper hiring procedure should be followed for the staff on contract basis.

The inquiry committee should also find out the present status of the then hired staff on TLA in the project of Mechanization of Track Maintenance. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for making irregular appointments of staff be fixed and disciplinary action be taken against the person(s) held responsible.

4.1.4 Deployment of unqualified operators on sensitive machines

Pakistan Railways acquired latest machinery for mechanization of track maintenance Project. Accordingly, qualification of operational/ maintenance staff was invariably mentioned in PC-I of the Project.

During performance audit of MTM Project, it was observed that machinery procured under the Project was being maintained and operated by Railcop. Scrutiny of record revealed that unqualified operators were deployed on certain machinery involving threat to life and property as detailed in **Annexure-3**. Audit also observed that two Excavators were purchased under the Project. One Excavator was provided to AEN-III, Lahore on 28.02.2018. A gang man was deployed to operate the Excavator and he killed a person on 17.04.2018. FIR was registered against him and the case was under trial. The other Excavator was allotted to AEN/Raiwind and was lying idle due to non-deployment of an experienced driver. However, a person was appointed by Railcop against that Excavator, who was receiving salary of Rs 15,000/PM since 04.03.2019 without doing any job. This state of affairs indicates that the money spent on purchase of the Excavators was wasted.

The issue was pointed out to management in June 2019. Management replied on 15.11.2019 that the case of creation of some permanent staff according to the qualification given in PC-I was under process. On approval, the posts would be advertised and filled accordingly. However, in the meantime, M/s Railcop had been involved to arrange staff and persons deployed on each machine. The current operators of each machine were trained by the engineers / trainers of the suppliers. This was a stop-gap arrangement till recruitment of permanent staff. However, the deputed staff had fulfilled all the necessary criteria.

In the DAC meeting held on 01.10.2021 management reiterated its previous reply. DAC constituted an inquiry committee to probe the matter comprising CPO, CME/Loco, Dy. COPS and Dy. CEN/Track, regarding appointment of unqualified operators on sensitive machines assigning the task of assessing the whole procedure of appointments of the operators, drivers and other staff regarding train operations and track maintenance. The TORs of the inquiry were as follows:

1. Need based assessment of the Human Resources in these categories.
2. Assessment of required qualification & experience.
3. Determination of the reporting process keeping in loop the CFO and DG/Planning.
4. Assessment of the performance of the staff in the field.
5. Assessment of physical & mental health.
6. Maximum and minimum age limit.
7. Training requirements.
8. Any other aspects the committee deems important.

Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for deployment of unqualified operators on machines and non-operation/improper utilization of Excavators be fixed and action be taken against the persons held responsible.

4.2 Procurement and Contract Management

During Performance Audit, it was observed that the procurement process in the Project was neither economical nor efficient. Instances of mis-procurement, violation of contractual obligations etc. were noticed. The significant observations are discussed in the following paras.

4.2.1 Mis-procurement of lighting towers with diesel power generator set - Rs 17.364 million

Rule-19 of PPRA Rules 2004 provides that the procuring agency shall disqualify a supplier or contractor if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete. Rule-20 also provides that the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices.

During performance audit of MTM Project, it was observed that the Project Director floated a tender during 2016 for procurement of 17 Nos. lighting towers with diesel generator set. Seven firms participated in the bid. Two firms were declared technically responsive. Tender was awarded to the 1st lowest bidder M/s Hitech Networks Pvt. Ltd. Lahore (hereinafter called Supplier) at a cost of Rs 17.364 million. Scrutiny of the tender documents revealed that the Supplier had participated in the tender on behalf M/s AGG Power Technology Co. UK. Specified country of origin was UK and Proforma Invoice was also provided by M/s AGG Power Technology, UK. In disregard to above, the Supplier requested the project Director to nominate pre-shipment Inspectors in terms of contract agreement for inspection of lighting towers at manufacturer premises of M/s Mosa Aggregation, Netherland (Italy). Accordingly, 02 Railway Engineers (electrical & civil) were sent to Italy with the approval of MOR for 04 working days, who did not issue formal inspection report, rather they merely endorsed under their undated signatures, the test results prepared by M/s Mosa Aggregation.

The lighting towers were delivered to SSKP/Raiwind in November 2017. Thirteen lighting towers were handed over to different PWIs from August 2018 to January 2019, while 04 were lying at SSKP Office Raiwind in packed condition. On physical verification, it was observed by Audit Team that all the lighting towers were lying un-commissioned. Payment was made by AO/Project on the recommendation of PD without obtaining a copy of Bill of Entry which was necessary to ensure that the goods supplied by the contractor were same as imported by him.

Audit detected through investigation of the Company's website (www.aggpower.co.uk) that M/s AGG Power, UK was in fact a sub-office of Chinese based company M/s AGG Power Solutions, China. Thus, the Supplier deliberately misstated the country of origin (e.g. UK instead of China) in his bidding documents. On the other hand, the supply was made through M/s Mosa Aggregation, Netherland (Italy) who was not manufacturer of the lighting towers. Moreover, neither the PD nor AO/Project called for a copy of Bill of Entry at the time of making payment to ensure that the goods supplied by the contractor were the same as imported by him. This resulted in mis-procurement due to change in country of origin and violation of PPRA rules. Further, all the lighting towers were still lying unused, so the money spent did not achieve intended benefits.

The issue was pointed out to management in June 2019. Management replied that stance of Audit that country of origin specified by bidder was UK, was not correct. In fact the bidder mentioned Kubota Japan as their manufacturer of Engine. The engine of the Generator sets was of Kubota Japan as offered by the firm in their tender and the material was assembled at Netherlands in the premises of M/s Mosa Aggregation. Pakistan Railways Engineers visited the factory premises of M/s Mosa AGG and after conducting inspection signed the inspection report. Since the tender was on the basis of FOR, Bill of Entry / Bill of Lading was not the requirement of Tender. The reply was not tenable because the country of origin was UK as mentioned by the successful bidder in his bid.

DAC in its meeting held on 01.10.2021 was informed that award of contract for procurement of lighting towers with diesel power generator was in line with relevant rules and procedure. All the procurements were made according to the specifications and no irregularity has been committed in that case. DAC pended the para and directed the Member Finance to nominate an inquiry committee comprising a member from Mechanical Department and other member from Traffic/ Commercial Department to probe the matter and submit report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that an independent investigation be carried out through the Federal Government to fix responsibility for award of contract by extending undue favour and accepting the material dispatched from country other than country of origin. Action be taken against the persons held responsible under intimation to Audit.

4.2.2 Uneconomical procurement of Duomatic Tamping machines by framing specifications based on specific brand – Rs 1,150.636 million

Rule 10 of PPRA Rules 2004 states that specifications shall allow the widest possible competition and shall not favor any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. However, if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words “or equivalent”.

During performance audit of MTM Project, it was observed that Pakistan Railways procured 04 Duomatic Tamping machines (model 08-32 C) along with spare parts and standard accessories at FOB cost of Euros 8,971,823 (Rs 1,150.636 million) under contract agreement No. DP/Track Machine/2014 dated 05.03.2014 from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore. The specifications of tamping machine to be procured was not made generic to ensure fair and healthy competition. Rather the specifications of machine were apparently framed by copying technical features/data of the specific brand of Plasser & Theurer (model 08-32 C). Thus, by making tailor-made specifications and imposing certain discriminatory conditions such as: “Performance certificates from at least three end users” be attached with the offer. However, experience of Pakistan Railways with performance/durability of machine supplied by the bidder (if any) will prevail upon other references (sub clause viii of clause 2)” other bidders were excluded from the competition. Consequently, a single and expensive offer of M/s Plasser & Theurer, Austria was accepted.

The issue was pointed out to management in June 2019. Management replied that the specification of tamping machine was framed according to PR’s own requirement of track conditions and experience. PR had very successful experience with Plasser machines and had been procuring these machines since 1970s. Pakistan Railway had some bad experience of buying some other machine which could not perform well and did not provide value for money. PR made specifications generic keeping in view the interest of PR and ensuring durability of the machine. While procuring high value machines, PR could not compromise its specifications and put its investment at risk.

The para was discussed in DAC meeting held on 01.10.2021. DAC pended the para and directed the Member Finance to nominate an inquiry committee comprising a member from Mechanical Department and other member from Traffic/ Commercial Department to probe the matter and submit report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that issue be got investigated through an independent investigating agency to fix responsibility for mis-procurement of machines from specific/own choice firm and action be taken against the persons held responsible.

4.2.3 Underutilization of Duomatic Tamping machines

Clause C(4) of technical specification for procurement of Duomatic Tamping machines provides that the machine shall be designed to work in severe weather conditions i.e. desert, dusty/sandy environment prevailing in Pakistan in ambient temperature ranging from minus 10 to 55 degrees centigrade.

During performance audit of MTM Project, it was noticed that the PD directed in June 2016 to Project Director/Track Machine Shop that Duomatic Tamping machines should not be operated from 10 AM to 04 PM from 15th May to 15th September to avoid damage of sensitive electronic parts of machines. The machines have been designed to work in PR network up to 55 degree centigrade. It is not understood as to why the PD had issued such unwarranted directives to limit the use of machines. This resulted in underutilization of machines.

The issue was pointed out to management in June 2019. Management replied that the purpose of said instructions was to avoid damage to track machines due to disturbance of track in peak temperature hours. The reply was not tenable because the machine was designed to work in PR network up to 55 degree centigrade.

DAC in its meeting held on 01.10.2021 was informed that the intention and purpose of such utilization was to avoid damage to track machines in peak temperature hours. The track machines procured under MTM project were, however, regularly being used irrespective of season of the year. DAC pended the para and directed the Member Finance to nominate an inquiry committee comprising a member from Mechanical Department and other member from Traffic/ Commercial Department to probe the matter and submit report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that reasons for issuance of illogical directives to limit the use of Duomatic Tamping machines may be explained.

4.2.4 Loss due to procurement of Duomatic Tamping machines at higher rate – Rs 447.330 million

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

During performance audit of MTM Project, it was observed that Pakistan Railways procured 04 Duomatic Tamping machines (model 08-32 C) along with spare parts and standard accessories at the FOB cost of Euros 8,971,823 under contract agreement No. DP/Track Machine/2014 dated 05.03.2014 from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore. Three firms participated in the bid. Two firms were declared technically non-responsive and the contract was awarded to the remaining single bidder. The price was compared with LPR of 2001 of similar machine supplied by the same Supplier 12 years back and it was found reasonable at annual escalation of 1.88%. No further effort was made to authenticate the reasonability of quoted price from other external sources.

Audit discovered while scrutinizing import/export data of Indian Website (www.Zauba.com/import-86040000-hs-code-html) that the Indian Railways also imported the same tamping machines along with spares/ accessories in October 2013 from the said Supplier at a cost of Euros 1.371 million per unit as compared with import price of Euros 2.243 million per unit by Pakistan Railways in 2014. Thus, purchase price of a machine purchased by PR from the same supplier is 63.6% higher as compared with similar machine procured by Indian Railways. This resulted in loss of Rs 447.330 million due to irrational evaluation of tender rates by Railway management. This occurred due to negligence of the tender committee who failed to authenticate/assess the quoted price through external sources.

The issue was pointed out to management in June 2019. Management replied that the procurement was conducted in fair and transparent manner in accordance with PPRA Rules. It was open tender and bidders were given fair chance. Pakistan Railway last purchased these machines in 2001 and the purchase price of this contract has only 1.88% annual increase compared with LPR which itself justified the purchase price.

DAC meeting was held on 01.10.2021. The management besides reiterating its earlier stance informed that a pre-bid conference was also held so that bidders could raise their points. DAC pended the para and directed the Member Finance to nominate an inquiry committee comprising a member from Mechanical Department and other member from Traffic/ Commercial Department to probe the matter and submit report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for irrational evaluation of tender rates be fixed and disciplinary action be taken against the persons held responsible besides making recovery of the amount involved.

4.2.5 Poor performance of Duomatic Tamping machines

Clause C (1) of technical specification for procurement of Duomatic Tamping machines provides that the rated capacity of the machine should not be less than 1000 meters per hour.

During performance audit of MTM Project, it was observed that Pakistan Railways procured 04 Duomatic Tamping machines (model 08-32 C) along with spare parts and standard accessories at the FOB cost of Euros 8,971,823 under contract agreement No. DP/Track Machine/2014 dated 05.03.2014 from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore. Out of 04 machines, following 02 machine were allocated to MTM Project. These two machines were put into operation in September 2015. The working performance of the machines was as under:

Machine No.	Period	Hours worked	KM packed	Average KM packed per hour	Bench mark
DU 6252	11.9.2015 to 31.3.2019	2619	2330	0.89	1.00 KM per hour
DU 6255	07.9.2015 to 31.3.2019	2917	1389	0.48	1.00 KM per hour

The above position shows that working performance of machine No. DU-6252 was 11% below the benchmark while the performance of machine No. DU-6255 was 52% below the minimum rated capacity determined while framing specification of the machines. Operation of the machines below the minimum standard (benchmark) was un-economical, therefore, the expenditure incurred on procurement of less productive machines did not achieve intended benefits. This occurred due to negligence of the pre-shipment inspectors who failed to check the working performance of the machine before/after shipment.

The issue was pointed out to management in June 2019. Management replied that the bench mark of 1000 meter per hour was meant for ideal conditions. In our case the working hours taken by audit included starting, shifting/ travelling to site, setting, working un- setting and travelling back of the machine up to the final parking of Machine. Therefore, hours worked were the engine hours for which the machine engine had remained in start condition. The data collected by audit was also not correct. Both the machines had actually worked at an average of 0.77 km/hour, which was excellent. The reply was not satisfactory because the rated capacity of the machine should not be less than 1000 meters per hour.

