

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON

RAILWAY DIVISION

(1981-82 TO 1984-85)

1. INTRODUCTION

1.1. The Accounts of Railway Division (Railway Board) for the year 1981-82 were examined by the *Ad-hoc* Public Accounts Committee on 8th January, 1985. The *Ad-hoc* Committee was however not able to finalize its report, when it was dissolved. The Appropriation Accounts for the years 1982-83, 1983-84 and 1984-85, and the Reports of the Auditor-General of Pakistan were examined on 24th April, 1986 and 4th January, 1987 by the Standing Committee of the National Assembly on Public Accounts.

1.2. The results of the examination of these accounts are summarized in three chapters, namely : 'Administration of Funds', 'Specific Irregularities' and 'Areas of Attention'. The recommendations of the Committee regarding regularization of Grant-wise expenditure of Railways and other Divisions of the Federal Government shall however be discussed in the Report of the Committee on the Finance Division for the above years.

1.3. (a) The Minutes of the Proceedings of the Committee, pertaining to Railway Division have been appended to the Report as Annexure-I.

(b) A list of development projects undertaken by Pakistan Railway is also appended as Annexure-II.

1.4. The Committee would like to place on record its thanks to Mr. Riyaz H. Bokhari, Auditor-General of Pakistan, Mr. M. A. Haq, Former Secretary, National Assembly, Mr. J. J. De'Melo, Former Secretary, Railway Division and Chairman Railway Board, Mr. A. A. Zaidi, Deputy Auditor-General of Pakistan Mr. Jameel Ahmad Zaidi, Former Director General Railway Audit and their officers and staff for the valuable help rendered by them in enabling the Committee to get through this work.

2. ADMINISTRATION OF FUNDS

2.1. Railway Division is responsible for providing an efficient and economic rail transportation service in the country.

2.2. Traditionally, the Railway Budget was a separate document, *viz-a-viz* the General Budget, and used to be processed as such. Since 1977-78, the Railway Budget has been merged with the Federal Budget. Demands for the Railway expenditure are now included in the Federal Budget, without as many details, as in case of Civil Administration. This system provides much more flexibility to the Railway Administration in management of its financial resources, than other administrative Divisions (except Defence and Defence Production Divisions).

2.3. The funds provided by the Federal Government to the Railway Administration can be divided into two parts, keeping in view the purposes for which they are utilized. Current expenditure mainly covers establishment charges on general administration, repairs and maintenance of track and rolling stock, fuel and other operating expenses. Development expenditure is meant for the construction of new facilities and renewal/replacement of old ones.

2.4. Position of funds provided to Railway and their actual utilization, during the years 1981-82 to 1984-85 is summarized below :—

Current Expenditure

(In million Rs.)

Year	Allocation	Actuals	Variation
1981-82	3,996	3,988	(—) 8
1982-83	4,692	4,669	(—) 23
1983-84	5,314	5,231	(—) 83
1984-85	5,403	5,495	(+) 92

Development Expenditure*(In million Rs.)*

Year	Allocation	Actuals	Variation
1981-82	1,398	1,321	(-) 77
1982-83	1,300	1,350	(+) 50
1983-84	1,442	992	(-) 450
1984-85	1,368	1,292	(-) 76
Total ..	5,508	4,955	(-) 553

2.5. While there was net savings during the first three years, under the current expenditure, there was a net excess of Rs. 92 million in 1984-85. This comprised an excess expenditure of Rs. 30.6 million on General Administration and of Rs. 122.7 million on Repairs and Maintenance, which was partly offset by savings under other sub-heads.

2.6. Chairman Railway Board explained that excess under General Administration was due to advance payment of salary in June, 1985, as per orders of the Finance Division. The excess under Repairs and Maintenance was however attributed to following factors :—

- (a) Late receipt of costly equipment ;
- (b) Adjustment of previous years debits ;
- (c) Increase in Unit rate and Labour Costs due to up-gradation of posts ;
- (d) Unexpected receipt of generating equipment for Shalimar Express and Motor Alternator sets for airconditioned coaches.

2.7. During the discussions the Principal Accounting Officer admitted lack of adequate internal financial control.

2.8. The Committee was not satisfied with the explanations furnished by the Railway Board, and felt that financial discipline in the Railways was just non-existent. There was no co-ordination between various operating units, and every body seemed to be free in incurring expenditure, without reference to any planned scheme of things, without keeping the objectives of the organization in view and without following rules of the game. The Committee thought that it was strange that the management was just not aware of the circumstances, in which they were functioning. Railway was incurring heavy losses in its operations each year, and yet the management was not bothered to improve the situation. The Committee told the Principal Accounting Officer that such an attitude was just not acceptable to the legislature.

2.9. As regards the Development Expenditure, it exceeded the authorized allocation by Rs. 50 million in 1982-83, while in the remaining three years, substantial short falls had occurred. Chairman Railway Board explained the savings in vague and general terms, and was not able to pin-point specific causes leading to such an inefficient administration of the grant.

2.10. The Committee was not satisfied with the explanation of the Railway Board and was of the view that the bottlenecks in execution of the development projects and proper utilization of the resources placed at their disposal, were in no way unsurmountable, and if they were unsurmountable, they were management's own creation. The Committee felt that non-utilization of resources placed at the disposal of Railway Board resulted in delayed benefits to the users of the service. The Committee directed the Principal Accounting Officer to tighten the budgetary controls so that the funds were effectively utilized. It was made clear that non-utilization of a grant for the purpose for which it has been made, except in very exceptional circumstances, would mean that the bureaucracy has failed to implement the legislative charter given to them, and as such, would in future, be treated as defying the will of the people.

2.11. As for the excess expenditure of Rs. 50 million during 1982-83, the Railway Board was not able to provide any plausible explanation. The Committee was of the view that this huge excess did not appear to have been approved by any authority and was not even in the knowledge of the top management as no request for supplementary grant had been made. The Committee directed that the department should investigate the excess expenditure under Grant No. 187—"Capital Outlay on Pakistan Railways" and fix responsibility for the unauthorized excess expenditure and take adequate disciplinary action against the officers responsible.

3. SPECIFIC IRREGULARITIES

3.1. A brief resume of main irregularities pertaining to Pakistan Railways as pointed out by the Auditor-General of Pakistan in his reports on the accounts of aforesaid years, as well as the directives of the Committee are given below :—

1981-82

PARA 4.1(i)-AR.—*Fraudulent Payment of Overtime and Mileage Allowance Rs. 579,824.*

Fraudulent payment of overtime and mileage allowance to the drivers of a shed in Sukkur Division during 1978 to 1980 amounting to Rs. 579,824 was detected by Audit. It was replied by Railway Administration that Rs. 286,075 out of the above amount had been recovered, and recovery of the residual amount was held up as the concerned employees had gone to Court of Law. It was also stated that disciplinary action against the officials concerned was being taken.

The Committee took a serious view of the case and directed that :

- (a) The adequacy of existing internal checks should be reviewed to ensure avoidance of such an incident in future ;
- (b) suitable disciplinary action should be taken against the supervisory staff who were responsible for the overpayment ; and

- (c) The present position of the court case may be ascertained and intimated to PAC.

PARA 4.2(i)-AR.—*Misappropriation of Material : Rs. 2,465,949.*

In 1969, shortage of railway material worth Rs. 2,465,949 was noticed at Raiwind. The concerned official absconded from duty, and was placed under suspension, and then charge sheeted. The enquiry into the shortages could not be completed so far, but the official has been as Assistant Engineer.

Railway Administration explained that during physical verification, not only the shortages, but excesses of stores were also detected. As a result, a net shortage of only Rs. 156,382 was determined against the official concerned in early, 1984 and necessary action against the recovery of above amount had been initiated against the officer.

The Committee was not satisfied with the reply and directed that details of the case should be re-submitted to it by Railways, after verification by audit.

PARA 4.2(ii)-AR.—*Shortage of Material : Rs. 570,225.*

Verification of stock at Bhakkar carried out in 1973 revealed a shortage of material worth Rs. 570,225. Disciplinary action against the official was started four years later in 1977, and had not yet been finalized.

Railway Administration explained that there was actually no shortage except for Rs. 3751, and hence no cause for action was left.

The Committee was not satisfied with the explanation as the shortages and excesses can not be adjusted against each other, as per general principles of stores management, and directed that Railway and Audit should hold a joint enquiry to find out full facts. It should also be examined if any action was taken or required to be taken for non maintenance of proper records.

PARA 4.2(iii)-AR.—Shortage of Material : Rs. 51,212.

Shortage worth Rs. 51,212 in a store in Sukkur Division was noticed in 1977-78, but no action had been taken to recover the amount.

Railway Administration explained that it was only a case of non maintenance of record, and subsequent investigations established shortages of negligible value, a major part of which had since been recovered, and the rest was being recovered in suitable monthly instalments.

The Committee was not satisfied with the reply and directed that a joint enquiry (Railway Management and Audit) should be conducted to find out the truth and to see what action was required to be taken.

PARA 4.4-AR.—Wasteful Expenditure of Rs. 3.0 million.

In 1974, a consultant suggested improvements in manual tools of Track maintenance gangs, and as a result new tools of Rs. 3.0 million were either imported or manufactured, but the improved methodology could not be put into use, despite lapse of ten years.

Railway Administration explained that the new system assumed flat bottom sleepers in full gang beat lengths, which was actually not the case, and hence its implementation had to be slowed down.

The Committee was not satisfied with the departmental reply, and called for a detailed investigation into the case.

PARA 4.5-AR.—Wasteful Expenditure of Rs. 1,038,000 on manufacture of defective track lifting jacks.

Mechanical Branch of Railways manufactured 825 Track Lifting Jacks at a cost of Rs. 1,038,000 in 1976-77, which proved defective and could not be put to use even after rectification. Thus the entire expenditure proved wasteful.