DAC in its meeting held on 01.10.2021 was informed that performance of both the machines was quite satisfactory. In view of the operational requirements/formalities of Machines the average of 0.77 km/hour was excellent. DAC pended the para and directed the Member Finance to nominate an inquiry committee comprising a member from Mechanical Department and other member from Traffic/ Commercial Department to probe the matter and submit report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that issue be investigated to fix responsibility for procurement of less productive machines and action be taken against the persons held responsible.

4.2.6 Loss to PR due to non-replacement of long-life assemblies/ spare parts failed during warranty period – Rs 94.318 million

As per approved standard specification for procurement of Duomatic Tamping machines, the bidder shall furnish a guarantee for due performance of all principal parts such as diesel engine, hydraulic system, power transmission, electronic system, pneumatic system and fuel injection pumps etc. and to make good free of cost all defects of material and workmanship which may come to light in normal service within first 30 months from the date of commissioning or 36 months from the date of shipment of the machines whichever is earlier.

During performance audit of MTM Project, it was observed that Pakistan Railways procured 04 Duomatic Tamping machines (model 08-32 C) along with spare parts and standard accessories at a cost of Euros 8,971,823 under contract agreement No. DP/Track Machine/2014 dated 05.03.2014 from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore. The machines were shipped on 20.06.2015 and were put into operation w.e.f. 28.08.2015 to 02.09.2015. Scrutiny of record revealed that spare parts valuing Rs 116.734 million have been issued for maintenance of the machines from 01.09.2015 to 31.03.2019 which included long-life assemblies/parts amounting to Rs 94.318 million e.g. fuel injection pumps, air compressors, triple pumps etc. Both the machines were under warranty period up to 19.12.2018. Warranty claims against the parts developing fault during warranty period were not lodged. Rather, the parts were replaced from the existing inventory. This resulted in loss of Rs 94.318 million to PR due to negligence of project management and PD/TMS as detailed in **Annexure-4**. Besides, failure of long-life assemblies/parts during short span of period indicated that quality material and workmanship used in manufacturing of those assemblies/parts was substandard.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 26.11.2021. DAC directed to constitute a committee comprising Additional Secretary and Member Finance to probe the difference of warranty periods appearing in approved standard specification & final agreement and finalize report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for the loss due to non-replacement of parts under warranty be fixed and action be taken to recover the loss from the persons held responsible. Moreover, the issue regarding premature failure of long-life assemblies/parts be got investigated to determine the root cause of failures of assemblies/spare parts.

4.2.7 Misappropriation of assemblies/spare parts – Rs 22.224 million

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

During performance audit of MTM Project, it was observed that spare parts of Duomatic Tamping Machine valuing Rs 22.224 million were received by Project Director Track Machine Shop Lahore from SSKP Track Machine Shop Raiwind from September 2015 to March 2019. The spare parts have not been accounted for in ledgers. Thus, in absence of any proof/record of accountal and subsequent issuance of assemblies/spare parts received from SSKP, Raiwind, it appears that the same have actually been misappropriated. This resulted in loss of Rs 22.224 million due to negligence of PD/TMS Lahore as detailed in **Annexure-5**.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 01.10.2021. DAC was informed that all the parts issued by SSKP/TM/RND were properly accounted for in the ledgers & issued as and when required. DAC directed that the reply be got verified from Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for the loss of assemblies/ spare parts be fixed and action be taken against the persons held responsible.

4.2.8 Violation of PPRA Rules resulting in non-competitive bidding process

Rule 23 (3) of PPRA Rules 2004 provides that any information, that becomes necessary for bidding or for bid evaluation, after the invitation to bid or issue of the bidding documents to the prospective bidders, shall be provided in a timely manner and on equal opportunity basis. Where notification of such change, addition, modification or deletion becomes essential, such notification shall be made in a manner similar to the original advertisement.

During performance audit of MTM Project, it was observed that an international tender for procurement of Telescopic Boom Cranes was advertised with opening date as 26.11.2012 extended to 06.12.2012. During pre-bid conference held on 16.11.2012 certain additions, deletions, and modifications were made in the tender specification. As a result thereof most of the prospective bidders requested for extension in bid submission date but all such requests were turned down with the remarks that enough time had already been granted. It appears to be a deliberate decision to sideline genuine bidders by denying them the opportunity to participate in fair competition in a transparent manner. Audit considered that it was violation of PPRA Rules because minimum 30 days' time allowance was admissible to the international bidders to respond as a result of modifications announced during pre-bid conference held on 16.11.2012.

The issue was pointed out to management in June 2019. Management replied that no change in specification of the crane was done during pre-bid meeting held on 16.11.2012. The quantity of cranes was already increased from 3 to 7 numbers vide addendum published on 09.11.2012 causing no effect on the health of tender as prescribed in Rule 23(3) of PPRA. Participation of three out of the eleven bidders in the tender also showed that due time was available with the bidders.

DAC in its meeting held on 01.10.2021 was informed that according to PPRA Rule "13" response, time for receipt of bids or proposal from the date of publication of an advertisement notice should be under no circumstances less than 15 days for national competitive bidding from the date of publication of advertisement or notice. Moreover, clause 23(3) of PPRA Rules refers addendum only to the extent of manner similar to the original advertisement i.e. whether to be sent to newspaper or to the website only. DAC kept the Para pending and the PO was directed to seek clarification from PPRA through competent authority. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for limiting competitive bidding process by violating PPRA Rules may be fixed and appropriate action be taken against those held responsible.

4.2.9 Loss due to award of contract at exorbitant rates – Rs 183.148 million

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

During performance audit of MTM Project, it was observed that Pakistan Railways procured 07 Self Propelled Hydraulic Telescopic Boom Cranes of 10 tons capacity (model KRC-100) along with spare parts and standard accessories at the FOB unit cost of Euros 1,324,160 under contract agreement No. DP/Track Crane/2012 dated 04.10.2012 from M/s Kirow Ardelt, Germany through M/s ITS mit FNM, Lahore. Three firms participated in the bid. One firm was declared technically non-responsive. Financial offers of two technically qualified firms were opened on 01.01.2013 and the contract was awarded to 1st lowest bidder. The price was compared with LPR of 2008 of similar machine supplied by the same supplier o4 years back and price was considered as reasonable at an annual escalation of 5.8%. Whereas, in case of international tender No. DP/Track

Machine/2013, annual price escalation by 1.88% was declared as reasonable by PR. So, at par the above evaluation criteria, the proportional cost increase in the present tender worked out to 7.52%. Thus, PR suffered loss of Rs 183.148 million due to award of contract at 15.68% exorbitant rates as a result of irrational evaluation of the tender as detailed in **Annexure-6.** This occurred due to negligence of the technical/ tender committee who failed to validate/assess the reasonability of quoted rate.

The issue was pointed out to management in June 2019 and discussed in DAC meeting held on 26.11.2021. PO explained that annual escalation of 5% to 7.5% of LPR was normally considered reasonable. The subject tender was awarded on basis of rate comparison with LPR @ 5.8% annual escalation which was reasonable. DAC directed the PO that the matter be referred to Ministry of Railways for its evaluation from some expert firm outside of Railways. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that the issue be got investigated to fix responsibility for the loss due to irrational comparison of tender rates and award of contract at higher rates. Action be taken against the persons held responsible under intimation to Audit.

4.2.10 Uneconomical procurement of Ballast Cleaning machine due to framing specification based on specific brand – Rs 601.212 million

Rule 10 of PPRA Rules 2004 states that specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. However, if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words “or equivalent”.

During performance audit of MTM Project, it was observed that Pakistan Railways procured a Ballast Cleaning machine (model RM 80

UHR) along with spare parts and standard accessories at FOB cost of Euros 4,629,337.88 (Rs 601.212 million) under contract agreement No. DP/BCM/ 2015 dated 10.02.2015 from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore. The specification of tamping machine to be procured was not made generic to ensure fair and healthy competition. Rather the specification of machine was apparently framed by copying technical features/data of the specific brand of Plasser & Theurer (model RM 80 UHR). Thus, by making tailor-made specification and imposing certain discriminatory terms and conditions other bidders were debarred from the competition. Consequently, a single and expensive offer of M/s Plasser & Theurer, Austria was accepted.

The issue was pointed out to management in June 2019. Management replied that PPRA rule was strictly followed and no brand name was mentioned for the machine. Some brand names were mentioned for engine, transmission etc. to ensure reliability of the machine but equivalent was allowed with all.

DAC in its meeting held on 01.10.2021 directed Member Finance to nominate a separate Inquiry Committee to probe the matter and submit report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for mis-procurement of machines from specific/own choice firm be fixed and action be initiated against the persons held responsible.

4.2.11 Loss due to procurement of Ballast Cleaning machine at higher rate – Rs 105.584 million

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

During performance audit of MTM Project, it was observed that an international tender for procurement of Ballast Cleaning machine was advertised and opened on 30.04.2014. Only single offer from M/s Plasser & Theurer was received. However, the tender was filed due to poor competition. Refloated tender was opened on 15.10.2014. Again single offer at a cost of Euros 4.629 million was received from the same Supplier. Tender Committee considered the quoted price reasonable by comparing with export price of Euros 3.816 million of similar machine supplied by the Supplier to Egypt during 2012-13. Yet, no effort was made to validate the reasonability of quoted price from external sources. This resulted in loss of Rs 105.584 million (4.629-3.816= 0.813*Rs 129.87 = Rs 105.584 million) due to purchase of Ballast Cleaning machine at 21.31% higher rate as compared with similar machine supplied to Egypt in the near past. This occurred due to negligence of the tender committee who failed to validate/assess the quoted price through independent external sources.

The issue was pointed out to management in June 2019. Management replied that the procurement was conducted in a fair and transparent manner in accordance to PPRA rules. It was an open tender and all bidders were given fair chance. First tender was filed due to single quotation and tender was refloated to seek possibility of more bids. Moreover, price comparison done by Audit was unfair because FOB price of the machine was Euros 4.310 million whereas Audit had taken total amount which included maintenance parts. The reply is not tenable because maintenance parts were included in both the cases.

DAC in its meeting held on 01.10.2021 directed Member Finance to nominate a separate Inquiry Committee to probe the matter and submit report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that the issue be got investigated through an independent investigating agency to fix responsibility for the loss and action be taken against the persons held responsible.

4.2.12 Poor performance of Ballast Cleaning machine

Clause 5.23 of technical specification for procurement of Ballast Cleaning machine provides that the ballast cleaning capacity of the machine shall not be less than 500 cubic meter per hour.

During performance audit of the MTM Project, it was observed that Pakistan Railways procured a Ballast Cleaning machine for Lahore Division at unit FOB cost of Euros 4,629,337.88 under contract agreement No. DP/ BCM/2015 dated 10.02.2015 from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore. The machine was put into service from 13.08.2016. Up to March 2019, the working performance of the machine was as under:

Machine No.	Period	Hours worked	Meters cleaned	Average meter cleaned per hour	Bench mark (meters to be cleaned per hour)
6426	01.08.2016 to 31.03.2019	996	77,522	77.83	500

The above position shows that working performance of the machine was 84% below the minimum rated capacity determined while framing specification of the machine. Thus, operation of machine below the minimum standard (benchmark) was un-economical, therefore, the expenditure incurred on procurement of less productive machine did not achieve intended benefits. This was due to negligence of the pre-shipment inspectors who failed to check the working performance of the machine before/after shipment.

The issue was pointed out to management in June 2019. Management replied that that the rated capacity of machine was 250 meter/hour not 500 meter/hour. The reply is not tenable because 250 meter/hour was adjustable limit.

DAC in its meeting held on 01.10.2021 directed Member Finance to nominate a separate Inquiry Committee to probe the matter and submit report within one month. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that issue be investigated to fix responsibility for procurement of less productive machine and action be taken against the persons held responsible.

4.2.13 Loss due to execution of irregular/unjustified contract agreement – Rs 9.547 million

Pakistan Railways has outsourced its operation and maintenance of track machines/cranes all over the system to Railcop since July 2009 under an agreement.

During performance audit of MTM Project, it was observed that Pakistan Railways had procured a Ballast Cleaning machine (model RM 80 UHR) along with spare parts and standard accessories at the FOB cost of Euros 4,629,337.88 (Rs 601.212 million) from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore under contract agreement No. DP/BCM/2015 dated 10.02.2015. The machine was shipped and commissioned on 21.05.2016 and 13.08.2016 respectively. The warranty period of the machine was up to 12.02.2018. In addition to procurement of Ballast Cleaning Machine, rates for Operation and Maintenance services (O&M) were also called for through tender. The rates quoted by the firm was as under:

Rates of operational service	Rs 330,000 Per month
Rates of maintenance service	Rs 280,000 Per month

The tender committee, comprising AGM/I, GM/M&S and Member Finance, recommended the above rates of O&M services for acceptance with the request that the contract for the same be executed by GM/Operations as and when required and the expenditure should be chargeable to Revenue. The Secretary/Chairperson Railways did not agree with the recommendations of tender committee and passed the following remarks "Why intermingling procurement and maintenance contract if later has to be charged to Revenue Account". Contrarily, the PD, MTM Project got the O&M services contract approved from CEO/Sr. GM by misstating that the same had the approval of the Secretary/Chairman Railways. But at the time of execution of agreement, the operation of the machine was not handed over to the supplier on the plea that the operational staff hired by the contractor (M/s Waris International, Lahore/ local agent) needs to be trained. Accordingly, only maintenance of the Ballast Cleaning Machine was outsourced to M/s Waris International, Lahore for one year extendable for 2^{nd} and 3^{rd} year @ 10% increase in cost over the previous year under contract agreement No. PD/MTM/BCM/ Maintenance/01 dated 12.07.2016. A sum of Rs 9.547 million had been disbursed to M/s Waris International, Lahore on this account from October 2016 to March 2019. This resulted in irregular/unjustified contract agreement and payment of Rs 9.547 million because it was in violation of Rule-4 of Procurement of Consultancy Services Regulations 2010 & cannon of financial propriety, the machine was under warranty and only to favour the contractor as detailed in **Annexure-7.**

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 29.10.2021. Management apprised the DAC that the expertise for maintenance of Ballast Cleaning Machine was not available in open market except OEM of the machine. Hence, maintenance agreement was made with the OEM. However, Audit informed the DAC that all track machinery owned by PR was being maintained by Railcop under a running contract since long. Railcop had enough knowhow for O & M relating to the track machines. Besides above, 04 officials of PR and Railcop were specifically got trained from the OEM for that purpose. The present contract for maintenance of the machine was executed with M/s Waris International, Lahore (local agent) who had no past experience for O & M of that machine. DAC directed CFO to inquire within 30 days whether Railcop had no expertise/facility for O & M of Ballast Cleaning Machine and also probe whether necessary expertise/experience for O&M of the machine was available with M/s Waris International, Lahore (local agent). Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that the issue be got investigated through the Federal Government to fix responsibility for irregular/unjustified contract agreement. Action be taken against those found at fault besides recovery of the amount involved.