Railway Administration explained that it was an attempt to develop local technology, which did not prove quite successful, and that attempts were being made to use these jacks by removing their defects.

The Committee was not satisfied with the explanation and directed that all jacks should be rectified within six months and a report on their use should be furnished through the Auditor-General of Pakistan.

PARA 4.7(a)-AR.—*Blocking of Capital : Rs. 47 million.*

A new terminal for long distance trains at Karachi Cantt : was approved by ECNEC at an estimated cost of Rs. 113 million, in 1974 and a sum of Rs. 47 million had been spent upto 1981 on various allied works, when the work was permanently stopped, resulting in infructuous expenditure.

Railway Administration stated in reply that the work was started on political considerations and was later on suspended at the directives of Minister for Railways. It was also stated that efforts had been made to utilize the available structures.

The Committee was not satisfied with the explanation and directed that a self contained report on the performance of circular Railway, Karachi be submitted to the Committee.

PARA 4.7(b)-AR.—*Mari Indus-Bannu Section—Conversion of narrow guage to broad guage.*

Conversion of Mari Indus-Bannu Section from narrow guage to broad guage was approved by ECNEC in 1979 at a cost of Rs. 159 million. In 1981, it was decided to stop the work for three years, without assigning any reason. An expenditure of Rs. 36 million had been incurred by that time. Thus the entire amount spent had been blocked and was not productive.

Railway Administration explained that the project had been stopped due to financial constraints.

The Committee was not satisfied with the explanation and directed that a complete report on the project should be submitted through Auditor-General of Pakistan.

PARA 4.8(a)-AR.—*Blocking of Capital : Rs. 1.157 million.*

A 50 bed new ward in SBK Sanatorium Quetta was constructed in 1974, but the building could not be put to use because of certain defects, resulting in unnecessary blocking of capital of Rs. 1.157 million. The facts were accepted by Railway Administration.

The Committee directed that a detailed enquiry into the matter should be conducted and disciplinary action should be taken against the officers responsible.

PARA 4.8(b)-AR.—*Wasteful expenditure of Rs. 564,148 on a work.*

Conversion of "Shah Nikdar" DK Class station into "B" class was approved in 1977-78 at an estimated cost of Rs. 1.9 million. Structural portion of the work was completed in December, 1979 at an expenditure of Rs. 564,148, but the plan to complete remaining work was dropped in 1980. Hence the expenditure of Rs. 564,148 proved completed waste. Railway Administration accepted that it was a case of bad planning.

The Committee took a serious view of the case and wanted to know as to how such faulty decisions were being taken by the management. The Committee, therefore directed that a detailed report on this aspect with special reference to this case should be submitted.

PARA 4.9-AR.—*Review of Sidings.*

Although the Railway Administration had assured the Public Accounts Committee in April, 1981 that they had reviewed the accounts of all sidings and regular recovery of charges was being made from the concerned parties, it was noticed by Audit that :

- (i) In 3 cases of Sukkur Division, bills for maintenance charges etc. were not at all issued although the sidings had been opened for traffic long ago ;

- (ii) Construction of a siding was started without acceptance of detailed estimates by the party concerned, and as such the work was stopped after incurring an expenditure of Rs. 71,300; and
- (iii) In about 12 cases in Sukkur and Multan Divisions maintenance charges were being recovered on estimated cost rather than actual cost, although sidings had been completed long ago;

The Committee was not satisfied with the Departmental reply and asked the Ministry of Railways that completion of all sidings including that of Mirpur Mathelo should be reviewed within six months and compliance report submitted.

PARA 4.11-AR.—*Wasteful expenditure on execution of a work : Rs. 91,389.*

A contract for construction of 6 staff quarters at Shorkot was started in 1973, and was to be completed in 12 months. The contractor abandoned the work after having received a payment of Rs. 91,389. No steps were taken to get the work completed thereafter.

The Committee, not being satisfied with the management's reply in this case, directed that disciplinary action against the staff responsible should be finalized without delay.

PARA 4.12(i)-AR.—*Loss of Railway Material in transit : Rs. 155,573.*

In March, 1976, two wagons loaded with railway material were despatched to Rawalpindi from Haripur Bund and Malkwal, but did not reach the destinations, despite lapse of nine years. Railway Administration stated in reply that the wagons were being traced.

The Committee directed that a report about the final disposal of the two missing wagons, as well as a copy of the procedure for retrieving unconnected wagons should be furnished to the Committee through Audit. Suitable disciplinary action should also be taken against the officials responsible.

PARA 4.12(iii)-AR.—*Loss of Railway Material in transit* : Rs. 139,74.

56 Crossing timbers were booked from Haripur Bund Depot to another station in November, 1986. The material did not reach the destination and was still untraceable. The Railway Administration replied that the loss of railway material in this case has been written off.

The Committee was not fully satisfied with the reply and directed that the officials who were responsible for delayed reporting should be taken to task.

PARA 4.14-AR.—*Unnecessary purchase of equipment* : Rs. 745,000.

An electric driven adzing and boring machine was purchased in 1972 for Rs. 503,000 for installation in Sleeper Depot, Haripur Bund. The machine was not installed till 1980 when a diesel generating plant was procured at a cost of Rs. 242,000.

The Committee was not satisfied with the departmental explanation and directed that Railway should investigate in detail to find out why was the machine not installed and why it was not reported. The Committee also asked the Ministry to verify if the matter was reported to Chief Engineer and a deliberate decision was taken at his level not to install the machine.

PARA 4.15-AR.—*Infructuous expenditure of Rs. 98,000 on purchase of a truck.*

The chassis of a truck was purchased in 1966, to facilitate transportation of material, for Rs. 42,000, and was sent to DCOS Mughal-pura in 1968 for manufacturing a body thereon. The truck was returned in 1972 after manufacturing its body and carrying out major repairs at a cost of Rs. 11,516. The truck ran only 15,790 miles and went out of order in 1975. In 1979, the truck was declared scrap. An expenditure of Rs. 44,500 was also incurred on the staff employed for the truck, during 1975 to 1979.

The Committee expressed its dissatisfaction on the way in which public money was wasted and asked the Railway management that details of disciplinary action taken against the officers responsible should be provided through audit.

PARA 4.18-AR.—Non-Recovery of Recreation Allowance paid to the Staff : Rs. 164,000.

In 5 Divisions of Railways, a sum of Rs. 164,000 paid as recreation allowance to staff employed on a deposit works, during 1974 to 1981 was not recovered from the agencies on whose behalf the work was executed.

The Committee directed that responsibility for the non-recovery should be fixed, for necessary disciplinary action and measures to recover the amount should be taken.

1982-83

PARA 4.1-AR.—Loss of Oil Wagons : Rs. 241,000.

Delivery of 12 oil wagons was fraudulently taken by unauthorized persons during 1977 in connivance with railway officials resulting in a loss of Rs. 241,000. The case was presently in a Court of Law. 3 Officials who were found at fault, were allowed to retire with full benefits and no disciplinary action was taken against them. Only one employee was awarded punishment.

Railway Administration explained that the consignor *i.e.* M/s. Pakistan State Oil had filed a suit in Sind High Court in this case and subsequently the claim was settled. The legal proceedings were, however, instituted against the firm which had fraudulently taken delivery and the officials who were responsible for this irregularity. The officials were arrested by the police, but were released on bail. The disciplinary action against them had to be deferred as the case was subjudice. Upon their acquittal by the Court, Railway went in appeal against the decision. In the meantime, three of the officials had retired.

The Committee expressed the view that the Railway Officials should not have been retired without taking departmental action and directed the department to pursue the case properly.

PARA 4.3(i)-AR.—*Blocking of Capital : Rs. 4.845 million.*

In 1976, the extension of loops and providing standard III signalling on Jacobabad—Kashmore section, was approved at a cost of Rs. 5.273 million. The structural portion was completed in August, 1978 at a cost of Rs. 4.845 million, but the completion of project was deferred, resulting in blocking of capital. The project was completed in 1984-85, after lowering down specifications.

Secretary Railway Division explained that the delay in execution of these works was unavoidable due to financial constraints, as preference had to be given to other similar works on the mainline.

The Committee was not satisfied with the reply and considered it a bad case of planning and resource allocation. The Committee directed the Principal Accounts Officer, to investigate into the case and fix responsibility for unnecessary blockage of public money.

PARA 4.3(ii)-AR.—*Blocking of Capital : Rs. 1.957 million.*

In 1974, a 'D' class station was approved for conversion into a 'B' class, at a cost of Rs. 1.24 million. The structural portion of the work was completed in March, 1977 at a cost of Rs. 1.186 million. The way and signal portion, however, remained incomplete. The work was ultimately deleted from Annual Development Programme for 1978-79. The total expenditure booked by that year was Rs. 1.957 million.

Railway Administration replied that the work was stopped for want of permanent way and signalling material, which could not be supplied due to commitments on other important works, and that the remaining portion of work was proposed to be included in development programme for 1986-87.

The Committee was not satisfied with the departmental reply and observed that the responsibility for improper planning should be fixed and necessary action taken against the officials responsible.

PARA 4.4(i)-AR.—*Unnecessary purchase of machines worth Rs. 18.689 million.*

Railway purchased two wheel lathe machine for Rs. 18.689 million from a foreign firm in July, 1980. One machine was to be installed at Rawalpindi and the other at Kundian. Both the machines could not be installed and were lying in open air. The purchase thus appeared to be unnecessary.

The Railway Administration explained that the machines allocated for Kundian Workshop was installed in April, 1984, but it could not be commissioned as the switching devices were found corroded/damaged. The suppliers had been approached to replace the damaged parts and the machine would be commissioned in a couple of months. As regards the second machine, it was decided to shift the machine to Moghalpura Workshop in public interest where it was working satisfactorily since 1984. During discussions, it transpired that the second machine was installed in Carriage and Wagon Shop Mughalpura in early 1983 and was commissioned in April, 1984. It then went out of order and was no more operative.