4.2.14 Loss due to procurement of Sleeper Exchange machines at higher rate – Rs 195.996 million

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

During performance audit of the MTM Project, it was observed that an international tender for procurement of 04 Sleeper Exchange machines was advertised and opened on 17.12.2015. Only Single offer from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore was received @ Euros 750,337.49 (FOB) per unit with spare parts/accessories. This type of machine was first time procured by PR hence LPR was not available. Accordingly, the PD MTM ascertained the reasonability of the quoted rates with the rates of supplier for the agreement executed with M/s Infrakos, JSC, Kosovo for supply of same machine with spare parts/accessories @ Euros 709,017.24 (DDP) on 10.07.2015. The quoted rate was considered competitive and reasonable and the contract for supply of 04 Sleeper Exchange machines at (FOB) cost of Euros 3,001,349.96 was awarded to M/s Plasser & Theurer. Audit was of the view that the rate comparison done by PD MTM for the supply of same machine to Kosovo was irrational because the terms of delivery in both cases were altogether different. The terms of delivery of PR contract were FOB while in case of contract with Kosovo, the terms of delivery were DDP. Under DDP incoterm, the seller’s price to the buyer includes, besides the FOB cost, all costs e.g. freight, insurance, custom clearance, all duties and taxes payable on import etc. required to deliver the goods to the buyer’s door. Thus, DDP price is nearly 40% lesser as compared to the FOB price. This resulted in loss of Rs 195.996 million to PR due to malafide intention of Railway management as detailed in **Annexure-8**. This occurred due to negligence of the tender committee who failed to validate/ assess the quoted rate.

The issue was pointed out to management in June 2019. Management replied that the procurement was conducted in fair and transparent manner in accordance with PPRA rules. Price of the machine was Euros 690,000 which had been mentioned by Audit as Euros 750,337.49. Moreover, Kosovo was European country and customs tariff did not apply on imports within Europe. Thus, loss calculation done by Audit was totally incorrect. The reply is not tenable because price of machines being compared included cost of spare parts/accessories in both cases. Besides, in case of machine sold to Kosovo, price included 18% value added tax to be paid by the supplier.

DAC in its meeting held on 29.10.2021 directed the PO to furnish revised reply duly supported by documentary evidence to Audit within 30 days. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that the issue be got investigated through an independent investigating agency to fix responsibility for the loss and action be taken against the persons held responsible.

4.2.15 Poor performance of Sleeper Exchange machines

Clause 7.5 of technical specification for procurement of Sleeper Exchange machines provides that the machine should be capable of exchanging minimum 15 sleepers per hour subject to normal condition of track.

During performance audit of the MTM Project, it was observed that Pakistan Railways procured 04 Sleeper Exchange machines for Lahore Division at unit (FOB) cost of Euros 690,000 under contract agreement No. DP/SEM/2016 dated 12.08.2016 from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore. The machine was put into service from 15.05.2018. Up to March 2019 working performance of machine No. 6730 was 48% below the benchmark while that of machine No. 6731 (35%), machine No. 6732 (48%) and machine No. 6733 (76%) were below the minimum rated capacity determined while framing specification of the machines as detailed in **Annexure-9**. Operation of machines below the benchmark was un-economical, therefore, the expenditure incurred on procurement of less productive machines did not achieve intended benefits. This occurred due to negligence of the pre-shipment inspectors who failed to check the working performance of the machine before/after shipment.

The issue was pointed out to management in June 2019. Management replied that the performance of Sleeper Exchanging Machine was 15 sleepers in one hour as provided in the technical specifications. Audit Team has taken the block time given to the machine to work out its total progress and has not subtracted the time taken by machine from originating station to location of work, time taken from one sleeper to another and time taken by labour on each sleeper. The reply is not tenable because the performance benchmark would have been determined after taking into consideration all the other factors.

DAC in its meeting held on 29.10.2021 directed the PO to share the performance of Sleeper Exchange machines with Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that issue be investigated to fix responsibility for procurement of less productive machines and action be taken against the persons held responsible.

4.2.16 Loss due to procurement of Light Weight Tamping machines (Universal) at higher rate – Rs 23.767 million

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

During performance audit of the MTM Project, it was observed that an international tender for procurement of 02 Light Weight Tamping machines (Universal) was opened on 04.02.2016. Only single offer from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore was received @ Euros 492,000 (FOB) per unit and CFR @ Euros 505,107 per unit. This type of machine was being first time procured by PR hence

LPR was not available. The bidder was asked to provide price references of his previous supplies. In response, the bidder provided a copy of contract dated 26.04.2002 executed for supply of same machine to Greece @ Euros 322,817 (CIP). There was 52.41% increase in price over the last 14 years (3.74% per annum). The quoted rate was considered competitive and reasonable and the contract for supply of 02 Light Weight Tamping machines along with spare parts/ accessories at (FOB) cost of Euros 1,048,208.28 was awarded to M/s Plasser & Theurer. Audit was of the view that rate comparison done by Railway management for the supply of same machine to Greece was irrational because the terms of delivery in both cases was altogether different. The terms of delivery of PR contract was FOB while in case of Greece, it was CIP, which includes, besides the FOB cost, the cost of freight and insurance. In addition, the seller delivers the goods to the place specified by the buyer. Thus, by taking into account the freight and insurance of machines currently supplied to PR, the actual increase works out to be 58.03% (annual escalation 4.145%). Whereas, in case of international tender No. DP/Track Machine/2013, annual price escalation by 1.88% was declared as reasonable by PR. So, as per above evaluation criteria, the proportional cost increase in the present tender worked out to 26.32%. Thus, PR suffered loss of Rs 23.767 million due to acceptance of 31.71% higher rate as a result of irrational evaluation of the tender as detailed in **Annexure-10**. This occurred due to negligence of the technical/ tender committee who failed to validate/assess the reasonability of quoted rate.

The issue was pointed out to management in June 2019. Management replied that comparison of 1.88% price escalation in case of Track Machines with Tamping Machine was not justified as Track Machines were in regular demand / production whereas Tamping Machines were generally produced on specific demand. The reply is not satisfactory because 4.145% price escalation per annum in Euro currency is questionable.

DAC in its meeting held on 29.10.20 directed the PO that a statement showing comparison of rates on FOB and FOR basis be provided to Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that the issue be got investigated through an independent investigating agency to fix responsibility for the loss and action be taken against the persons held responsible.

4.2.17 Poor performance of Light Weight Tamping machines (Universal)

Clause 5.2.5 of technical specification for procurement of Light Weight Tamping machine provides that the machine should be capable of tamping 150 meters per hour under normal circumstances with single penetration.

During performance audit of the MTM Project, it was observed that Pakistan Railways procured 02 Light Weight Tamping machines (universal) for Lahore Division at unit (FOB) cost of Euros 492,000 under contract agreement No. DP/LBTM/2016 dated 23.08.2016 from M/s Plasser & Theurer, Austria through M/s Waris International, Lahore. The machines were put into service in January 2018. Up to March 2019, the performance of the machines was as under:

Machine No.	Period	Hours worked	Meters packed	Average meters packed per hour	Performance benchmark (meters to be packed per hour)
6738	22.01.2018 to 31.03.2019	612	27585 (No. of sleeper packed 45241)	45	150 meters per hour
6739	22.01.2018 to 31.03.2019	161	9184 (No. of sleeper packed 15062)	57	-do-

The above position shows that working performance of machine No. 6738 was 70% below the benchmark while that of machine No. 6739 was 62% below the minimum rated capacity. Operation of machines below the benchmark was un-economical; therefore, the expenditure incurred on procurement of less productive machines did not achieve intended benefits. This occurred due to negligence of the pre-shipment inspectors who failed to check the working performance of the machines before/after shipment.

The issue was pointed out to management in June 2019. Management replied that the performance of Tamping Machine was 150 meters per hour as provided in the technical specifications. Audit Team had taken the block time given to the machine to work out its total progress and had not subtracted the time taken by machine from originating station to location of work, time taken from one sleeper to another and time taken by labour on each sleeper. The reply is not tenable because the performance benchmark would have been determined after taking into consideration all the other factors.

DAC in its meeting held on 29.10.2021 directed the PO that performance report of both the machines be provided to Audit for verification. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that issue be investigated to fix responsibility for procurement of less productive machines and action be taken against the persons held responsible.

4.2.18 Poor performance of Light Weight Tamping machines

Clause 5.2.5 of technical specification for procurement of Light Weight Tamping machines provides that the machine should be capable of tamping 150 meters per hour under normal circumstances with single penetration.

During performance audit of the MTM Project, it was observed that Pakistan Railways procured 02 Light Weight Tamping machines for Lahore Division at unit (FOB) cost of Euros 355,810 under contract agreement No. DP/LBTM/2015 dated 21.12.2015 from M/s Geismar, France through M/s Ahmed Jaffer & Co. Islamabad. The machines were put into service in September/October 2017. Till March 2019, the working performance of the machines was as under:

Machine No.	Period	Hours worked	Meters packed	Average meters packed per hour	Performance benchmark
16035	10.09.2017 to 31.03.2019	120	5345 (No. of sleeper packed 8766)	45	150 meters to be packed per hour
16036	08.10.2017 to 31.03.2019	550	14180 (No. of sleeper packed 23255)	26	-do-

The above position shows that working performance of machine No. 16035 was 70% below the benchmark while that of machine No. 16036 was 83% below the minimum rated capacity determined while framing specification of the machines. Operation of machines below the benchmark was un-economical; therefore, the expenditure incurred on procurement of less productive machines did not achieve intended benefits. This occurred due to negligence of the pre-shipment inspectors who failed to check the working performance of the machine before/after shipment.

The issue was pointed out to management in June 2019. Management replied that the performance of Tamping Machine was 150 meters per hour as provided in the technical specifications. Audit Team had taken the block time given to the machine to work out its total progress and had not subtracted the time taken by machine from originating station to location of work, time taken from one sleeper to another and time taken by labour on each sleeper. The reply is not tenable because the performance benchmark would have been determined after taking into consideration all the other factors.

DAC in its meeting held on 29.10.2021, directed the PO that performance report of both the machines be provided to Audit for verification. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that issue be investigated to fix responsibility for procurement of less productive machines and action be taken against the persons held responsible.

4.2.19 Irregular award of tender to a disqualified/non-responsive firm by extending favour-Rs 33.208 million

Rule-19 of PPRA Rules 2004 provides that the procuring agency shall disqualify a supplier or contractor if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete. Rule-20 also provides that the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority.

During performance audit of MTM Project, it was noticed that an international tender for procurement of 31 Nos. Rail Cutting machines was opened on 10.12.2013. Following three firms participated:

1. M/s L. Geismar, France. (Manufacturer: L. Geismar, France).
2. M/s Holm GmbH, Germany through M/s Waris International, Lahore. (Manufacturer: Robel Germany).
3. M/s Jade International, UK through M/s Z.M. Enterprises, Lahore (Manufacturer: Husqvarna Construction Products Sweden).

Technical Committee comprising PD/MTM, CME/C&W and PD/TR (KPR-LON) was nominated by the GM/M&S for evaluation of the offers. As per report of the technical committee, offers of M/s Holm, Germany and M/s Jade International, UK were declared technically qualified and the tender was awarded to 1st lowest bidder (M/s Jade International, UK) at a cost of Rs 33.208 million (186,909 GBP). Audit noticed that supply references provided along with technical offer by M/s Jade International, UK in reference to Clause-10 of the tender specifications, were incorrect because those were in favour of M/s FCS, Italy instead of M/s Husqvarna Construction Products Sweden, by whom the supplier had been authorized to participate in the tender. Therefore, the supplier was liable to be taken up for disqualification under PPRA Rules for providing false information concerning his qualification. Instead of disqualifying the firm, Pakistan Railways awarded the contract to said firm by extending undue favour. In view of the position explained above, Audit was of the view that the supplier engaged himself in "fraudulent practice" for winning the tender in connivance with the tender committee. This occurred due to malafide intention of the technical committee who deliberately declared the firm technically qualified.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 29.10.2021. The DAC was informed that the company offered K 1260 model of Rail Cutting Machine made by Husqvarna AB Sweden. In support of its offer, the company has given experience certificate of Husqvarna, Russia being a legal entity of Husqvarna AB Sweden in Russia for K 1260 model Rail Cutting Machine. Furthermore, the same machines K 1260 were supplied by FCS srl to GTE Welding Pvt. (Ltd) and Lifton Polska. Accordingly, the end user certificates in favour of FCS were attached with the offer for Technical Evaluation. DAC pended the Para and directed to constitute an inquiry committee comprising Additional General Manager/Mechanical and Chief Finance Officer to probe whether the technical evaluation had resulted in an adverse economic impact or otherwise. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that an independent fraud investigation be got carried out through the Federal Government to fix responsibility for fraudulent award of contract and action be taken against the persons held responsible.