After discussion, Secretary Railways admitted that it was a bad case and its details would be checked up.

The Committee directed that a thorough investigation should be made to determine as who were the officers responsible for ordering these machines and whether the grounds for purchase were genuine or otherwise. The Committee also directed that it should be verified that the purchases were made in a proper manner.

PARA 4.4(ii)-AR.—*Procurement of 3 Verticle Grinding Machines : Rs. 3.9 million.*

Railway Administration imported 3 Verticle Grinding Machines at a cost of Rs. 3.9 million. The machines arrived at Karachi in 1978-79 and were allocated to Karachi, Rawalpindi and Lahore

stations. The Works Manager, Karachi refused to accept the machine and it was reallocated to Diesel Spares Manufacturing Shop Rawalpindi which also refused to accept it. It was thus transferred to Carriage Factory Rawalpindi, where it was lying unoperated. The fate of other two machines was also not different.

The Chairman Railway Board explained that there was demand for two machines. The 3rd was ordered to cope with the future requirement. One of the machines was installed at Carriage Factory, Rawalpindi in 1981 but could not be commissioned till 1984 due to certain defects and was now working satisfactorily. The second machine was commissioned in 1981 but developed certain defects and was now out of order. The 3rd machine was commissioned in 1980 and worked satisfactorily till February, 1983 when it developed certain defects and was no more in working condition.

The Committee observed that only one of the machines worked for less than two years and the other two were still lying unused and had developed defects. These machines appeared to have been ordered without ascertaining the need. The Committee directed that an enquiry may be initiated against the persons responsible for the purchase of grinding machines and action may be taken against officials found responsible.

PARA 4.13-AR.—Unnecessary blocking of Capital : Rs. 727,000.

A work of railway siding at a station was to be completed at an estimated cost of Rs. 385,000 by June, 1978, but the work was delayed and completed in 1984 at a cost of Rs. 727,000. Beside loss of anticipated revenue during the period, the expenditure proved infructuous as the rice mill for which the siding was constructed had made its own transportation arrangements by that time.

Explaining the reasons for delay, the Chairman Railway Board stated that structural portion was completed in time. There were however, certain difficulties in procurement of way and signalling material which delayed the completion.

The Committee was not satisfied with the explanation and observed that some body must be responsible for the delay and directed that an enquiry should be conducted to pin point the responsibility.

PARA 4.16-AR.—Misappropriation of material : Rs. 100,000.

50,000 cft pitching stone for Rs. 100,000 was shown to have been issued to meet flood emergency in 1981. As supporting evidence for consumption of material was not available, it was suspected to have been misappropriated. An enquiry was conducted by the Department in 1985 and the misappropriation of material established. The Officer responsible was reduced in rank and the recovery of loss was ordered at Rs. 500 p.m.

During discussion the Chairman Railway Board explained that the officer had already been punished and second punishment could not be awarded under the rules.

The Committee directed that the Officer responsible be retired from service if he has completed 25 years service and the remaining recoverable amount be written off, as it was highly undesirable to retain a corrupt officer on the job.

PARA 4.26-AR.—Unnecessary expenditure on renovation of Dak Bungalow and non-recovery of rent : Rs. 413,843.

Railways had incurred an expenditure of Rs. 349,331 on special repairs/renovation of a Dak Bungalow in 1976. The Dak Bungalow remained in unauthorised occupation of Police Officers from July, 1978 to June, 1980. An amount of Rs. 84,512 was due as rent which had not been recovered.

Chairman Railway Board explained that the work of repairs/renovation was undertaken under the direct orders of the then Railway Minister and that attempts were being made to recover the outstanding rent from the Police Department.

The Committee observed that it was a case of misuse of funds and a detailed report with full facts and justification, if any, should be furnished.

AUDIT REPORT 1983-84

PARA 4.12-AR.—*Loss of revenue due to detention of wagons :
Rs. 1.5 million.*

120 wagons were found to have been detained at various stations unnecessarily for 4 to 441 days during 1981-82 and 1983-84 resulting in an estimated loss of revenue of Rs. 1.5 million. These instances indicated the inefficient handling of railway wagons which adversely affected the revenue earning capacity.

Chairman Railway Board explained the reasons for detention in individual cases.

The Committee was, however, not satisfied with the reply and observed that the undue detention of wagons was seriously impairing better and effective utilization of wagons and as such the whole issue should be examined thoroughly by a high level Committee and its findings should be reported.

PARA 4.15-AR.—*Unnecessary expenditure on Consultants :
Rs. 982,000.*

A feasibility study of marshalling yard near Chak Jhumra was entrusted to M/s. PRACS at a cost of Rs. 1.3 million. The project was abandoned after payment of a fee of Rs. 982,000.

The Chairman Railway Board explained that the Principal Officers Committee of the Railway had recommended long-term planning for development of a marshalling yard at Chak Jhumra. To cater for this long-term planning, detailed examination of operational requirements and cost benefit analysis were necessary for which M/s. PRACS Limited were engaged as consultants. The consultants after detailed study of net work of existing marshalling

yards, recommended to improve the working efficiency of the existing yards instead of establishing a new one. The expenditure thus incurred on consultants' was quite justified.

The Committee, however, was not satisfied with the explanation and expressed its displeasure to the Principal Accounting Officer for the wasteful expenditure.

PARA 4.16-AR.—Blocking of Capital : Rs. 2.63 million.

Abnormal delays in execution of certain development works caused blocking of capital amounting to Rs. 2.63 million and an infructuous expenditure of Rs. 327,000. The brief particulars of these cases were as under :—

- (i) Structural portion of the work " Construction of additional running line at Hafizabad " was completed in March, 1979 at a cost of Rs. 456,749 but the remaining work of permanent way and signal interlocking had not been undertaken so far.
- (ii) Structural portion of the work " Extension of goods shed and construction of siding at Hafizabad " was completed in August, 1977 at a cost of Rs. 725,645 but the remaining work *i.e.* permanent way portion had not yet been undertaken.
- (iii) Extension of goods platform at Bahawalpur was completed at a cost of Rs. 268,626 in August, 1982 and was opened for traffic but the previous wagon load average remained unchanged even after extension, indicating that the work was not commercially justifiable. The expenditure thus incurred was infructuous.
- (iv) Construction of 6 flats for officers was started in 1979 at an estimated cost of Rs. 1.7 million. The work was stopped in 1983 while only about 50 per cent of the work had been completed at a cost of Rs. 1.18 million. The work has not been re-started.

The Chairman Railway Board defended the cases on the following grounds :—

- (1) Non-availability of adequate resources for development projects ; and
- (2) Commitment of permanent way and signalling material in other important projects.

The Committee was, however, not satisfied with the departmental explanation and expressed its displeasure to the Principal Accounting Officer. The Committee observed that these instances were indicative of the fact that there was lack of proper coordination between various executive agencies of the Railways and that the overall financial management was not effective and well planned. It, therefore, directed the Railway Administration to ensure better utilization of resources in future and warned that such an inefficient handling of resources shall no more be acceptable to the Legislature.

PARA 4.20-AR.—*Wasteful expenditure of Rs. 41.0 million.*

A flash but welding plant valuing Rs. 41.0 million was imported by Railways at the instance of consultants in 1980. The plant was still lying unused at Sukkur.

The Chairman Railway Board stated that the necessity of the plant was felt for economic and speedy maintenance of Railway track. As such this plant was imported under U.K. Grant II on the recommendation of M/s. SOFRERAIL of France. In January, 1984 it was decided to instal the plant in the premises of Concrete Sleeper Factory, Sukkur. As such the casting of foundation was started after completing the formalities. Handling equipment which was required for stocking and loading of long rails has already been received and the representative of the British Government was scheduled to visit Sukkur in September, 1986 to finalize its installation. The plant was likely to be set up by end of 1987.

The Committee was not satisfied with the explanation, as seven years delay in installation of the plant was evident to show the inefficient management of the resources by the Pakistan Railways. The Committee thus directed that an enquiry be immediately instituted to find out as to how such a bad investment was made. It was also directed that Railways should keep the Committee informed of utilization of the Welding Plant.

PARA 4.22-AR.—*Excess payment to Contractors : Rs. 474,000.*

As excess expenditure of Rs. 474,000 was incurred in a Division due to incorrect application of rates for the second and third coating of bitumen emulsion in repairs of road during 1978-79 to 1980-81.

The Railway Administration explained that the above payment was made due to ambiguity in schedule of rates.

The Committee expressed its displeasure on the inadequate provisions in the schedule of rates. The para was settled.

AUDIT REPORT 1984-85

PARA 4.1-AR.—*Wasteful expenditure of Rs. 2.878 million on execution of a work.*

A filtration plant which was imported in 1968 was planned to be erected at Sukkur at an estimated cost of Rs. 0.9 million. The total upto date expenditure on the work was Rs. 2.878 million. The filtration and chlorination plant was, however, still inoperative as the reservoir developed cracks in a number of places in 1980, before it could be put to use. The investigations, to determine the causes of cracks and the remedial measures required, have not yet been finalized. Out of twelve officials stated to be responsible for supervision, three have expired, one retired and six promoted.

The Chairman Railway Board explained that it was one of the bad cases and they were now trying to determine the causes of the cracks and the structure shall be strengthened as soon as the engineering investigations could be completed. On a question raised by a

member of the Committee whether adequate soil investigations were carried out before the execution of the work, the Railway Board Officials were not in a position to confirm.

The Committee was, therefore, not satisfied with the explanation and directed that an enquiry should immediately be conducted to fix responsibility for inefficient handling of the work.

PARA 4.2-AR.—Extra expenditure of Rs. 0.564 million.

It was decided in 1978 to replace a choked syphen bridge with a RCC Slab bridge. The old bridge was demolished in 1979 and railway traffic put on a restricted speed. The design of the bridge was changed in 1981 and then rechanged in 1984. A girder bridge was finally constructed in April, 1985. The original cost of the work was estimated to be Rs. 0.231 million but the final cost of the work proved to be Rs. 0.795 million resulting in wasteful expenditure of Rs. 0.564 million.

The Chairman Railway Board explained that during the execution of work, it was found that the foundations of the proposed bridge were difficult to be laid due to rise in the ground water table and heavy accumulation of seepage. Moreover a bridge of 10 feet opening was also considered inadequate. The design was thus modified and a girder bridge was constructed and opened for traffic in 1985.

The Committee was not satisfied with the explanation and observed that it was yet another case of bad planning and execution. The Committee directed that the responsibility for the delay in completion of the bridge should be fixed.

PARA 4.4-AR.—Wasteful expenditure on sub-standard construction of a bridge.

A railway bridge was reconstructed at a cost of Rs. 183,090 in 1980. The bridge developed horizontal cracks on bed stones and brick masonry of piers which affected the operational efficiency of traffic. The bridge as per record had a long history of occurrences of cracks but due care was not taken in developing a suitable structural design despite the old history.

The Chairman Railway Board explained that the matter had been investigated in detail by a committee of engineers and now correcting measures were being taken in the light of its recommendations.

The Committee was not satisfied with the reply and expressed its displeasure for not taking due care while conceiving the reconstruction of the bridge.

PARA 4.6-AR.—*Wasteful expenditure of Rs. 85,456 in conversion of a 'D' Class station into 'DK'.*

In 1973 it was decided to upgrade a railway station at a cost of Rs. 174,922. The civil portion of the work was completed at a cost of Rs. 85,456 in 1976. The permanent way and signal portion was, however, not started. The project was abandoned in 1982.

The Chairman Railway Board in reply explained that permanent way and signal portion was not started due to non-availability of material. Subsequently it was decided to abandon the project as the goods traffic in the area decreased due to development of new road links.

The Committee was not satisfied with the reply and observed that probably the project was not initially needed and directed the department to be more careful in future.

PARA 4.7-AR.—*Loss due to non-enforcement of warranty clause : Rs. 1.67 million.*

Three items of rolling stock imported from Germany in January, 1981, were tested in January, 1982 and were found defective even after certain modifications. The warranty clause of the agreement provided replacement of defective material within 12 months. Railway Board was informed of the defects in January, 1984 i.e. after two years of testing and three years of the expiry of warranty period. The material worth Rs. 1.67 million was lying unused.

The Chairman Railway Board stated that the material was now being tried out at Sibi Quetta section. The material was, however, purchased purely for trial purposes and as such could not be treated as loss.

The Committee was not satisfied with the explanation and directed that an enquiry should be conducted and responsibility for improper imports and delay in testing should be fixed.

PARA 4.8-AR.—Wasteful expenditure of Rs. 1.136 million on purchase of defective shovel loaders.

Two shovel loaders were imported from Germany in 1981. They were found defective when put into operation. Both the loaders were got overhauled from a private firm at Railway expense. Thereafter they worked for about a year and went out of commission thereafter. The entire expenditure of Rs. 1.136 million thus proved wasteful.

The Chairman Railway Board explained that this was the only isolated item in Khanewal Sleeper Factory which had not functioned efficiently and efforts were being made to utilize it elsewhere.

The Committee was not satisfied with the explanation and directed that all such cases where equipment had been purchased from abroad but could not be utilized, should be investigated and responsibility fixed as waste of foreign exchange resources was an unpardonable act.

PARA 4.9-AR.—Infructuous expenditure on purchase of defective material : Rs. 754,888.

An infructuous expenditure of Rs. 754,888 was incurred in 1979 on import of 200 defective roller bearings without conducting physical test of samples. The bearings were ultimately found to be below specifications and were not used.

The Chairman Railway Board explained that legal action against the firm was being taken and the case was subjudice as the firm had filed a suit in the Court of Law for restraining the Railways against taking any punitive action.

The Committee was not satisfied with the explanation and directed that a thorough enquiry should be conducted and responsibility for import of defective material without proper care should be fixed.

3.2. The irregularities, reported by the Auditor-General, except those mentioned above were settled subject to audit verification.

4. AREAS OF ATTENTION

4.1. The Committee examined a number of serious irregularities and issues pertaining to Railway Board, which had been raised by the Auditor-General of Pakistan in his reports on the accounts for the years 1981-82 to 1984-85. As a result, a number of areas emerged which are being examined more specifically to enable the Railways to improve its efficiency and effectiveness.

4.2. *Operational Losses.*—In the beginning of each financial year, the extent of operational losses in Pakistan Railways is determined by the Ministry of Finance and the level of financial support is determined, so that the Railways could run efficiently.

4.3. The estimated losses, and the actual operational losses during the years 1981-82 to 1984-85 are given in the table below :—

						<i>(Rs. in million)</i>	
Year						Estimated losses	Actual losses
1981-82	..	..	..	..	..	562.933	803.085
1982-83	..	..	..	..	..	788.956	1,071.197
1983-84	..	..	..	..	..	1,359.641	1,332.449
1984-85	..	..	..	..	..	1,224.586	1,602.443
Total						3,936.116	4,809.174

Some conclusions can be drawn from the above data *i.e.*

- (a) The Pakistan Railway is being operated with a substantial subsidy by the Federal Government. This is despite the fact that the development expenditure of the Railways is financed by the Federal Government separately and is not included in the aforesaid subsidy.
- (b) The operational losses during the years 1981-82 to 1984-85 have increased by 100 per cent despite rationalization of fares and freight charges.

4.4. The main question that should be examined in depth by the Railways and Finance Divisions is how these operational losses can be reduced or at least contained to begin with, otherwise it will continue to be an ever increasing drain on national resources. The target in the view of the Committee is not unachievable or impossible as in one of our neighbouring countries, where the Railways is working in almost similar technological conditions, it no more happens to be a losing concern.

4.5. The Committee would, therefore, suggest that the Government should seriously consider as to what structural changes in the management of railways should be made to minimize its operating losses, or at least contain these losses at a stationary level.

4.6. *Execution of Development Projects.*—During the deliberations of the Committee, it was noticed that the execution of development projects lacked effective managerial control. A few indicators of the prevailing situation are given as under :—

- (i) A part of the expenditure during all these years was either spent without sanction of estimates or in excess of sanctioned estimates.
- (ii) A number of major projects such as New Terminal at Karachi Cantt and conversion of narrow gauge to broad gauge of Mari Indus-Bannu Section, involving an outlay of Rs. 80 million, as well as several small projects were executed partially and then abandoned. The expenditure, thus incurred, proved wasteful as no benefits could accrue.

- (iii) While there was overall saving in the development budget, in 3 out of 4 years under review, a number of projects were left incomplete due to shortage of resources.
- (iv) The Railway Administration had sponsored/approved a large number of schemes without keeping in view financial limitations and as a consequence, grant made available to Railway Board, was spread over the approved schemes quite thinly. Thus while a large number of projects were in pipeline and continued to remain in pipeline for long periods, the desired benefit of the investment was being constantly denied.

4.7. The Committee, therefore, was not satisfied with the way in which development projects were being handled in Railways. Apart from ineffective control, inefficient management and substantial waste, the most important thing lacking in the organization was the absence of a definite relationship between the goals of the organization and the investment. The Committee, therefore, was of the view that the entire development financing in Railways should be reviewed in depth by the planners so as to determine why the desired results were not being achieved despite substantial subsidy and investment in the organization.

4.8. *Import of Machinery and Equipment.*—A strange feature which was noticed by the Committee, while examining the accounts of Railways, was that the management appeared to be very fond of import of equipment and machinery from abroad, without bothering whether it was really needed or not, whether it was received in workable condition or not and whether other supporting measures had been taken to utilize it or not. The Committee came across a number of cases in which machinery and equipment had been imported without adequate planning and imagination. The Committee was quite convinced that the motive behind the purchase of these equipment and machinery was other than public interest. This was a very unfortunate situation and was a reflection as how the country's resources had been wasted. The Committee has, therefore,

directed that all such cases should be thoroughly investigated and persons responsible for taking such decisions should be severely dealt with.

4.9. *In-effective control on Maintenance works.*—The Committee observed that a substantial part of the expenditure on repairs and maintenance works during all these years was either taken up without sanction of the estimated cost or in excess of the sanctioned estimates. The year-wise break-up of such expenditure was as under :—

	(Rs. in million)
1981-82	76.889
1982-83	98.126
1983-84	50.604
1984-85	9.129

It was satisfying to note that the magnitude of such expenditure in the year 1984-85 was much less than the earlier year. The Committee however stressed upon the management to ensure that no such expenditure should be incurred in current years.

4.10. *Conclusions.*—To summarize the whole discussion, the Committee was of the view that the Railway Board did not :—

- utilize the public funds placed at their disposal effectively, economically and efficiently ;
- manage the organization in a way that it could achieve its objectives of better service at an economical cost ;
- handle the instances of irregularities and waste speedily which were pointed out by Audit or were noticed otherwise.

The Committee, therefore, strongly feels that Government should take appropriate measures to arrest this situation.

4.11. While submitting this Report to the National Assembly, it is finally recommended that the suggestions and recommendations made by the Committee in the report may be accepted.

K. M. CHIMA,
Secretary.

Dated : 21st April, 1987.

SARDARZADA MUHAMMAD ALI SHAH,
Chairman.

SARDAR ASEFF AHMED ALI,
Member.

CH. MUHAMMAD SARWAR KHAN,
Member.

NAWAB MUHAMMAD YAMIN KHAN,
Member.

MALIK SAID KHAN MAHSUD,
Member.