4.2.20 Poor performance of Rail cutting machines

Clause 3.4 of technical specification for procurement of Rail cutting machines provides that cutting time for all rail section should not be more than 90 seconds for all type of rails. Moreover, in terms of clause 11.1 of the specifications, the machines were under warranty of trouble-free service of 18 months from the date of operation or 24 months from the date of receipt at Karachi port, whichever is earlier.

During performance audit of the MTM Project, it was observed that Pakistan Railways purchased 31 Nos. Rail cutting machines from M/s Jade International, UK through M/s Z.M. Enterprises, Lahore at a cost of GBP 186,909 (Rs 33.208 million) under contract agreement No. DP/RCM/2015 dated 23.01.2015. The machines were shipped on 3rd July 2015. Out of 31 machines, 17 relate to MTM Project, which were allocated to the following subordinate offices (PWI):

S. No.	Subordinate Office	Quantity	Date received
1	Okara	2	8/2016
2	Raiwind	2	8/2016
3	Wazirabad	1	8/2016
4	Gujranwala	1	6/2017
5	Hafizabad	1	8/2016
6	Qila Sheikhupura	2 (both out of order since 20.03.2019)	6/2016
7	Faisalabad	2 (both out of order since 10.01.2019)	9/2016
8	Gojra	2 (one out of order)	8/2016

During the course of audit, the performance of rail cutting machine was physically checked in presence of PWI/Gujranwala on 03.04.2019 and it was noticed that the machine took 2 minutes and 45 seconds to cut 100 RE rail. Moreover, as reported by PWI/Raiwind, the machine took 3 to 7 minutes to cut 100 RE rails. Similarly, PWI/Gojra reported that the cutting machine took 03 to 04 minutes to cut 100 RE rails. Furthermore, it was also observed that 93 “pistons complete with rings” (3 sets with each machine) were purchased at total cost of Rs 2.065 million (@ Rs 22,208 each). All the pistons were noticed to have been utilized within three years of service. The dates of issue were not mentioned in the ledgers due to which frequency of replacement of rings/pistons could not be ascertained. Neither any warranty claim was lodged nor action taken to investigate the root cause of premature failures of vital engine parts. The inaction of user authorities over the issue denotes criminal negligence. This occurred due to negligence of the project management who failed to check the working performance of the machine during warranty period.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 29.10.2021. The DAC was informed that performance of Rail cutting machines depended upon the condition of railway track where it was working. DAC directed the PO to furnish detailed performance report of Rail Cutting machines to Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that issue be investigated to fix responsibility for procurement of less productive machines and poor quality spares besides explaining reasons for not lodging warranty claims for premature failure of engine parts.

4.2.21 Poor performance of Rail Drilling machines

Clause 3.8 of technical specification for procurement of Rail drilling machines provides that the machine should be capable to drill hole in 54 KG rails within 90 seconds.

During performance audit of the MTM Project, it was observed that Pakistan Railways purchased 37 Nos. Rail drilling machines from M/s Geismar, France at a cost of Euros 306,175 (Rs 34.484 million) under contract agreement No. DP/RDM/2015 dated 21.12.2015. The machines were received in Track Machine Shop in November 2016. Out of 37 machines, 17 related to MTM Project, delivered to the following subordinates:

S. No.	Subordinate PWIs	Quantity	Date received
1	Okara	2	11/2016
2	Raiwind	2	11/2016
3	Wazirabad	1	01/2017
4	Gujranwala	1	03/2017
5	Hafizabad	1	03/2017
6	Qila Sheikhupura	2	08/2017
7	Faisalabad	2	11/2016
8	Gojra	2	02/2017

During the course of audit, the performance of rail drilling machine was physically checked in presence of PWI/Gujranwala on 03.04.2019 and it was noticed that the machine took 01 minutes and 30 seconds to make drill in 100 RE rail. Moreover, as reported by PWI/Raiwind, the machine took 3 to 5 minutes to make drill in 100 RE rails. Similarly, PWI/Gojra reported that the machine took 04 to 05 minutes to make drill in 100 RE rails. Audit also observed that the supplier had claimed that the offered machine was capable of making drill in 54 KG rails in 60 seconds. This indicated that the performance of the machines was much below the benchmark. This resulted in procurement of less productive machines due to criminal negligence of Railway management. This occurred due to negligence of the project management who failed to check the working performance of the machine.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 29.10.2021. The DAC was informed that the performance of the Rail Drilling machine was physically checked by the officers of Civil and Mechanical Department and found the machines as per bidding specification. DAC directed the PO to furnish detailed performance report of Rail Drilling Machines to Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that issue be investigated to fix responsibility for procurement of inefficient machines and action be initiated against the persons held responsible.

4.2.22 Loss due to non-replacement of defective material – Rs 14.155 million

Clause 5.1(a) of technical specification for procurement of Rail drilling machines provides that the supplier shall provide 3700 drill bits 28 mm as per bill of quantities. Moreover, the supplier certified that the specification, quality and quantity of parts/accessories is as per contract agreement.

During performance audit of MTM Project, it was observed that Pakistan Railways purchased 37 Nos. Rail drilling machines from M/s Geismar, France at a cost of Euros 306,175 (Rs 34.484 million) under contract agreement No. DP/RDM/2015 dated 21.12.2015. The consignment was shipped on 15.05.2016 and entire amount of LC was disbursed. The machines/ accessories were received in Track Machine Shop in November 2016. During joint verification dated 04.11.2016, the entire quantity (e.g. 3700 drill bits 28 mm) valuing Rs 16.669 million (Euros 148,000) was found defective, therefore, it was rejected and the supplier was asked to replace the defective material at the earliest. The supplier delivered 558 drill bits on 07.05.2018 against rejected supply of 3700 bits, but remaining quantity of 3,142 bits valuing Rs 14.155 million were not yet replaced. No action was taken against the supplier. This resulted in loss of Rs 14.155 million to PR due to criminal negligence of the project management who neither got replaced the rejected material nor encashed the performance guarantee within its validity.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 26.11.2021. The DAC was informed that out of 3700 drill bits rejected at the time of inspection in November 2016, a quantity of 848 drill bits had been replaced by the supplier till 26.03.2018. The matter for replacement of remaining 2852 drill bits was in process. DAC kept the Para pending and directed the PO to furnish latest progress of the case to Audit for verification. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for the loss be fixed and the amount involved be recovered from the persons held responsible.

4.2.23 Uneconomical purchase of Bolt Tightening machines due to non-competitive bidding – Rs 44.711 million

Rule-4 of PPRA Rules 2004 provides that the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rule-10 states that the specifications shall be generic so as to allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage.

During performance audit of the MTM Project, it was observed that an international tender for procurement of 23 Bolt Tightening machines along with spare parts was opened on 10.12.2013. Three firms participated in the bid. Two firms were declared technically unqualified and the single offer from M/s Holm GmbH, Germany through M/s Waris

International Lahore at total FOB cost of Euros 300,944.88 (Rs 44.711 million) was accepted by the Secretary/Chairperson on recommendations of tender Committee. This resulted in non-competitive bidding, its reasons were that the specification of the machine was not generic and some clauses were reported to have been tailor-made (being based on Robel type 30-82). This type of machine was not procured by PR in the past, therefore, no LPR was available. The case was referred to the end users to offer comments regarding reasonability of rates. The end users viz. PD/MTM, PD/RFD and PD/TR (KPR-LON), after making comparison with some other machines e.g. drilling machine, grinding machines etc. purchased by CCP in the past, declared that the price of machine was competitive and reasonable. Audit considers that the "rate comparison" made with different type of machines was irrational. This state of affairs indicated that due diligence was not exercised while evaluating the reasonability of tender rates and the rates were considered competitive and reasonable on unjustifiable grounds which tantamount to criminal negligence. This occurred due to negligence of the tender committee who failed to properly validate/ assess the quoted rate.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 29.10.2021. DAC was informed that the procurement was conducted in fair and transparent manner in accordance to PPRA rules. It was open tender and all bidders were given fair chance. A pre-bid conference was also held so that bidders could raise their points. Since none of the bidders raised any objection on the specification being tailor made. However, Audit pointed out that some clauses of the specification were tailor-made which restricted the competition. Moreover, rate comparison made with LPR of different machine. DAC directed the PO to furnish detailed comprehensive reply with documentary evidence within 30 days. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for procurement of specific machines by carrying out irrational price comparison be fixed and disciplinary proceedings be initiated against the persons held responsible for non-competitive procurements.

4.2.24 Procurement of imperfect Bolt Tightening machines and non-recovery of cost paid to supplier for pre-shipment inspection of machines

Clause 2.4 of technical specification for procurement of Bolt Tightening machines stipulates that the engine of the machine should contain "Key Switch and Recoil Starter". In terms of Article 13.1 of the contract agreement, inspection of material shall be carried out by a team of two civil engineers of Pakistan Railways for a period of seven working days at the manufacturer's works to ensure that it conforms to the specifications laid down in the contract agreement.

During performance audit of MTM Project, it was noticed that Pakistan Railways procured 23 Bolt Tightening machines along with spare parts from M/s Holm GmbH, Germany through M/s Waris International, Lahore at the total FOB cost of Euros 300,944.88 (Rs 44.711 million) under contract agreement No. DP/BTM/2015 dated 30.03.2015. Two PR Inspectors (viz. Dy. PD/MTM and XEN/G HQ) were nominated vide MOR notification dated 03.09.2015 for pre-shipment inspection of machines for one week (excluding journey time) at manufacturer's place Robel GmbH, Frellasing-South Germany. The consignment was shipped on 24.11.2015. Scrutiny of record disclosed that the nominated Inspectors neither carried out Physical inspection of machines at the manufacturer's factory nor at the time of delivery at Raiwind Store Depot. This resulted in loss of public money paid to the contractor for the provision of pre-shipment inspection. Moreover, during physical inspection Audit Team noticed that the machines supplied by the bidder contained single feature i.e. "Recoil Starter" while the other feature viz. "Key Switch" was not found to have been installed in the machines. This resulted in deviation from specification mentioned in the contract which occurred due to criminal negligence of project management and the inspectors nominated for the inspection.

The issue was pointed out to management in June 2019. Management replied that Ministry of Railways nominated two officers for pre-shipment inspection, but the said officers could not proceed abroad due to non-issuance of official passports. Therefore, the machines were shipped without requisite inspection in terms of Article-13.2 of the contract. Moreover, an emergency stop switch has been provided on operation handle in order to stop the machine immediately to avoid any damage. The reply is not satisfactory because neither cost of pre-shipment inspection paid to the supplier was recovered nor the nominated inspectors carried out inspection of the machines at the time of delivery in Pakistan. Regarding provision of emergency stop switch, it is pointed out that the emergency stop switch is an additional function provided by the supplier free of cost, whereas, “Key Switch” includes on/off functions which serves as an alternative function of “Recoil Starter”.

DAC in its meeting held on 29.10.2021 was informed that during the procurement of Bolt Tightening Machines, all the possible measures were taken by the MTM project to get best machines which were being used in global railway system. M/s Holm GmbH (Robel), being one of the best known brands of the system, was the successful bidder. DAC directed the PO that copy of technical evaluation report be provided to Audit for verification. Scrutiny of Technical evaluation provided by the management revealed that the supplier admitted to provide both functions e.g. “Key Switch and Recoil Starter” in the machine.

Audit recommends that responsibility for procurement of imperfect machines be fixed and action be taken to recover the amount of pre-shipment inspection paid to the supplier.

4.2.25 Uneconomical purchase of Excavators due to framing tailor-made specification – Rs 49.786 million

Rule-4 of PPRA Rules 2004 provides that the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rule-10 states that the specifications shall be generic so as to allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage.

During performance audit of MTM Project, it was observed that a tender for procurement of 02 Excavators with accessories on FOR basis was opened on 25.4.2016. Two firms (i.e. M/s Sadidians Lahore and M/s Spirit Industries, Lahore) participated in the tender. Technical committee comprising Dy. CEN/Bridges and DY.CEN/Middle was nominated to evaluate the offers. Both the firms were declared technically non-responsive and the tender was filed accordingly. Refloated tender was opened on 15.12.2016. Again two firms (M/s Transword Associates and M/s Spirit Industries, Lahore) submitted their offers. The offers were evaluated by technical committee comprising Dy. PD/MTM and Dy. CEN/Track. Single offer of M/s Spirit Industries, Lahore was declared technically suitable. Wheel Excavator was being procured first time hence no LPR was available. However, the rate was compared with Excavator (Model S180 W-V) purchased by Project Director, Rehabilitation Irrigation System KP in June 2013 at a cost of Rs 18.032 million and the rate was found 1.68% less to updated price. Thus, the contract for procurement of two Excavators was awarded to M/s Spirit Industries, Lahore at a cost of Rs 49.786 million on 20.04.2017. The reason for poor competition was that the specification of Excavator was not generic rather it was tailor-made. Moreover, the rate comparison made with different type of machines was irrational. This state of affairs indicated that due diligence was not being exercised while evaluating the reasonability of tender rates. This resulted in uneconomical purchase of excavators due to framing tailor-made specification amounting to Rs 49.786 million.

The issue was pointed out to management in June 2019. Management replied on 10.03.2021 that the procurement was conducted in a fair and transparent manner in accordance with PPRA rules. It was open tender and all bidders were given fair chance. A pre-bid conference was also held so that bidders could raise their points. First tender was filed due to non-compliance of technical specifications by the bidders. The contention of Audit that specifications were not generic was incorrect because besides Doosan most of the well-known wheel excavators such as Volvo EW180, CAT M318D, CASE WX188, ATLAS 190W qualified PR’s criteria.

DAC meeting was held on 29.10.2021. DAC directed the PO to provide following documents to Audit for verification. (i) specification of excavators and (ii) copy of minutes of Pre bid meeting reflecting that no issue was raised by participants. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for procurement of uneconomical machines by carrying out irrational price comparison be fixed and disciplinary proceeding be initiated against the persons held responsible for non-competitive procurements.

4.2.26 Loss of Rs 2.539 million due to import clearance of machinery parts under irrelevant Pakistan Custom Tariff Code

As per Pakistan Custom Tariff (PCT) Code 8604 & 8608, the rate of levy of Custom duty was 5% on import of machinery and parts thereof.

During performance audit of MTM Project, it was observed while scrutiny of record of the Deputy Controller of Stores (Shipping) KC that Pakistan Railways incurred extra expenditure of Rs 2.539 million due to clearance of Railway machinery/parts under “general machinery” PCT Code at which custom duty was levied @ 10%, whereas, the Railway machinery/ parts were required to be cleared from Custom Department under PCT Code 8604/8608 on levy of 5% custom duty. This resulted in loss of Rs 2.539 million due to negligence of DCOS (Shipping) K.C.

The issue was pointed out to DCOS (Shipping) KC in February 2019. It was replied in June 2019 that the assessment of goods as per invoices contracts and physical examination was made by Custom authorities under general machinery, thus the legitimate custom duty was paid to Government Exchequer. The reply is not tenable because the reference of Pakistan Railways was clearly mentioned on invoices and contracts, in presence of which, the assessment of Railway goods under general category was irrational. Thus, Railway administration should have preferred claim against the irrational assessment of custom tariff.

The issue was pointed out to management in June 2019. Management reiterated its earlier stance. The reply was not satisfactory because the machinery purchased by PR for exclusive use, therefore, it could not be charged under general machinery tariff.

DAC in its meeting held on 29.10.2021 directed the PO to refer audit observation to CCS for comments on the issue raised by Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit, therefore, recommends that the matter be investigated to fix responsibility for the loss due to application of irrelevant tariff and action be taken against the persons held responsible.

4.2.27 Irrational charging of sea freight by PNSC to Pakistan Railways

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

During performance audit of MTM Project, it was observed while scrutiny of record of the District Controller of Stores (Shipping), KC that Pakistan National Shipping Corporation (PNSC) charged irrational amount of sea freight to Pakistan Railway on import of project machinery/consignments from international ports. The freight rate charged on import of similar nature machinery/consignments shipped from same international port varied from 21% to 118% as detailed in **Annexure-11**. This resulted in loss by charging higher rate due to negligence of DCOS (Shipping) K.C. who failed to watch the interest of PR.

The issue was pointed out to DCOS (Shipping) KC in February 2019. Management replied that the consignments were shipped on various dates with considerable interval of times and freight charges vary due to numerous factors like fluctuation of fuel costs and other factors as involved in international shipping i.e. availability of vessel at call port within shortest time, dimensions or weight of cargo, time of calendar year and route of the vessel etc. The reply is not tenable because the amount of freight charged by PNSC through the freight bills under reference was much higher as compared with the rate quoted by the bidders in their bids after ascertaining from PNSC. Moreover, the DCOS (Shipping) did nothing to check/compare the legitimacy and accuracy of freight rates being charged through freight bills relating to PR.

DAC in its meeting held on 29.10.2021 directed the PO to refer audit observation to CCS for comments on the issue raised by Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that the matter be investigated to fix responsibility for the loss due to application of higher rate of tariff and action be taken against the persons held responsible.

4.2.28 Non-competitive procurements due to provision of uneven evaluation criteria and tailor-made specifications.

Rule-4 of PPRA Rules 2004 provides that the procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rule-10 states that the specifications shall be generic so as to allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage.

During performance audit of the MTM Project, it was observed that evaluation criteria of a mandatory tender clause regarding “supply of performance reports from the end users” of machinery/equipment procured under the Project was not uniform and specifications of machinery/equipment was not generic/broad based. Scrutiny of tender cases revealed that the condition of “End-user Reports” in different tenders varied from zero to 10 which indicates that the said mandatory clause was apparently misused to expel various prospective manufacturers from the fair competition with a view to select “own choice suppliers” as detailed in **Annexure-12**. Audit also noticed instances wherein specifications were totally based on brochures/ booklets of specific manufacturers to whom the tenders were finally awarded. Consequently, 50% tenders (8 out of 16 see Annexure-11) were awarded on single offers.

This situation led to believe that the specification/evaluation criteria set forth in the tenders was tailor-made.

The issue was pointed out to management in June 2019 and also discussed in DAC held on 26.11.2021. DAC was informed that the technical evaluation criteria was prepared keeping in view the number of factors and cannot be uniform for all types of machines. Accordingly, the number of end-user reports for each tender was fixed on the basis of the factors i-e cost, type, common/specific etc. DAC kept the Para pending and directed to constitute an inquiry committee comprising AGM/M & CFO to probe whether specifications were according to PPRA Rules or otherwise and submit report within two weeks to DAC as well as to Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for non-competitive procurements of machinery/equipment by manipulation of evaluation criteria and framing tailor-made specifications be fixed and disciplinary proceeding be initiated against the persons held responsible besides strengthening the internal controls to avoid such recurrence in future.

4.2.29 Non-involvement of end-users during planning stage of the project resulted in irrelevant purchase of machinery/ equipment valuing – Rs 149.920 million

In order to achieve maximum benefits of the money, intended to be spent on acquisition of machinery/equipment and assessment of needful requirement, the involvement of end-users at planning stage of the Project was very much essential.

During performance audit of MTM Project, it was observed that Divisional authorities (end users) were not taken on board while preparing PC-I of the project. Neither the actual demand for mechanization of track maintenance was obtained nor final list of machinery/equipment was got vetted from the end-users. Rather, on receipt of machinery, the Divisional Office was asked to submit purchase requisitions. Audit observed during physical verification that 04 trucks acquired at a cost of Rs 11.200 million were handed over to IOWs, who had nothing to do with the mechanization of track. Similarly, 16 fork lifters purchased at a cost of Rs 46.396 million were also lying idle because those were not fit for working in PWI stores. Furthermore, 17 diesel generating sets with lighting towers costing Rs 17.364 million were also lying unused with different PWIs. In addition, 2 excavators valuing Rs 49.786 million were also lying idle. Hence, the money (Rs 149.920 million) spent on acquisition of the above plant and machines proved futile/ useless because those were procured without demand of the end-users.

The issue was pointed out to management in June 2019. Management replied that the plea of audit was incorrect that the PC-I was framed without involving end users. The PC-I had been prepared by Dy. CEN/Track and Chief Engineer/Open Line who were in fact the end users. The machines mentioned in the para were as per requirement.

DAC in its meeting held on 29.10.2021 directed the PO that performance / utilization report of machinery/ equipment be provided to Audit for verification. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for acquisition of irrelevant machinery/equipment without consultation of the end users be fixed and action be taken against the persons held responsible.

4.2.30 Unauthorized procurement by superseding approved channel and loss due to delay in initiating the purchase process – Rs 34.260 million

As per approved procedure, tenders for procurements relating to PSDP Projects containing FEC, are processed on FOB basis through Directorate of Procurement under the Ministry of Railways and contract agreements are executed with successful bidders after obtaining specific approval of Secretary/Chairman on recommendations of the Railway Board's tender committee.

During performance audit of MTM Project, it was observed that there was a provision of Rs 34.000 million including FEC Rs 23.460 million in approved PC-I of the Project for procurement of 02 Excavators and 09 Fork Lifters as detailed in **Annexure-13.** The project was commenced w.e.f. 01.10.2012. Instead of forwarding the purchase requisitions of the said machines to the Directorate of Procurement, the project management called for tenders on FOR basis with the administrative approval of AGM/ Infrastructure in 2016. This not only resulted in unauthorized procurement but also the cost thereof was increased to Rs 68.260 million due to delay in initiating the purchase process. This occurred due to malafide intention of project management who purposefully superseded the approved channel of procurement.

The issue was pointed out to management in June 2019. Management replied that the above machines were procured after getting proper approval from the AGM/I due to lack of FEC allocation, time constraints and the machines were purchased from the original manufacturer through their authorized local dealers on FOR basis. The cost comparison was not justified as the machines were purchased in 2016-17, whereas, the estimates given in PC-I were of 2008-09.

DAC in its meeting held on 29.10.2021 directed the PO to furnish comprehensive revised reply giving reasons for change in mode of procurement from FOB to FOR within 30 days. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for extra/unauthorized expenditure may be fixed and action be taken against the person held responsible.

4.3 Constructions and works

The construction and works should be done in an efficient and economic manner in accordance with the requirements of PC-I.

4.3.1 Non-completion of work for improvement of Track Workshop, Track Machine Shop and SSKP Store at Raiwind

As per original PC-I of MTM Project, a sum of Rs 179.875 million (including FEC Rs 122.262 million) was allocated for improvement of Track Workshop, Track Machine Shop and SSKP Store at Raiwind.

During performance audit of MTM Project, it was observed that the above work was not completed and handed over to the concerned authorities for operational purposes. An expenditure of Rs 34.672 million was booked to the work but final bill and completion plan was neither available in PD Office nor in Accounts Office. Non-completion/handing over the work according to intended scope and within scheduled time indicated inefficiency of the project management. Besides, the amount spent on the above work did not achieve intended benefits. The remaining allocation of Rs 145.203 million was neither utilized nor surrendered.

The issue was pointed out to management in June 2019. Management replied that the workshop as mentioned above had been completed at Raiwind at a cost of Rs 34.672 million. The purpose of this workshop was to provide a parking place and periodical lubrication to the machines under MTM. The site was in use and all the machines were parked in newly constructed garages. The track in the shed was to be linked with the line of PWI store track which was about 350 ft. from the shed. The earthwork was planned by inviting tender in 2018-19 but could not be executed due to time limitation. Now Lahore / Division would link the track shortly. However, the structure constructed was in use.

DAC in its meeting held on 29.10.2021 directed that the matter be referred to Ministry of Railways to conduct a fact finding inquiry in this regard. TORs may be derived from the contents of the Para and Inquiry Report be submitted to Audit within 45 days. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for non-completion and handing over the work/premises to the concerned authorities be fixed and action be taken against the persons held responsible for blocking of public money.

4.3.2 Non-preparation of cash/work plan resulting in curtailment of funds

As per original PC-I of the project capital expenditure of Rs 3,085.69 million was planned to be incurred and 69% physical work was required to be completed during 2012-13 and remaining 31% during 2013-14.

During performance audit of MTM Project, it was observed that neither cash/work plan was prepared by the project management nor any expenditure incurred during 2012-13. As per administrative approval, the execution period of the project commenced w.e.f. 01.10.2012. This indicated that no activity was carried out by the project management during 2012-13.

The issue was pointed out to management in June 2019. Management replied that during Financial Year 2012-13 only FEC amounting to Rs 500.000 million was allocated for procurement of track machinery through International Bidding process. Later on the budget amounting to Rs 54.000 million instead of 500.000 million was released, which had been utilized. The reply is not tenable because funds allocated during 2012-13 were subsequently curtailed due to non-utilization.

DAC in its meeting held on 29.10.2021 directed the PO that Project Management System Report and corrective measures taken be provided to Audit within thirty (30) days. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for non-execution of planned activities of the project during 2012-13 be fixed and action be taken against the person held responsible.

4.4 Asset management

During performance audit of the Project, it was observed that asset management in the Project was not done in an efficient manner. The significant observations are discussed in the following paras:

4.4.1 Non-commissioning of a new Material Lorry damaged during transportation

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

During performance audit of MTM/Project, it was observed that a Material Lorry (ML # 936) was damaged during transportation from Karachi to Raiwind. The said vehicle was lying unattended in Track Machine Shop, Raiwind since long. No action was taken to repair/ commission the vehicle purchased at a cost of Rs 68.460 million. Thus, the money spent on purchase of the vehicle did not achieve the intended purpose. This resulted in wastage of resources due to negligence of the project management.

The issue was pointed out to management in June 2019 and discussed in DAC meeting held on 29.10.2021. DAC was apprised that during its transportation from Karachi to Raiwind, the material lorry was damaged on 20.12.2018. The supplier was requested to repair the material lorry under warranty. After receiving parts from the firm under warranty, material lorry was repaired and turned out from shop on 24.08.2020. However, Audit pointed out that no departmental inquiry was conducted to find out reasons behind damaging of machine during transportation which caused considerable delay in commission of the machine.

DAC directed the PO to furnish revised reply within 30 days indicating causes of damaging the machine during transportation and performance report of the machine since putting in to service be got verified from Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for non-commissioning of the Material Lorry be fixed and action be taken against the persons held responsible.

4.5 Monitoring and Evaluation

During the course of performance audit, it was found that there was no effective mechanism to monitor timely completion of each phase of the project. Management also did not get approval of extension in time for delayed execution from the CDWP. Significant observations are discussed in the following paragraphs.

4.5.1 Non-achievement of monetary benefits of the Project – Rs 832.586 million per annum

The main objective the Project was to introduce and initiate complete mechanization of track maintenance on Primary “A” Section of Lahore Division. After completion of the Project monetary benefits of Rs 832.586 million per annum were planned as a result of reduction of labour, avoidance of accidents and reduction of losses due to better-quality maintenance.