ANWAR AZIZ CHAUDHRI,
*Minister for Local Government
and Rural Development,
Member.*

RAI ARIF HUSSAIN;
Member.

SHAHABUDDIN SHAH HUSSAINY,
Member.

MIANGUL AURANGZEB,
Member.

SHAHZADA JAM MUHAMMAD YOUSUF,
Member.

MIAN MUHAMMAD YASIN KHAN WATTOO,
Minister for Finance and Economic Affairs,
Ex-Officio Member.

ANNEXURE-I
PROCEEDINGS
OF
PUBLIC ACCOUNTS COMMITTEE
(1981-82 TO 1984-85)
RAILWAY DIVISION

(31-32)

FEDERAL COUNCIL SECRETARIAT

Tuesday, the 8th January, 1985

Thirteenth Sitting (PAC)

*2060. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present :—

PAC :

- (1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman.*
- (2) Akhunzada Bahrawar Saeed, Member, Federal Council. *Member.*
- (3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council *Member.*
- (4) Mr. Masarrat Hussain Zuberi, Former Secretary to the Government of Pakistan *Member.*
- (5) Mr. Abdul Qadir, Former Chairman, Railway Board .. *Member.*
- (6) Mr. Yusuf Bhai Mian, Chartered Accountant *Member.*

Federal Council Secretariat :

- (1) Mr. M.A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues.
- (6) Syed Jameel Ahmad Zaidi, Director General, Railway Audit.

*Paragraphs up to 2059 pertain to other Ministries/Divisions.

Ministry of Finance :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

2060-A. *Accounts examined.*—Accounts pertaining to the Ministry of Railways were examined by the Committee during the course of the day.

MINISTRY OF RAILWAYS

2060-B. The Appropriation Accounts etc., pertaining to the Ministry of Railways were then taken up. The following departmental representatives were present :—

- (1) Mr. Z.I. Puri, Chairman/Secretary.
- (2) Mr. Mashkooor Ahmed Khan, Member Finance/Additional Secretary.
- (3) Mr. M.A. Mirza, General Manager, Pakistan Railways.
- (4) Mr. Khalid Rashid, Director Finance.
- (5) Mr. Riaz Mahmood, Chief Engineer (Open Line).
- (6) Mr. Abdul Razzaq, Chief Engineer (S&C).
- (7) Mr. Munir Ahmad, F.A. & CAO.
- (8) Mr. Salim Abdullah, Member Mechanical, Railway Board.
- (9) Mr. Masood Ahmad, Chief Engineer, Railway Manufacturing.
- (10) Mr. M.A. Qadeer Khan, Chief Controller of Purchase.
- (11) Mr. S.A. Rabb, Chief Officer, Concrete Sleeper Factory.

2061. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
CIVIL		
(1)	Ministry of Railway	110
(2)	Capital Outlay on Investment in Railways	137
(3)	Capital Outlay on Pakistan Railways	187
PAKISTAN RAILWAYS		
(1)	Expenditure Charged to Railways Revenue	111
(2)	Other Capital Expenditure of Pakistan Railways	138
(3)	Capital Outlay on Pakistan Railways	187

2062. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of Accounts for the year 1984-85 (up to October, 1984) had not been progressing satisfactorily. *The departmental representative was, therefore directed that the accounts up to December, 1984 should be completed expeditiously.*

APPROPRIATION ACCOUNTS

2063. *Grant No. 110—Ministry of Railways (Pages 1030—1034-AA).*—The final Grant shown by Audit amounted to Rs. 3,964,000 and there was a net excess of Rs. 6,562, after the economy cut of Rs. 238,000. The Committee did not make any observation on this grant.

2064. *Grant No. 137—Capital Outlay on Investment in Railways (Page 1036-AA).*—Audit exhibited a saving of Rs. 25,252,548 under the function "722-Non-Financial Institutions Investment in Pakistan Railways." It was explained by the Ministry that the Budget Estimates of this grant stood at Rs. 43,361,000 whereas the Revised Estimates for the year 1981-82 after verification and acceptance by the Economic Affairs Division, were reduced to Rs. 37,544,000 as printed in the Finance Division's Budget for 1982-83. But, the AGPR had taken the Budget Estimates as Final Appropriation instead of the Revised Estimates as the same could not be approved by 31st March, 1982. The actual re-payments made by the Economic Affairs Division, from time to time, and advised all concerned including the Ministry of Railways, however, worked out to Rs. 18,108,452 thus resulting in savings because of the following :—

(Rs. Thousand)

(i) Conversion of U.K. Credits into Grants	.. .. .	(—) 10,872
(ii) Re-scheduling of U.S. Aid Loans	.. .. .	(—) 7,648
(iii) Other reasons including fluctuations in rate of Exchange	.. .. .	(—) 6,732
	Total	(—) 25,252

2065. The Ministry further stated that the savings at item (i) and (ii) above were due to a clear cut procedure having not been formulated by Economic Affairs Division in consultation with the AGPR to record expenditure in the Appropriation Accounts on terms of Foreign Aid/Loans applicable to and forming the basis of Railway's Estimates. A reference had been made to Economic Affairs Division in this respect. As regards fluctuations in rate of exchange a reference had been made to the Finance Division to issue instructions clarifying as to whom the profits due to exchange rates should be credited as was desired by PAC.

2066. Audit commented that as regards Revised Estimates it was stated that the Original Estimates contained in Budget were taken for the purpose of Appropriation Accounts (Revised Estimates were not taken into accounts for this purpose). Even if the Railways had finalized Revised Estimates by 31st March, these would not be taken into account for Appropriation Accounts. Audit would like to have the following information :—

- (i) Particular sanction letter converting U.K. credits into Grants.
- (ii) Details of procedure if since settled.

Regarding fluctuations in rate of exchange, Audit would examine the Government decision, when taken.

2067. On the question of conversion of U.K. Credits into Grants, a member remarked that normally at the time of repayment of a foreign loan, the instalment repaid was converted into rupee investment by Government in the Railways and payment of interest ceased thereafter. Continuing the member, asked as to what happened in the case of a grant or on the conversion of a loan into grant? The departmental representative informed the Committee that in the case of a grant, it was still treated as investment by the Government.

2068. After further discussion on the foregoing and other related subjects, the Committee directed that the Ministry of Railways should prepare their budget on the basis of the repayments due in the coming year, and that there should normally be no savings against loan or grant, as the exchange risk was covered by the Government. As regards loans converted into grant by a tender, Government may reconsider whether such grants should be treated as such or deemed as investment by Government.

2069. Grant No. 187—Capital Outlay on Pakistan Railways (Page 1038-AA).—The Committee was satisfied with the explanation given by the Ministry.

AUDIT REPORT (PAKISTAN RAILWAYS)

CHAPTER I

APPROPRIATION AND CONTROL OVER EXPENDITURE

2070. Original Schedule of Authorised Expenditure (Para 1.1, page 1-AR-Railways).—The Committee did not make any observation on this paragraph.

2071. (Para 1.2, page 1-AR-Railways).—No observation was made by the Committee and the paragraph was dropped.

2072. Comparison with previous years (Para 1.3, page 2-AR-Railways).—It was explained by the Ministry that the comparison with the preceding years showed considerably improved position in the year 1981-82. There were minor savings in both 'Authorized' and 'Charged' Sections reflecting good budgeting and control over expenditure on the overall basis.

2073. In view of the position stated above the Committee did not make any further observation and the paragraph was settled.

GRANT NO. 111.—EXPENDITURE CHARGED TO RAILWAY REVENUE

2074. Authorized Portion of the grant (Para 1.4, page 2-AR-Railways).—Audit had reported that there was an excess of Rs. 2,213,906 under the authorized portion of the grant. A cut of 6% was imposed on this grant but it was not reduced accordingly. The actual excess which had come to Rs. 2,346,740 required to be regularized under Budgetary Provision Order 1978.

2075. After examining the reply of the Ministry and the Audit comments thereon, the Committee stated that there was nothing special in regard to this paragraph. The paragraph was, therefore, dropped.

2076 (*Para 1.5, page 2-AR-Railways*).—According to Audit, the provision to the extent of Rs. 997,366 remained unutilized in the charged portion of the grant. After examining the explanation of the Ministry and the Audit comments thereon, the Committee decided that the paragraph be treated as settled.

2077. *Control over Expenditure (Para 1.6, page 3-AR-Railways) (Para 1.7, page 3-AR-Railways)*.—No observation was made by the Committee on the above mentioned paragraphs and these were treated as settled.

2078. *Grant No. 138—Other Capital Expenditure of Pakistan Railways (Para 1.8, page 4-AR-Railways)*.—Audit had reported that the provision to the extent of Rs. 8,893,318 remained unutilized. It was explained by the Ministry that the detailed reasons for the saving of Rs. 8.893 million in the Expenditure met from Improvement Fund was mainly due to certain works not having been carried out as a result of un-expected delay in the receipt of material from Store Department and partly due to non-finalization of plans and estimates.

2079. Audit stated that the Ministry's explanation was given on behalf of one branch which placed blame on another branch but it was not an explanation from the Principal Accounting Officer who had to give the reason for :—

(i) Delayed supply of material by Stores Department ; and

(ii) non-finalization of plans and estimates.

2080. The Committee agreed with Audit but under the circumstances, did not make any further observation on this paragraph and it was treated as settled subject to Audit obtaining a satisfactory explanation.

2081. *Control over Expenditure (Para 1.9, page 4-AR-Railways)*.—Audit reported that savings in the following cases indicated that additional funds provided through supplementary grant were unnecessary :—

(Figure in thousand Rs.)

Sub-head of the grant		Funds provided through supplementary grant	Saving
(i) Public & passenger Amenities	.. ..	395	1,159
(ii) Other Un-remunerative Works	... ..	8,981	8,996
(iii) Loans and Advances to Railways employees	.. ..	200	272

2082. The Ministry explained that :—

Item (i) Certain Works could not be carried out as a result of unexpected delay in the receipt of material. Funds were not surrendered as the works were expected to be carried out up to the close of the year.

Item (ii) The saving of Rs. 8.996 million was mainly due to booking of expenditure amounting to Rs. 6.743 million under the head ' Staff Welfare Works ' instead of the head ' Other unremunerative works '.

Item (iii) The saving was mainly due to shorter recoveries during the year of loans and advances to the Railway Employees than those anticipated.

2083. The Vice-Chairman enquired as to whether funds were provided through supplementary grant. The departmental representative replied that it was a total grant. Thereupon, the Vice-Chairman remarked that the Ministry had asked for unnecessary supplementary grant. The departmental representative admitted that there was a mistake and that they would be more careful in future.

2084. The Committee did not make any further observation and the paragraph was treated as settled.

2085. (*Para 1.10, page 5-AR-Railways*).—No observation was made by the Committee regarding this paragraph which was dropped.

2086. *Improper utilization of Supplementary Grant (Para 1.11, page 5-AR-Railways)*.—The reply of Ministry being acceptable to Audit, the Committee did not make any observation on this paragraph and it was treated as settled.

2087. *Grant No. 187—Capital Outlay on Pakistan Railways (Para 1.12, page 5-AR-Railways)*.—Audit had reported that the provision to the extent of Rs. 77,369,652 remained unutilized. After examining the detailed explanation of the Ministry and the Audit comments thereon, the Committee directed that a proper and concise explanation should be given by the department.

2088. *Control Over Expenditure (Para 1.13, page 5-AR-Railways) (Para 1.14, page 6-AR-Railways)*.—The Committee did not make any observation on the above mentioned paragraphs and as such these were treated as settled.

CHAPTER IV

AUDIT OBSERVATION ON IMPORTANT FINANCIAL IRREGULARITIES

2089. *Fraudulent payment of overtime and mileage allowance Rs. 610,000 (Para 4.1, page 13, AR-Railways)*.—Audit had reported that during test audit of

establishment bills, cases of fraudulent payments were noticed and a few instances were reported :—

	Rs.
4.1 (i) Fraudulent payment of overtime allowance to the drivers of a shed amounting to Rs. 186,252 for the period from January, 1979 to December, 1979 (excluding July and August, 1979 the record of which was not made available) in the following manner :—	579,824
<p>(a) the figures of hours earned during a month had been increased by hundreds ;</p> <p>(b) the figures of total miles run during a month had been increased by thousands ;</p> <p>(c) the conversion of total hours and miles into days had been shown in excess ; and</p> <p>(d) the datewise figures of overtime earned in hours had been increased by inserting additional digits.</p>	

2090. Audit stated that further investigations conducted by a special party deputed by Internal Audit disclosed fraudulent payment of Rs. 393,572 during the years 1978 and 1980.

2091. In their reply the Ministry explained that out of Rs. 580,000 paid fraudulently in the shape of overtime allowance to the drivers of Sukkur Division, Rs. 286,075 had been recovered. Since the effected employees approached the authority under Payment of Wages Act and filed an appeal in the Sind Labour Court Sukkur, against, these recoveries as well as agitated within the Shed, Divisional Superintendent Sukkur suspended recoveries till the decision of the Court.

2092. Replying to an observation made by a member about taking of disciplinary action, the departmental representative informed the Committee that in this case 128 loco shed staff were dealt with under E&D Rules and awarded punishment. Since the department considered that the punishment was not sufficient, the staff was being issued show cause notices for enhancement of punishments already awarded. But out of Rs. 580,000 the department had already recovered Rs. 336,556. The same member of the Committee enquired as to what was the position about the case in the Court. The departmental representative replied that it was still pending.

2093. After further discussion, the Committee directed that Internal check should also be instituted to detect fraudulent payments.

Rs.
18,827

- 4.1 (ii) It was observed by Audit that overtime allowance was fraudulently drawn by the running staff of a shed by making fictitious entries in the Engine Tickets and Departure Slips regarding their movement with engine. In 37 cases, test check carried by Audit during 1980, an amount of Rs. 18,827 was found drawn fraudulently.

2094. It was explained by the Ministry that the total amount involved in the irregular drawal of overtime allowance was Rs. 8,870 instead of Rs. 18,827 mentioned in the draft paragraph. The said amount had since been recovered from the staff and strict measures had been enforced to eliminate the possibility of staff drawing any overtime by submitting irregular and bogus documents. 23 men running the loco shed Rohri were involved. They were awarded punishment of WIT/WIP under E & D Rules.

2095. *After discussion, the Committee directed that the department should look into this case and take appropriate and feasible action. The supervisory staff should be asked to explain as to why they certified overpayment and then suitable action should be taken against them. The Committee also took a serious view of the whole paragraph about fraudulent payment of overtime and mileage allowance of Rs. 610,000. It was apparent that the internal control mechanism, if there was one, had failed. The Committee directed that Audit should verify the recoveries made and to be made.*

2096. *Shortage/mis-appropriation of Railway material worth about Rs. 3 million (Para 4.2, page 15-AR-Railways).—Audit had reported that during test check of the Accounts of certain Engineering Subordinates, cases of shortages and mis-appropriation of stores were noticed. Following instances were cited :—*

Rs.

- 4.2 (i) In January, 1969 the Accounts Stock Verifier noticed shortages of Railway material worth Rs. 2,465,949 in the accounts of P.W.I. Raiwind. The concerned subordinate absconded from duty when the stock verification was in progress. In late 1969 he was charge-sheeted to explain the shortages discovered during stock verification. His reply was considered vague and in January, 1970 an inquiry committee of divisional officers was constituted to investigate into the case. The inquiry Committee fixed different dates on 15 occasions for holding the inquiry between May, 1970 to May, 1980 but the accused managed to avoid attendance on all these occasions. In February, 1977

he was promoted as Assistant Engineer ignoring that he was accountable for heavy shortages. The inquiry Committee had still not been in a position to hold the inquiry and finalize it.

2097. In their reply, the Ministry explained that special stock verification of Permanent-Way Inspector Raiwind was arranged after the transfer of Mr. Muhammad Zakria, because he had absconded without handing over charge to his relief and preparation of monthly store accounts of his period. As a result of the special stock verification, Stock Sheets were prepared for the shortage of material costing Rs. 2,465,949 against Mr. Muhammad Zakria the then Permanent-Way Inspector Raiwind. The inquiry into these shortages could not be conducted earlier due to non-cooperation of Mr. Zakria. A Committee comprising Divisional Engineer-I, Divisional Personal Officer and Divisional Accounts Officer, Lahore finally completed the investigation into this case and submitted their recommendations. According to the findings of the inquiry committee and comments of Mr. Zakria, most of the items found short were adjustable against excesses of similar items. This position was submitted to Senior Accounts Officer/Stores for examination/acceptance. Senior Accounts Officer/Stores, after making necessary adjustments had issued a fresh Account Note No. SV/1560 dated 6-2-1984 for the net shortage of material costing Rs. 156,382. Action had been initiated for the recovery of this amount from Mr. Muhammad Zakria the then Permanent-Way Inspector Raiwind.

2098. *After discussion and obtaining certain information from the departmental representative, the Committee decided that full report containing all the aspects of the case should be furnished to the Committee. Audit should be duly consulted.*

4.2 (ii) A special stock verification of the stores in the charge of engineering subordinate at Bhakkar carried out in January, 1973 revealed heavy shortages of P-Way material. Inquiries were held in October, 1973 and again in April, 1975. As a result of findings of Inquiry Committee, the cost of the material according to book, balance found short and excess was worked out as Rs. 1,614,926 and Rs. 1,044,701 respectively for which the engineering subordinate was held responsible. The disciplinary action which was initiated against him, after four years in March, 1977, was still to be finalized.

2099. It was stated by the Ministry that according to the inquiry, materials found in excess and short in the stock verification, were of the cost of Rs. 1,614,926 and Rs. 1,044,701 respectively for which Mr. Muhammad Hussain, the then Permanent-Way Inspector Bhakkar was held responsible. The Ministry further

mentioned that it was explained by Mr. Muhammad Hussain that as stock verification was conducted when track renewal was in progress in his section, he could not record daily transactions of material and accordingly could not prepare monthly accounts in time, which resulted in the above stated excesses/shortages.

2100. Audit commented that the shortage was pointed out in 1973. The inquiry, conducted in the same year, established a shortage of Rs. 37,604. Another inquiry was ordered in 1975 which established a net loss of Rs. 570,225. Now in 1984 it was stated that there was no shortage except for Rs. 3,571 which was proposed to be written off. It was not clear if it was as a result of fresh inquiry or otherwise.

	Rs.
4.2 (iii) Shortage of stores worth Rs. 51,212 on the charge of two Bridge Inspectors were noticed in Sukkur Division and these were indicated in their charge reports. The recovery of the material found short was not effected.	51,212

The Ministry explained that a fact finding Committee was constituted which reported that 27 items worth Rs. 2,025 were short on the part of Malik Mahmood Khan and 104 items amounting to Rs. 6,451 were short on the part of Mr. Muhammad Latif Bajwa. Recovery of Rs. 2,025 had been made from the salary of Mr. Malik Mahmood Khan. Rs 3,200 had been recovered from Mr. Muhammad Latif Bajwa and the balance was being recovered @ of Rs. 200 per month. The Ministry further stated that as it was only a case of non-maintenance of proper record of material issued on works from time to time, no disciplinary action other than recovery was considered necessary.