During performance audit of MTM Project, it was observed that the project commenced w.e.f. 01.10.2012 and completed on 30th June, 2019. The following benefits were intended to be achieved upon successful completion of the project:

Benefits	Amount (Rs in million)
Curtailment of labour.	246.780 per annum (1155 labourers were required to be reduced)
Avoidance of accidents.	310.00 per annum
Enhance efforts of maintenance.	275.806 per annum
Total	**832.586 per annum**

Audit observed that the project was not completed within the target date. There was time overrun by 57 months. Even now 1,155 labour-force costing Rs 246.780 million per annum were not curtailed. Similarly, benefits due to avoidance of accidents and enhanced effort of maintenance were also not achieved. Thus, due to inefficiency and lack of interest of the project management, the expected benefits could not be realized.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 26.11.2021. The PO explained that the project of MTM was completed on 30th June, 2019, but it was not fully implemented due to non-sanction of permanent posts for technical staff for operations & maintenance machines. The proposal for recruitment of technical staff for the project was referred to Ministry of Railways, but was not approved due to observations of Finance Division. DAC directed the PO to furnish revised reply with documentary evidence showing detail of monetary benefits actually received as compared to envisioned in PC-I of the project. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for time overrun and non-achievement of projected benefits be fixed and action be taken against the persons held responsible.

4.5.2 Non-procurement of machinery/equipment included in approved PC-I of the Project – Rs 233.546 million

As per original PC-I of MTM Project, the machinery as detailed in **Annexure-14** was required to be procured for mechanization of track on Primary-A Section of Lahore Division.

During performance audit of MTM Project, it was observed that proposals for procurement of the above machines were not initiated. However, the said machines were proposed to be curtailed through revised PC-I of September 2018 which has not yet been approved by the ECNEC. The above position indicates that the original PC-I was prepared without due diligence.

The issue was pointed out to management in June 2019. Management replied on 10.03.2021 that the machines which were dropped from the procurement plan were processed in revised PC-I with cogent reasons. Being pilot project, it was a trial and during execution the above machines were considered not feasible to be procured. The reasons for dropping these machines were as follows:

S #	Description	Qty	Reason
1	Self-Propelled Ultrasonic Apparatus Flaw Detection Trolley/ Card	1	Already one such machine was available in the system which was sufficient for the requirement.
2	Track Recording Apparatus suitable for Fitment and Operation in Coach	1	Though the apparatus was essentially required in the present scenario but a new coach should be required to fit the apparatus along with power /engine for its haulage, therefore, the Track Recording Apparatus was not suitable to be

			procured.
3	Rail De-Hogging Machine. Inspection vehicle	2	Pakistan Railway has been planning for high speed and long welding rails, subsequently, joints would be eliminated and the procurement of this machine would be a wasteful expenditure.
4	Hydraulic tensor	4	In face of up-gradation of ML-I, this machine would not be required.
5	Hydraulic Rail Bending & straightening machines (Vertical & Horizontal)	4	In face of up-gradation of ML-I, this machine would not be required.
6	Thermit Welding Set complete.	9	Track was required to be long welded in CPEC for high speed and Flash Butt welding plant was being procured in other projects. Therefore, these machines were dropped.
7	Portable compact Torque Wrench.	195	The procurement of bolt tightening machine has been serving the purpose of this machine. Moreover, it was not possible to provide these Wrenches to key-men as these were fitted with small springs which may get damage while carrying to site on daily basis.
8	Manual Gas 7 Electric Welding machines for Miscellaneous Job.	17	Instead of Manual Gas Electric Welding machines, Arc Welding set (two numbers) have been procured which was more suitable for resurfacing of wheel burnt rails and points & crossings. With this addition the service life of rails and points& crossings would increase and more beneficial.
9	Data logging track gauge	26	This machine was of very sensitive nature and not easy to be operated by labour therefore dropped.

In DAC meeting held on 29.10.2021, management reiterated its earlier stance. DAC directed that the matter be referred to Ministry of Railways to conduct a fact finding inquiry in this regard. TORs may be derived from the contents of the Para and Inquiry Report be submitted to Audit within 45 days placing before next DAC meeting. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for inclusion of 259 machines costing Rs 233.546 million in the original PC-I without proper need assessment be fixed and action be taken against the person held responsible.

4.5.3 Cost overrun and time overrun due to delay in commencement of procurement process – Rs 102.123 million

As per PC-I of the Project titled “Mechanization of Track Maintenance (Pilot Project)”, the completion period of the project was 24 months. Cost of the project was Rs 4,055.403 million and scope of work included complete mechanization of track maintenance as a Pilot Project in Pakistan Railways by procurement of machinery and equipment required initially for Primary “A” Section of Lahore Division only. It also included introduction of Modern Track Inspection System to improve safety and comfort of traveling public.

During performance audit of the MTM/Project, it was observed that after approval of ECNEC on 16th August, 2012, the project was commenced from 1st October, 2012. Physical work to the extent of 69% was planned to be completed during 2012-13 while remaining 31% in 2013-14. However, only 01% physical work was done during 2012-13 and 24% during 2013-14. The project was closed on 30th June, 2019 with reduced scope of work and procurement of machinery/equipment (including major track inspection equipment) costing Rs 216.716 million was dropped through Revised PC-I in September 2018 (not yet approved by ECNEC). Thus, a project which was scheduled to be completed within 24 months, was not completed with intended scope despite suffering time overrun by 57 months. The basic cause of time overrun was non-deployment of independent Project Director and related supervisory staff. Audit observed that initially, look after of the Project was entrusted to AGM/I who was technical head of the Engineering Department. Thereafter, the look after charge was handed over to Deputy Chief Engineer/Track (BPS-19) and so on the project was managed on adhoc basis. Consequently, out of 31 purchase demands, only 06 were processed during the planned execution period of 24 months as detailed in **Annexure-15**. This resulted in cost overrun of Rs 102.123 million due to negligence of project management.

The issue was pointed out to management in June 2019. Management replied that the modern track inspection system was available in the approved PC-I but had been dropped from the procurement plan through revised PC-I. Reason for dropping was that the system needed a coach to be fitted within and also modification involved in the coach was very costly. The system was also not self-propelled thus needed exclusive power (Locomotive) involving extra expenditure. The scope of the project was revised keeping in view the upcoming CPEC project and availability of machines in the international markets available for track maintenance in post CPEC scenario. The reasons for cost and time overrun were delayed allocation of funds and research on specification of machinery.

DAC in its meeting held on 29.10.2021 directed the PO that guidelines of the Planning Commission be followed in letter and spirit and Project management was advised that approval of revised PC-I be provided to Audit for verification. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for time/cost overrun be fixed and action be taken against the persons held responsible.

4.5.4 Improper monitoring of the project

There are two types of monitoring of a project namely Internal Monitoring which is done by Monitoring Cell established in each Ministry and External Monitoring which is carried out by Project Wing of the Planning and Development Division. This system was established to identify/remove bottle-necks and expedite action.

During performance audit of MTM Project, it was observed that the project was badly delayed but both internal and external monitoring were not done properly because no monitoring report was seen to have been issued by any Monitoring Agency during execution of the project. Moreover, the project information was not provided/updated on PMES. This state of affairs indicates that the project was not properly managed at the execution stage, which caused substantial time/cost overrun. This resulted due to negligence of planning and monitoring Cells of both Ministry of Railways and Planning Commission of Pakistan.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 29.10.2021. DAC was informed that as far as the monitoring by executing officials of the project are concerned, monthly progress report of each month was generated indicating both Financial and Physical progress of each activity along with overall progress with bottlenecks and parallel to this PMES was updated accordingly. DAC directed the PO that the detail of monitoring of the Project and corrective measures taken be shared with Audit within 30 days. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for non-monitoring/non-updating of project status on PMES be fixed and action be taken against the persons held responsible.

4.6 Sustainability

According to guidelines by Planning Commission of Pakistan for project management, sustainability of the project after its completion was another important aspect, which needed consideration. During performance audit, it was observed that the sustainability aspect was not properly addressed at the planning stage. Significant observations are discussed in the succeeding paragraphs:

4.6.1 Misstatement of Cost Benefit Ratios

Guidelines for the Project Management, issued by the Planning Commission of Pakistan stipulate that the PC-I of Project must contain quantifiable performance indicators showing the visible impact on economy after completion of the project. Facts and figures offered for the decision making should be based on accurate and reliable data.

During performance audit of MTM Project, it was observed that the capital cost of the project was Rs 4,055.403 million but it was misquoted as Rs 3,123.61 million while calculating NPV (Annex-9 of PC-I). Thus, the NPV of the project was incorrect. Similarly, in revised PC-I, the capital cost was Rs 4,469.178 million. Whereas, while calculating NPV, the capital value was again misquoted as Rs 3,123.61

million. Moreover, investment period in the original PC-I was 02 years while it was increased to 06 years in revised PC-I. As per implementation schedule (clause-12 of PC-I), 22.98% expenditure was booked up to 2nd year. Whereas, 100% cash inflow of Rs 832.580 million (benefits) was accounted for during 3rd year while working out cost benefit analysis. This indicates that the NPV in case of both PC-I was misstated. Consequently, the cost benefit analysis of the project was incorrect/misleading and thereby the viability of the project was overestimated. This occurred due to casual attitude and unprofessional behavior of Deputy Chief Engineer/ Track who prepared the PC-I.

The issue was pointed out to management in June 2019 and also discussed in DAC meeting held on 26.11.2021. The PO explained that in PC-I, the cost of the project was quoted as Rs 4,087.913 million, Rs 3,123.61 while calculating NPV. Similarly in revised PC-I, the cost of project was quoted as Rs 4,087 million, while calculating NPV.

DAC directed the facts and figures mentioned in reply be got reconciled and verified from Audit within 15 days. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for misstatement of the cost benefit analysis be fixed and action be taken against the persons held responsible.

4.6.2 Incorrect estimation of figures in PC-I of the project

Para 3.4 of Project Management Guidelines provides that at the project preparation stage, various indicators such as input, baseline data, outputs and outcome, are determined over the life of project. In addition, viability of the project in terms of financial and economic indicators is also determined, which focus on financial and economic viability of the project. Another important aspect which needs to be considered is the sustainability aspect after completion; how it would yield the required output/outcome. Therefore, due attention has to be given to the sustainability aspect of the project at the preparation stage.

During performance audit of MTM Project, it was observed that the Railway management prepared estimations in PC-I of the project based on incorrect quantitative information. The estimates used in the preliminary PC-I for the whole Railway network were based on imaginary/assumed figures which had no absolute correlation with the pilot project. Furthermore, the project was not economically feasible according to first in house feasibility study but the feasibility study was amended to show economic viability. Other salient discrepancies are exhibited in **Annexure-16.** It clearly indicated that the PC-I figures/information were based on improper estimation whose only purpose was to get approval of the PC-I rather than detailed analysis & estimation of the project. This caused due to casual attitude and unprofessional behavior of Deputy Chief Engineer/Track who prepared the PC-I.

The issue was pointed out to management in June 2019. Management replied that the preliminary PC-I was neither processed nor approved. The comparison of the approved PC-I during June 2012 with the preliminary PC-I of Project, 2006 was not justified. The pilot project had to pass through different phases and the final approved PC-I in June 2012 was also a pilot project meaning thereby a trial as experiment to be carried out before a large scale or actual project as already maintained. It was a pilot project and no exact figures and estimation could be done as such project was first of its kind.

DAC in its meeting held on 29.10.2021 directed the PO that basis of cost and benefit estimates provided in the PC-I be shared with Audit. Compliance of the DAC directive was not made till finalization of the report.

Audit recommends that responsibility for preparation of PC-I on incorrect facts and figures be fixed and disciplinary action be taken against the persons held responsible.

4.7 Overall Assessment

The overall performance of the project was unsatisfactory because envisioned monetary benefits of Rs 832.586 million per annum were not realized upon completion of the Project.

i) Relevance:

The project was financed out of block allocation reserved for improvement of Pakistan Railways in the MTDF locally funded by the Government of Pakistan with Rs 1,360.508 million and foreign exchange component of Rs 2,694.895 million.

ii) Efficacy:

The scheme initially envisaged mechanization of track maintenance of Primary-A Section in Lahore Division within 24 months at a cost of Rs 4,055.403 million as a "Pilot Project". However, cost of the project increased to 4,441.593 million at completion period enhanced to 81 months through revised PC-I in September 2018. The project was commenced on 01.10.2012 and closed on 30th June, 2019 at a cost of Rs 4,157.190 million. Audit observed that even now 1155 labour-force costing Rs 246.780 million per annum were not curtailed. Similarly, monitory benefits of Rs 310 million per annum due to avoidance of accidents and Rs 275.806 million per annum due to enhanced effort of maintenance were also not achieved.

iii) Efficiency:

Efficiency means optimum utilization of resources keeping in view the objectives of the organization. It implies maximizing output from the given resources or minimizing input for the given outputs The project undergone 57 months' time overrun and cost overrun by 102.123 million, so the intended benefits could not be attained within stipulated time frame. Cash and work plans were not prepared during 2012-13 and 2013-14 which caused delay in execution process. Performance of different machines procured under the Project was below to specified benchmark/ standard.

iv) Economy:

Economy refers to acquisition of resources at the lowest cost keeping in view the objectives of the scheme. It implies that the resources should be acquired at the right cost, at right time, at right place, in right quantity and of right quality. The project management failed to follow the canons of economy in true spirit because proposals for the procurement of machinery were not only delayed but also the specifications thereof were formed tailor-made to favour own choice suppliers which restricted the fair competition. Thus, most of the machinery was purchased on single offers. Moreover, reasonability of rates in different tenders was irrational due to substantial variation in the benchmark (LPR), which put PR to loss due to acceptance of tenders at higher rates.

v) Effectiveness:

Effectiveness refers to the extent the objectives have been achieved. Audit observed that envisioned monetary benefits of Rs 832.586 million per annum were not realized upon completion of this Project. Moreover, the prime objective e.g. complete mechanization of track maintenance on other operating Divisions after gaining successful experience from implementation of this "Pilot Project" was also not yet materialized.

vi) Compliance with Rules:

Management did not adhere to Planning Commission's Guidelines. The project was started without proper feasibility study and the PC-I was revised. No independent PD was appointed in the project rather the project was managed through look after/additional charge basis. Internal/external monitoring of the project was not actively done. PPRA Rules were not observed in true spirit.

Performance rating of the project: Unsatisfactory

Risk rating of the project: High

5. CONCLUSION

The “Pilot Project” for Mechanization of Track Maintenance was planned in haste without carrying out proper feasibility study. End-users were not consulted during need assessment at planning stage. Its execution was not carried out efficiently because of non-deployment of independent PD and supervisory staff, the procurement process was badly delayed which led to 57 months’ time overrun and Rs 101.787 million cost overrun for the project. Furthermore, relevant laws and Planning Commission's Guidelines for project management were completely neglected. Performance of numerous track machines was below the specified benchmark/standard. Mass-scale failures of principal assemblies/long life components of Duomatic Tamping machines in short span of service put question-mark on quality of those components.

5.1 Key issues for the future

Before submission of PC-I of Projects costing Rs 300 million and above, a proper feasibility study (PC-II) should be carried out, so that the PC-I should be based on correct and reliable data. End-user departments should be taken on board to assess the actual requirements during the planning stage. After issuing administrative approval for execution of the project, appointment of independent PD should be made as early as possible in line with the decision of ECNEC dated 18th February, 2004. Procurement should be made in accordance with PPRA Rules in order to get maximum value for money. The objectives of the project should be laid down in quantifiable terms so that their achievement could be ensured. Canons of financial propriety be observed in true spirit.

5.2 Lessons identified

PC-I of the project was prepared without conducting proper feasibility study besides end-users (Divisional authorities) were not taken on board at planning stage to ascertain field requirements. Audit observed that no quantifiable performance indicators were provided in PC-I from which visible impact on economy after completion of the project could be measured. Moreover, execution of the project was not carried out efficiently due to non-deployment of independent PD. The progress of project was badly hampered and intended benefits could not be achieved within the given time frame. Internal/ external monitoring was not actively done.

ACKNOWLEDGEMENT

Audit acknowledged the support of the Project Director/Mechanization of track maintenance Project, Lahore, Director Procurement, Islamabad, Project Director/Track Machine Shop, Lahore, SSKP/Track Store Depot, Raiwind and DCOS (Shipping) KC, for their cooperation and assistance in providing the necessary information and record.

Annexure-1

Irregular appointment/transfer of Project Director (Para 4.1.1)

S. No.	Name/ Designation	Duration	
		From	**To**
1.	Mr. Anjum Parwaiz AGM/I (Look after PD/MTM)	01.10.2012	13.05.2013
2.	Mr. Basharat Waheed CEN/S&C (Look after PD/MTM)	14.05.2013	30.06.2016
3.	Mr. Farrukh Taimur MD/Stations (Look after PD/MTM)	01.07.2016	30.04.2017
4.	Mr. Basharat Waheed CEN/S&C (Look after PD/MTM)	01.05.2017	30.06.2019

Annexure-2

Statement showing staff working in Mechanization of Track Maintenance (Pilot Project) (Para 4.1.3)

S. No.	Name	Designation	Scale	Gross Pay (Rs)	Period		Total months	Total Amount (Rs)
					From	To		
1	Muhammad Tahir Aqeel	Office Superintendent	16	34,870	01.01.19	30.04.19	04	139,480
2	Shahid Hussain,	Stenographer	15	28,574	04.11.16	30.04.19	30	857,220
3	Ghulam Fareed	Computer / Operator	12	24,394	12.01.16	30.04.19	40	975,760
4	Abdul Aziz Khan	Sub-Divisional Clerk	11	23,269	01.12.18	30.04.19	05	116,345
5	Syed Zain Hussain Azad	Store Clerk	9	21,120	03.09.18	30.04.19	08	168,960
6	Sajjad Mehmood	UDC	9	21,120	01.01.19	30.04.19	04	84,480
7	Shah Rukh Gulzar	Store Issuer	5	18,857	20.04.17	30.04.19	24	452,568
8	Muhammad Ashraf	FO/TM	16	34,870	01.10.15	30.04.19	43	1,499,410
9	Ahmad Munir	AFO	14	27,165	01.10.15	30.04.19	43	1,168,095
10	Azhar Hussain	SE/Mech operator	11	23,269	01.10.15	30.04.19	43	1,000,567
11	Talha Aleem	SE Electronics	11	23,269	01.01.18	30.04.19	16	372,304
12	Abbas Gulzar	Naib Qasid	1	17,460	14.11.18	30.04.19	05	87,300

13	Salah-ud-din	Office Khalasi	1	17,460	01.01.19	30.04.19	04	69,840
14	Muhammad Siddique	Sweeper	1	17,010	01.02.18	30.04.19	15	255,150
15	Shan Ali	Office Khalasi	1	17,010	19.04.18	30.04.19	12	204,120
16	Malik Zulfiqar	Naib Qasid	1	17,460	10.03.17	30.04.19	25	436,500
17	Salman Riaz	Naib Qasid	1	17,460	01.06.16	30.04.19	35	611,100
18	Touseef Hussain	Muawan	1	17,010	16.04.18	30.04.19	12	204,120
19	Muhammad Irfan	Muawan	1	17,010	01.09.17	30.04.19	20	340,200
20	Adnan Ali	Muawan	1	17,010	15.05.17	30.04.19	23	391,230
21	Muhammad Arshad	Muawan	1	17,010	01.09.17	30.04.19	20	340,200
22	Ghulam Awais	OPR (Skilled)	5	18,857	01.11.18	30.04.19	06	113,142
23	Shabbir Hussain	OPR (Skilled)	5	18,857	01.11.18	30.04.19	06	113,142
24	Ali Shafique	OPR (Skilled)	5	18,857	01.11.18	30.04.19	06	113,142
25	Muhammad Adnan	OPR (Skilled)	5	18,857	01.11.18	30.04.19	06	113,142
26	Muhammad Arshad	Head Clerk	11	23,269	01.04.19	30.04.19	01	23,269
Total:								**10,250,786**

Annexure-3

Statement showing detail of unqualified operators deployed on critical machinery (Para 4.1.4)

S. No.	Description of vehicle	Name of employee	Date of appointment	Basic qualification as per PC-I	BPS	Actual qualification	Rate of pay (Rs)
1	Material Lorry (ML-934)	Abdul Hameed	--	Sub-engineer Mechanical/ BPS-11	11	--	0
2	Material Lorry (ML-940)	Abdul Haq	--	-do-	11	--	0
3	Track machine (DU 6252)	Ghulam Muhammad	15.10.1989	DAE/ Electronics/ BPS-11	11	Primary	33,316
4	Track machine (DU 6255)	Shahid	01.09.2017	-do-	11	Matric	25,000
5	Wheel Excavator	Shafqat Ali	04.03.2019	Driving license in tractor driving/ BPS-6	6	--	15,000
6	Track crane (5584 LHR)	Muhammad Yaseen Saleemi	13.06.2016	Matric/ BPS-6	6	Middle	25,000
7	Track crane (5588 LHR)	Nasir	--	Matric/ BPS-6	6	--	0
8	Sleeper exchange machine (6730)	Not appointed	--	Matric/ BPS-5	5	--	0
9	Ballast cleaning machine	Haider Ali	01.01.2018	DAE/ Electronics/ BPS-11	11	Matric (2 years certificate)	17,000

Annexure-4

Statement showing detail of principal assemblies/long life parts issued to the machines from 01.09.2015 to 31.03.2019 (Para 4.2.6)

S. #	S. No. of list of SSKP/ RND	Description	Part No.	No. of parts issued by SSKP/RND	Unit price (Rs)	Total price (Rs)
1	6	Fuel injection pump	4260555	4	3,050,485	12,201,940
2	7	Air compressor	II39523F	3	349,284	1,047,852
3	18	Triple pump	HY832X38.17.14LI	2	536,420	1,072,840
4	22	Squeezing cylinder	HZSA.A.235.268	13	490,219	6,372,847
5	23	Squeezing cylinder	HZSA.G.235.269	14	492,218	6,891,052
6	24	Squeezing cylinder	HZSI.G.56.5.409	29	581,177	16,854,133
7	25	Squeezing cylinder	HZSI.A.56.5.410	24	410,700	9,856,800
8	33	Unit lift cylinder	HZDPA.080.040.0760. 1.001PA	2	400,260	800,520
9	44	Tamping arm	UD17.673A	8	573,292	4,586,336
10	45	Tamping arm	UD17.674A	8	503,990	4,031,920
11	46	Vibration shaft	UD22.501	8	587,841	4,702,728
12	57	Tamping tyne	CU30.10840.FR.I	144	38,094	5,485,536
13	58	Tamping tyne	CU30.10840.FR.II	72	38,094	2,742,768
14	59	Tamping tyne	CU30.10840.FR.III	72	38,094	2,742,768
15	60	Tamping tyne	CU30.10840.FR.IV	96	38,094	3,657,024

16	85	Brake block	WN146.850.K.5	104	35,095	3,649,880
17	88	Servo valve	ELT.H00.00002	10	371,718	3,717,180
18	90	Temperature sensor	A5500044	8	70,412	563,296
19	92	Proximity switch	EL.T1422/K/U	8	15,660	125,280
20	94	Pendulum W. Linear Dist. Sensor	ELT.901.00001.I	1	1,432,785	1,432,785
21	98	Roller transmitter	ELT.906.00001.I/800	4	445,573	1,782,292
				Total Rs:		**94,317,777**
				Total Rs	**94.318 million**	

Annexure-5

Statement showing detail of parts issued by SSKP Raiwind but not accounted for by PD/Track Machine Shop Moghalpura (Para 4.2.7)

S. No.	S. No. of list of SSKP/RND	Description	Part No.	No. of parts issued by SSKP/RND	No. of parts received by FO Store/RCP	Difference	Value per unit (Rs)	Total value (Rs)
1	22	Squeezing cylinder	HZSA.A.235.268	13	12	1	490,219	490,219
2	23	Squeezing cylinder	HZSA.G.235.269	14	13	1	492,218	492,218
3	24	Squeezing cylinder	HZSI.G.56.5.409	29	24	5	581,177	2,905,885
4	25	Squeezing cylinder	HZSI.A.56.5.410	24	17	7	410,700	2,874,900
5	44	Tamping arm	UD17.673A	8	4	4	573,292	2,293,168
6	46	Vibration shaft	UD22.501	8	5	3	587,841	1,763,523
7	58	Tamping tyne	CU30.10840.FR.II	72	15	57	38,094	2,171,358

8	59	Tamping tyne	CU30.10840.FR.III	72	15	57	38,094	2,171,358
9	60	Tamping tyne	CU30.10840.FR.IV	96	27	69	38,094	2,628,486
10	85	Brake block	WN146.850.K.5	104	48	56	35,095	1,965,320
11	88	Servo valve	ELT.H00.00002	10	7	3	371,718	1,115,154
12	92	Proximity switch	EL.T1422/K/U	8	7	1	15,660	15,660
13	98	Roller transmitter	ELT.906.00001.I/800	4	1	3	445,573	1,336,719
						Total Rs		**22,223,968**
						Total Rs	**22.224 million**	

Annexure-6

Statement showing detail of excess payment due to acceptance of tender at higher rates (Para 4.2.9)

Per unit cost of crane purchased in the present tender	Euros 1,324,160
Per unit cost of crane purchased in 2008	Euros 1,074,800
Difference	Euros 249,360 (23.20%)
Per unit proportional cost escalation at par tender No. DP/Track machine/2013	1.88 x 4 = 7.52%
Excess cost increase	23.20-7.52=15.68%
Loss due to allowing excess cost increase of 7 units.	(1,074,800x15.68%)x7x155.25= Rs 183,148,500 **Rs 183.148 million**

Annexure-7

Loss due to execution of an irregular/unjustified contract agreement (Para 4.2.13)

Sr. No.	Irregularities committed while awarding the O&M contract
1	In presence of existing contract of O&M of track machines with Railcop, it was absolutely illogical to initiate proposal of O&M contract with the supplier, especially when there was also a provision for 16 man month O&M foreign training at the manufacturer premises.
2	Rule-4 of Procurement of Consultancy Services Regulations 2010 provides that if a consultant has been engaged by procuring agency to provide goods or works for a project, it shall be disqualified from providing consultancy services for the same project. Thus, proposal for execution of service level agreement with the supplier or his representative from whom the machine was to be purchased was against the spirit of Rule-4 above.
3	Recommendation of Railway Board's tender committee regarding O&M contract was not approved by Secretary/Chairperson Railways. The PD MTM Project got approval of the Senior General Manager/Chief Executive Officer by misstating the facts that it was approved by the Secretary/Chairperson. This false statement tantamount to criminal act which warrants criminal investigation.
4	There was no expertise/experience with M/s Waris International, Lahore with regard to maintenance of ballast cleaning machines. Moreover, no mechanism was devised by PR to oversee the service rendered/work done by the Contractor. Thus, the payment of Rs 9.547 million made, so far, to the contractor did not realize the value for money.
5	Maintenance agreement was executed when the machine was also under warranty period. In terms of clause 12.2 of the tender specifications, the supplier shall provide warranty for carrying out repair free of cost by replacing the equipment/spares which

	become defective during warranty period. Thus, by executing maintenance agreement during the warranty period, the warranty was gone wasted. In view of the position explained above, Audit is of the view that the agreement was executed merely to favour the supplier with malafide intention by misstating facts, thereby causing loss of warranty/training and ignoring mandatory provisions of Consultancy Services Regulations 2010.