2101. *After discussion, the Committee decided that in respect paragraph 4.2 (ii) and (iii) Railway and Audit should hold a joint inquiry for finding out the full facts. It may also be seen whether any action was taken or is required to be taken for the non-maintenance of proper records.*

2102. *Suspected fraudulent payment of quarry contractors Rs. 844,000 (Para 4.3, page 17-AR-Railway).—After examining the reply of the Ministry and the Audit comments thereon, the Committee decided that Audit should follow the matter and come back to the Committee if it is not satisfied.*

2103. *Wasteful expenditure of about Rs. three million (Para 4.4, page 17-AR-Railway).—According to Audit, in 1974 Sofre rail, the consultants recommended that manual tools of the P-Way gang should be improved to obtain better quality of work, reduce worker's fatigue and increase output. This involved modernization of existing tools and introduction of a few additional tools at an estimated cost of Rs. 3 million. In 1976, a set of tools costing Rs. 17,000 was imported from*

France for patterns and drawings and 160 sets of such tools, were manufactured in November, 1976 at a cost of Rs. 2,057,000. Staff was trained but after expenditure of about Rs. 3 million the new method could not be generally introduced.

2104. In their reply the Ministry explained that the new system of Track Maintenance could not rightway, be introduced over the entire net work of Pakistan Railways due to large variety of track materials used on different sections and a number of inherent financial and other problems.

2105. Audit commented that tools manufactured/procured in 1976 had not been fully utilized and capital of about Rs. 3 million stood blocked for the last 9 years. The track condition and other bottlenecks now standing in the way of complete introduction of the Scheme should have been thoroughly examined before incurring such heavy expenditure.

2106. A member of the Committee enquired as to the number of tools required and manufactured. The departmental representative replied that 825 tools were manufactured. One gang worked on six Kilometers. The Vice-Chairman remarked that the expenditure was not fruitful because the equipment manufactured was unsuitable besides the delay which occurred in its manufacture.

2107. *As the subject matter of this paragraph 4.4 was similar to that the following paragraph 4.5, the Committee decided to take decision on the two paragraphs together.*

2108. *Wasteful expenditure of Rs. 1,038,000 on manufacture of defective track lifting jacks (Para 4.5, page 18-AR-Railways).—*Audit and reported that the Railways Mechanical Branch undertook to manufacture 1000 portable Mechanical Track Lifting jacks against a requisition placed by Executive Engineer, Track Field, Lahore in March, 1976. A prototype track lifting jack was manufactured and supplied to the Railway Engineering Branch for test and report. The jack was declared suitable except for some minor defects. The Mechanical Branch was, thereafter, given the go ahead for the manufacture of jacks on regular basis at an accelerated pace by making improvements towards the "spring split". Accordingly Mechanical Branch manufactured 825 jacks. Four hundred and thirty-seven jacks were issued to various Divisions for maintenance of tracks. The jacks, however, failed to lift the track to the required height and were sent back for rectification. Even after rectification the jacks could not give satisfactory performance.

2109. It was explained by the Ministry that the manufacture of the jacks was an attempt to develop technology at home which appeared to be within our capability. In many cases some financial sacrifice on the part of the organisation was entailed when it endeavoured to develop a new technology to come to the required standard.

2110. Audit stated that the expenditure of Rs. 1,038,000 incurred on the manufacture of 825 defective jacks proved wasteful. As it was an experiment, manufacture of a smaller number of jacks would have been advisable. The usefulness of the jacks after repair was based merely on expectations.

2111. *In view of the above explanation and the Audit comments thereon, the Committee took the following decision on the above mentioned two paragraphs 4.4. and 4.5 :—*

Defects in all jacks should be removed within six months and a report furnished within this period. The two paragraphs were deferred.

2112. *Purchase of defective flooring composition valuing Rs. 106,000 (Para 4.6, page 19-AR-Railways).—As reported by Audit flooring composition weighing 94,150 Kgs was purchased from a firm @ Rs. 2.88 per Kg. The material was supplied in three consignments. The first consignment weighing 36,900 Kgs, supplied by the firm on 14th November, 1977 was accepted on warranty under the direction of the Chief Controller of Purchase although it had failed in chemical test. The material remained with the District Controller of Purchase (Inspection), Karachi Cantt. for about eight months and was despatched to Works Manager, Carriage, Mughalpurā on 5th October, 1978. Of the 36,900 Kgs, only 829 Kgs could be utilized from November, 1978 to December, 1978 and even that was declared as unsuitable by the Works Manager who also stated that the quantity in stock (viz 34,250 Kgs) had also lost its strength due to time lag as it was useable only within three months of its manufacture. The account of the balance of 1,821 Kgs was not on record. Thus the Railway Administration had to suffer a loss of Rs. 106,272 due to acceptance of defective material.*

2113. The Ministry explained that a sample of 50 Kgs out of the first consignment was sent on 26-11-1977 to the Divisional Superintendent (Workshops) for laboratory and practical tests and suitability report. The test report of the Chemist and Metallurgist dated 18-1-1978, indicated that the material had more Magnesia than the maximum limit i.e. 61%. However, the Chemist and Metallurgist recommended that the material may be tried for suitability in respect of strength and hardness. The Ministry further stated that the consignment of 36,900 Kgs was found unsuitable by Workshops, when put to practical use by laying on the floor on 10-10-1978 as per report of 15-11-1978. The firm's representative on 19-1-1978 came forward to rectify by further raising percentage of magnesia, but he was convinced that it was unsuitable.

2114. The Purchase Order, as well as, specification did not stipulate that the material should be used within three months of delivery. The Ministry further stated that this lot of 36,900 Kgs was despatched by DCP (Inspection), Karachi after 8 months time to Mughalpurā because the Railway Track had been dismantled in the Old General Stores Depot which was shifted to a new site near Clifton.

2115. The Ministry further stated that in view of what had been mentioned above and the fact that the report of the defective material was made to the supplier on 9-1-1979, which was within the warranty period of 18 months and within the period of 14 months of warranty provided by the supplier on 14th November, 1977 to DCP (Inspection), the firm was liable to pay for the loss. The papers had been handed over to the Law Officer on 5-7-1984 for filing of a suit in the Court of Law against the firm for the recovery of cost of defective material.

2116. The Vice-Chairman enquired as to whether the department made a test of the sample. The departmental representative replied that it was tested according to British Standards. The first lot of 16,250 Kgs was found suitable. In the second lot of 36,900 Kgs there were complaints. The defect was detected when the floor was laid down. According to British standard specification it was still in the stage of research.

2117. Questioned as to why the department bought it in the first place, the departmental representative informed the Committee that the department always obtained a warranty and lodged the claim during the warranty period. The department had taken adequate action in this respect. There was, however, no satisfactory explanation for the delay in taking of legal action.

2118. After discussion, the Committee directed that Audit should verify the action taken by the department in regard to the filing of suit in the Court of Law. Subject to verification by Audit and appropriate follow up action, the paragraph was dropped.

2119. *Inadequate planning in execution of capital projects and lack of proper assessment of their cost benefits and necessity (Para 4.7, pages 19—23—AR-Railways).*—Audit had reported that during the test audit of certain capital projects it had been observed that despite lapse of a considerable period of time and incurring of huge expenditure, certain projects had either not been completed or the benefits expected had not been derived. The instances detailed below indicated the need for reviewing the existing system of planning and execution of capital projects with a view to make the system more effective:—

- (a) The conversion of Mari Indus-Bannu Section from narrow gauge to broad gauge was sanctioned by ECNEC in May, 1979 at a total cost of Rs. 159 million. The justification furnished for this conversion was the economic development and harnessing the natural resources to the benefit of the local public and to eliminate the break of gauge at Mari Indus to avoid transshipment and detention of stock. Strategic advantages were also stated to accrue from this conversion. The work was started in July, 1976 on urgency certificate and was to be completed by June, 1982. In April 1981 after incurring Rs. 33 million, it was decided

to stop the work for three years from 1st July, 1981 without specifying any reasons, except the on-going works of bridges of minor nature. A further expenditure of about Rs. 3 million was incurred upto September, 1981 making total expenditure Rs. 36 million with physical progress of 24% only. Out of the above expenditure an amount of Rs. 7.2 million had been incurred on constructing service and residential buildings upto January, 1981. Permanent Way Material valuing Rs. 6.8 million was also obtained much in advance of its actual requirements although there was no likelihood of its utilization in the near future. This resulted in un-necessary blockade of capital and recurring expenditure on watching coolies. The expenditure incurred on watching coolies upto February, 1982 was Rs. 43,000. Due to non-adherence to the schedule of completion, expenditure upto April, 1981 under the head establishment charges stood at Rs. 2.87 million as against Rs. 1.65 million at 5% of the total expenditure incurred till April, 1981.

2120. It was explained by the Ministry that the work was stopped beyond 30-6-1981 due to non-provision of funds. A meeting was held on 8-4-1981 with the then Minister for Railways in connection with Annual Development Programme for 1981-82 and it was decided to stop the work in 1982-83 too. The Ministry further stated that the Permanent-Way material was correctly arranged in advance, so that the progress of project might not suffer till final decision, the material had to be kept and watched at site. By the time final decision of the Government to drop this project was received all the material with the exception of some bridge material, had been disposed of.

2121. The Vice-Chairman enquired as to why the department took so long in the construction of the project. The departmental representative replied that the reason was the non-allocation of funds. Only four million rupees were sanctioned and Rs. 4.9 million were spent during the year 1981-82. The total estimated cost was 159 million. If only 4 million were given in a year, it was unreasonable to expect the department to complete it. The project was approved by ECNEC even though it had a negative rate of return.