Annexure-8

Loss due to procurement of sleeper exchange machines at higher rate Rs 195.996 million (Para 4.2.14)

(Amount in million)

1	Cost of 04 machines as per revised PC-I September 2018	Rs	455.728
2	Add cost of spare parts @ 7% as per revised PC-I September 2018	Rs	31.901
3	Total cost of 04 machines	Rs	487.629
4	Cost of one machine	Rs	121.907
5	Cost of one machine in Euro (Euro=Rs 113.15 on 17.12.2015)	Euros	1.077
6	Cost of machine delivered to Kosovo	Euros	0.709
7	Difference per unit	Euros	0.368 (51.90%) Rs 48.999
8	Difference 04 units	Rs	195.996

Annexure-9

Poor performance of sleeper exchange machines (Para 4.2.15)

Machine No.	Period	Hours worked	Sleeper changed	Average sleepers changed per hour	Benchmark sleepers per hour
6730	15.05.2019 to 31.03.2019	230	1787	7.77	15
6731	15.05.2019 to 31.03.2019	224	2197	9.81	15
6732	15.05.2019 to 31.03.2019	160	1254	7.84	15
6733	15.05.2019 to 31.03.2019	147	522	3.55	15

Annexure-10

Loss due to procurement of light weight tamping machines at higher rate (Para 4.2.16)

Description	Cost of machine supplied to PR in 2016	Cost of machine supplied to Greece on 26.04.2002	Difference
FOB price	Euros 492,000	--	--
Freight	Euros 13,107	--	--
Insurance 1%	Euros 5,051	--	--
CIP cost	Euros 510,158	Euros 322,817	Euros 187,341 (58.03%) Annual cost increase 4.145%

Proportional cost increase at par tender No. DP/Track machine/ 2013	1.8x14=26.32%
Excess cost increase	58.03-26.32=31.71%
Loss due to allowing excess cost increase	(322,817x31.71%)x2x116.09= 23,767,168 **Rs 23.767 million**

Annexure-11

Loss due to irrational charging of sea freight by PNSC to Pakistan Railways (Para 4.2.27)

S #	Contract #	Invoice Amount Euro	Port of shipment	PNSC Freight Charged (US$)	Freight %age of the invoice amount	CBM	USD per CBM
i.	DP/Track crane/ 2013	4,106,515.11	Hamburg	330,000.00	8%	545.427	605.031
ii.	DP/Track crane/ 2013	5,475,353.48	Hamburg	350,000.00	6%	727.236	481.274
iii.	DP/Track machines/ 2014	8,745,789.00	Hamburg	235,825.70	3%	849.243	277.689
iv.	DP/Track machines/2014	226,034.00	Hamburg	8,900.00	4%	8298 Kg	1.073 per Kg
v.	DP/BCM/2015	4,629,337.88	Hamburg	111,915.32	2%	397.545	281.516
vi.	DP/BTM/2015	300,944.88	Hamburg	4,453.20	1%	5500 Kg	0.890 per Kg

Annexure-12

Statement showing detail of uneven evaluation criteria in different tenders finalized under MTM Pilot Project (Para 4.2.28)

S. No.	Contract/ Agreement No. and date	Description	Contract Amount	Supplier/Vendor	No. of supply references required as per tender	No. of bidders participated	No. of responsive bidders
1	DP/ Track Crane/2013 04.02.2013	Hydraulic telescopic boom crane (7 Nos.)	Euros 9629778.59	M/s Kirow Ardelt, GmbH, Germany (Local Agent: M/s ITS mit, FNM, Lahore)	10	3	2
2	DP/Track machines/2014 05.03.2014	Track Lifting, Leveling & Tamping Machine (4 Nos.)	Euros 8971823	Plasser & Theurer, Vienna, Austria (Local Agent: M/s Waris International, Lahore)	3	2	1
3	DP/RCM/2015 23.01.2015	Rail Cutting machines (31 Nos.)	GBP 186909	Jade International, United Kingdom (Local Agent: M/s Z.M. Enterprises, Lahore.)	2 (to European countries)	3	2
4	DP/BCM/2015 10.02.2015	Ballast cleaning machine (1 No.)	Euros 4629337.88	Plasser & Theurer, Vienna, Austria (Local Agent : M/s Waris International, Lahore)	5	1	1

5	DP/BTM/2015 30.03.2015	Trolley mounted bolt tightening machines (23 Nos.)	Euros 300944.88 (Local Agent Commission @2% of total FOB value i.e. Euros 5900.88)	HOLM GmbH, Germany (Local Agent : M/s Waris International, Lahore)	2	3	1
6	DP/LBTM/2015 21.12.2015	Light Weight Ballast Tamping machine (2 Nos.)	Euros 747469.03	L. Geismar, France (Local Agent M/s Ahmed Jaffer & Co. Islamabad)	2	3	2
7	DP/RDM/2015 21.12.2015	Portable rail drilling machine (31 Nos.)	Euros 306175	L. Geismar, France (Local Agent: Nil)	2 (to European countries)	2	2
8	DP/SPML-A/2016 03.03.2016	Self-propelled material lorries (10 tons capacity) (15 Nos.)	Euros 5807500	M/s Socofer, France (Local Agent: M/s ITS mit, FNM, Lahore)	2	5	4
9	DP/SPML-B/2016 03.03.2016	Self-propelled material lorries (20 tons capacity) (4Nos.)	Euros 2456400	M/s Socofer, France (Local Agent: M/s ITS mit, FNM, Lahore)	2	3	3
10	DP/SEM/2016 12.08.2016	Sleeper exchanging machines (4 Nos.)	Euros 3001349.96	Plasser & Theurer, Vienna, Austria (Local Agent : M/s Waris International, Lahore)	3	1	1
11	DP/LBTM/2016 23.08.2016	Light Weight Ballast Tamping machine (Universal) (2 Nos.)	Euros 1048208.28	Plasser & Theurer, Vienna, Austria (Local Agent : M/s Waris International, Lahore)	2	1	1
12	DP/VT/2016 27.01.2017	Vertical tampers (Sets) (17 Nos.)	Euros 85379.7	L. Geismar, France (Local Agent : M/s	0	4	2

				Zakir Jaffer, Islamabad)			
13	PD/MTM/Excavator/2016 (Filed one time) 25.04.2017	Excavator (2 Nos.)	Rs 49786000	Spirit Industries, Lahore	0	2	1
14	PD/MTM/Diesel Generator/2016 25.04.2017	Diesel Generator (17 Nos.)	Rs 17363970	Hitech Networks (Pvt) Ltd. Lahore.	2	7	2
15	PD/MTM/Procurement/2016 (filed one time) 15.03.2017	Arc Welding Sets (4 Nos.)	Rs 45264939	Equinox (Pvt.) Ltd. Lahore	2	2	1
16	PD/MTM/Lifting/ Slewing jacks/ 2016 15.04.2017	Lifting/Slewing jacks (34 Nos.)	Rs 1587800	ZM Enterprises Lahore	0	2	1

Summary

No. of responsive bidders more than one	**8**
No. of single bidders	**8**
Total Tenders	**16**

Annexure-13

Unauthorized procurement by superseding approved channel and loss due to delay in initiating the purchase process (Para 4.2.30)

(Rs in million)

S. No.	Description	No. of machines	Approved cost		Total (Rs)	Actual cost (Rs)
			Local (Rs)	FEC (Rs)		
1	Excavator	2	4.960	11.040	16.000	46.480
2	Fork lifter	9	5.580	12.420	18.000	21.780
Total			**10.540**	**23.460**	**34.000**	**68.260**

Annexure- 14

Non-procurement of machinery/equipment included in approved PC-I of the project (Para 4.5.2)

(Rs in million)

S. No.	Description	No. of machines	Value (Rs)
1	Self-propelled ultrasonic apparatus	1	26.000
2	Track recording apparatus	1	110.000
3	Rail de-hogging machine	2	1.720
4	Hydraulic tensor	4	5.800
5	Hydraulic rail bending and straightening machines	4	0.600
6	Thermit welding set complete	9	27.990
7	Data logging track gauge	26	48.620
8	Portable compact torque wrench	195	11.966
9	Manual Gas & Electric Welding machines	17	0.850
Total		**259**	**233.546**

Annexure-15

Statement showing detail of demand placed for procurement (Para 4.5.3)

Sr. No.	Contract/ Agreement No.	Contract Quantity	Contract Amount	Supplier/Vendor	Description	Demand/ Requisition Placed for Procurement Date
1	DP/ Track Crane/2013 04.02.2013	7	Rs 9,629,778.59	M/s Kirow Ardelt, GmbH, Germany (Local Agent: M/s ITS mit, FNM, Lahore)	Hydraulic telescopic boom crane	28.09.2012
2	DP/Track machines/2014 05.03.2014	4	Rs 8,971,823.00	Plasser & Theurer, Vienna, Austria (Local Agent : M/s Waris International, Lahore)	Track Lifting, Leveling & Tamping Machine	20.09.2012
3	DP/RCM/2015 23.01.2015	31	Rs 186,909.00	Jade International, United Kingdom (Local Agent: M/s Z.M. Enterprises, Lahore.)	Rail Cutting machines	01.10.2013
4	DP/BCM/2015 10.02.2015	1	Rs 4,629,337.88	Plasser & Theurer, Vienna, Austria (Local Agent : M/s Waris International, Lahore)	Ballast cleaning machine	31.01.2014

5	DP/BTM/2015 30.03.2015	23	Euros 300,944.88 (Local Agent Commission @2% of total FOB value i.e. Euros 5900.88)	HOLM GmbH, Germany (Local Agent : M/s Waris International, Lahore)	Trolley mounted bolt tightening machines	01.10.2013
6	DP/LBTM/2015 21.12.2015	2	Euros 747469.03	L. Geismar, France (Local Agent M/s Ahmed Jaffer & Co. Islamabad)	Light Weight Ballast Tamping machine	30.04.2015
7	DP/RDM/2015 21.12.2015	31	Euros 306,175	L. Geismar, France(Local Agent: Nil)	Portable rail drilling machine	01.10.2013
8	DP/SPML-A/2016 03.03.2016	15	Euros 5,807,500	M/s Socofer, France (Local Agent: M/s ITS mit, FNM, Lahore)	Self-propelled material lorries (10 tons capacity)	23.10.2014
9	DP/SPML-B/2016 03.03.2016	4	Euros 2,456,400	M/s Socofer, France (Local Agent: M/s ITS mit, FNM, Lahore)	Self-propelled material lorries (20 tons capacity)	23.10.2014
10	DP/SEM/2016 12.08.2016	4	Euros 3,001,349.96	Plasser & Theurer, Vienna, Austria (Local Agent : M/s Waris International, Lahore)	Sleeper exchanging machines	03.10.2015
11	DP/LBTM/2016 23.08.2016	2	Euros 1,048,208.28	Plasser & Theurer, Vienna, Austria (Local Agent : M/s Waris International, Lahore)	Light Weight Ballast Tamping machine (Universal)	08.12.2015

12	DP/VT/2016 27.01.2017	17	Euros 85,379.7	L. Geismar, France (Local Agent : M/s Zakir Jaffer, Islamabad)	Vertical tampers (Sets)	27.01.2016
1	PD/MTM/Fork Lifters/001 28.03.2016	16	Rs 46,395,600	Millat Tractors, Lahore	Fork Lifters	28.03.2015
2	PD/MTM/Excavator/2016 (Filed one time) 25.04.2017	2	Rs 49,786,000	Spirit Industries, Lahore	Excavator	21.01.2016
3	PD/TR/Tractors/003 (Rs 10,946,526) filed one time 21.04.2016	7	Rs 18,327,499	Millat Tractors, Lahore	Tractors	25.01.2015
4	PD/MTM/Diesel Generator/2016 25.04.2017	17	Rs 17,363,970	Hitech Networks (Pvt) Ltd. Lahore.	Diesel Generator	11.11.2016
5	PD/MTM/Procurement /2016 (filed one time) 15.03.2017	4	Rs 45,264,939	Equinox (Pvt.) Ltd. Lahore	Arc Welding Sets	25.03.2016
6	PD/MTM/Lifting/ Slewing jacks/2016 15.04.2017	34	Rs 1,587,800	ZM Enterprises Lahore	Lifting/Slewing jacks	21.01.2016
7	PD/MTM/Trucks/002 06.04.2016	4	Rs 11,200,000	Isuzu Ravi Motors, Lahore	Trucks	21.01.2016

8	01-DP/MTM/RND-2017 25.04.2017	--	Rs 34,704,035	M/s Al Arab Associates, Lahore	Constructions of Stores, Shed, Garages, Offices, Boundary wall and fuel room of track machinery at RND on SWAL-LHR Section	28.12.2016

Summary

Financial year	Demand processed
2012-13	2
2013-14	4
2014-15	5
2015-16	7
2016-17	2
Total	**20**

Note: Demand for procurement of 11 items was not processed

Annexure-16

Baseless/incorrect estimation of figures in PC-I of the project

(Para 4.6.2)

S #	Description	Preliminary PC-I	Approved PC-I	Difference
1	Preparation Date	April 2006	June 2012	6 years
2	Plan Period	Jun 2006 to Dec-2007	2012-13 to 2013-14	6 months
3	Cost of project	Rs 1861.990 million	Rs 4055.403 million	+ Rs 2593.413 million
4	No. of PWIs to be benefited	36 No.	9 No.	-27 No.
5	Length of Track (KM) to be benefited	2223 km	817 km	-1406 km
6	No. of laborer to be reduced	720 No.	1155 No.	+435 No.
7	Benefits due to labour curtailment	Rs 54.147 million	Rs 246.78 million	+ Rs 192.633 million
8	Prevention of Accidents	1 No.	1 No.	0
9	Benefits due to avoidance of accident	500 million	310 million	-190 million
10	Benefits due to enhanced effort of maintenance	Rs 0l million	Rs 310 million	+ Rs 309 million