2122. After further discussion on this item (a) and on items (b) and (c) of paragraph 4.7 and after taking all aspects of the three projects into consideration and seeking certain clarification from the departmental representative, the Committee took the following decisions :

- (i) *A full report on the three projects, namely, Mari Indus-Bannu track conversion, New Terminus at Karachi Cantt. and Rawalpindi-Islamabad link should be furnished to Audit and then to PAC.*
- (ii) *A self-contained report should be submitted to the PAC about the Circular Railway, Karachi. The departmental representative promised to submit the same.*

2123. *Wasteful expenditure of Rs. 669,000 in the execution of development works and blocking of capital of Rs. 1.157 million (Para 4.8, pages 23—25-AR-Railways).*—It was pointed out by Audit that while carrying out test checks, cases had come to notice where delays occurred in the execution of development works involving wastage of material, manpower and funds. The instances given below and in the following paragraph's indicated the need for reviewing the existing system of planning and executing of development works with a view to make it more effective :—

- (a) The Railway Administration constructed a 50 beds new ward in S.B.K. Sanatorium to meet the shortage of accommodation. The structural work was completed by the Development Branch of the Railways on 20th September, 1974 at a cost of Rs. 1,156,767. The Building was handed over to Quetta Division on 24th October, 1977. While taking over, certain defects were noticed & were removed at a cost of Rs. 74,000. A further expenditure of Rs. 380,394 had been sanctioned for repairs etc. to the building. No benefits could be derived from the capital invested so far as the building had not been put to use.

2124. Audit further reported that the capital of Rs. 1.157 million thus stood blocked for more than eight years. An expenditure of Rs. 31,094 was also incurred on the employment of chowkidars for watching the building from September, 1974 to December, 1977 which could have been avoided if the building had been put to use on its completion.

2125. The Ministry admitted in their reply that it was really unfortunate that there was an avoidable delay in this case, and said that the construction of a 50 bedded ward and an operation theatre was started by the Development Branch on 15-5-1973 and structural work completed on 20-9-1974. The work of electrification of the building was also started simultaneously by the contractor appointed by the Electrical Branch, but he failed to keep up the progress and ultimately his contract was terminated, and another contractor was nominated. The balance portion of electrical work had been completed in the year 1977. As such the building could not be handed over to the Division earlier. When the work was jointly inspected by the Division and Development Engineers for taking over by the Division, it was found that the building needed some repairs like painting, white washing etc., as result of the fact that the building remained unattended from 1974 to 1977 because of non-completion of the electric works. The building was handed over to the Division on 24-10-1977, but it was still not in use because the medical equipment, was not received in full. As regards expenditure of Rs. 31,094 on watching coolies, it was unavoidable as the assets had to be protected from theft, damage and unauthorised occupation. The Ministry further stated that the Medical Branch had agreed to take over the hospital in phases. As such, repairs had

been taken in hand during the financial year 1981-82 and the first phase, comprising 20 bedded ward and operation theatre would be ready for commissioning in about three months time.

2126. *In view of the explanation stated above the Committee after discussion, directed that after a review, a complete report about the 50 bedded Hospital should be submitted to the Committee within three months. The paragraph was, therefore, deferred.*

2127. [Para 4.8(b), pages 24-25-AR-Railways].—Audit reported that the conversion of Shah Nikdar 'D' class station into 'B' class was approved by the Railway Administration during the year 1977-78 at an anticipated cost of Rs. 1.9 million. The permanent way and signal portion of the work were yet to be completed but the structural portion was completed in December, 1979 and an expenditure of Rs. 564,148 was booked up to December, 1982. The work was carried out without sanction of detailed estimate or an urgency certificate and the approval of the PC-I proforma. Detailed estimate for Rs. 2,158,190 was sanctioned in March, 1981. The Ministry maintained that the detailed estimate for the work was sanctioned in March, 1981 for Rs. 2.158 million.

2128. Thereupon, Audit commented that the fact remained that the work approved for construction during 1977-78 had not been completed so far and Rs. 564,148 incurred on the structural portion of the work upto December, 1982 stood blocked.

2129. Audit further stated that the work had already been declared as unjustified by the Chief Project Officer, and the Chairman Railway Board had approved the dropping of the work *vide* his orders dated 28-10-1980. It was not understood as to how this work had not been considered justified by the Chief Operating Superintendent.

2130. *The Committee took a serious view of the matter, if facts stated by Audit were correct, and directed that decisions taken regarding this project during the last three years should be reported to the Committee to enable it to see as to how the minds of the decision makers were working.*

2131. *Review of sidings (Para 4.9, page 25-AR-Railways).*—Audit reported that the unsatisfactory state of maintenance of record of sidings, non-execution and non-renewal of agreements, failure to carry out prescribed annual review and heavy outstandings against the parties concerned had been commented upon in the Audit Report, for 1972-73. In April, 1981 the Railway representative stated before the Public Accounts Committee that the review of all sidings had been carried out and regular recovery of charges was being made from the parties concerned. The local Audit carried out during July, 1982 revealed no substantial

improvements. The explanation of the Ministry in reply to the Audit objection had been gone through by Audit who commented that the position explained was under verification.

2132. After discussion, the Committee directed that a review of the completion of sidings, including those at Mirpur Mathello should be finalized within six months and a report submitted to the Committee by the end of June, 1985. Audit was also directed to process it.

2133. Irregularities in the execution of a Project (Para 4.10, page 27-AR-Railways). Since the explanation of the Ministry was acceptable to Audit, the Committee did not make any observation regarding this paragraph which was dropped.

2134. Wasteful expenditure on the execution of a work (Para 4.11, page 30-AR-Railways).—According to Audit, a contract for the construction of 6 staff quarters in connection with the remodelling of yard at Shorkot was entered into December, 1972. The work was started on 2nd January, 1973 and was to be completed within twelve months. The contractor received payment of an amount of Rs. 91,389 in May, 1973 and left the site in August, 1973 leaving the work incomplete. The Railway Administration did not take any action to get the work complete at the risk and cost of the contractor.

2135. The Ministry furnished a detailed reply stating that as the contractor failed to complete the work and did not remove the defects inspite of repeated notices issued to him, his contract was terminated at his risk and cost and he was blacklisted. As far the loss to the Railway, action was being taken against the staff concerned.

2136. Thereupon, Audit made the following comments :—

- (i) The amount of loss was to be recovered or regularised.
- (ii) Disciplinary action against the staff responsible for making payment to the contractor for defective work was yet to be finalized.
- (iii) The amount of loss now worked out was under verification.

2137. In view of the position stated above, the Committee decided to defer the paragraph.

2138. Loss of Railway material in Transit Rs. 206,000 (Para 4.12, pages 31-32-AR-Railways).—Audit had reported that during local check it was noticed that the Railway material despatched from one station to another did not reach the destination for years together. Following instances of this nature were cited :—

- 4.12 (i) In March, 1976 two wagons, one loaded with 250 wooden sleepers costing Rs. 72,000 and the other with the P-Way material valuing Rs. 18,894 were despatched to the Sub-Engineer (Ways) Rawalpindi

from stores Depot, Hairpur Bund Malakwal respectively. Both the wagons did not reach the destination. Out of another consignment of ten thousand wooden sleepers despatched in March, 1976 by Stores Depot, Haripur Bund to the same subordinate, 27 sleepers valuing Rs. 7,797 were found short during unloading. A year later, another wagon loaded with P-Way material costing Rs. 56,682, which was despatched to the same subordinate from Chaklala, also met the similar fate and did not reach the destination value of untraced material Rs. 155,573.

2139. The Ministry explained that one wagon containing cast iron sleeper booked from Malakwal to Rawalpindi had since been traced out. Tracing of the other two wagons was being pursued. The Ministry further stated that as far as the loss of 27 wooden sleepers was concerned, the Assistant Way Inspector, Rawalpindi had been held responsible and his incharge namely Chief Officer Carriage Factory, Islamabad had been asked to recover Rs. 7,797 from the employee, in addition to other suitable disciplinary action.

2140. The Vice-Chairman, enquired as to what was the Identification mark? The departmental representative replied that each wagon had its own number. The Audit representative intervened to say that all the information in this respect was available.

2141. *The Committee directed that a report on the final disposal of the two missing wagons a copy of the procedure for retrieving un-connected wagons and disciplinary action taken against defaulter should be furnished to Audit and then come to PAC.*

4.12 (ii) Permanent-Way material viz, Rs. 36,006 Rails and sleepers booked during August, 1975 to October, 1977 by various subordinates did not reach the destination. The loss of material in transit was reported to the Chief Commercial Manager, Lahore but the material was still untraceable.

2142. It was stated by the Ministry that material could not be traced as the report had been lodged too late by the Permanent-Way Inspectors. Disciplinary action against them was being initiated. Simultaneously steps were underway to have the amount of Rs. 36,000 written off.

2143. The Vice-Chairman, asked for the reasons for not reporting the shortage in time and for the taking of disciplinary action against the subordinates held responsible and for its non-finalization. The departmental representative informed the Committee that action had been taken and the officials concerned were censured.

2144. *The Committee observed that actually 'censure' was not a punishment and the departmental representative should look into that matter again and take more severe disciplinary action and Audit should watch the progress of such action.*

Rs.

4.12 (iii) Fifty-six crossing timbers were booked by Haripur Bund Depot to Bucheri Railway station in November, 1976. The material did not reach the destination till July, 1977 when the loss of material was reported to the Chief Commercial Manager, Due to delay in reporting, no action was taken by the Chief Commercial Manager to trace the material. The material was still un-traced and write off action was underway. 13,974

2145. It was stated by the Ministry that the total loss of Rs. 13,974 had been written off by the General Manager and that P.W.I., Padidan at Bucheri had been held responsible in this case and had been punished. Instructions on the Subject had been issued to prevent lapses of this nature in future.

2146. The Vice-Chairman enquired as to what was punishment given and whether once again it was 'censure'. The departmental representative replied that he would look into it.

2147. The Committee directed that the officials, who may have delayed reporting, should be taken to task and should be suitably punished, if they have only been censured. Subject to Audit watching progress, the paragraph was dropped.

2148. *Purchase of defective Air-compressor valuing Rs. 211,000 (Para 4.13, page 32-AR-Railways).*—Audit reported that in October, 1976 the Railway Administration purchased two Air-compressors for Rs. 421,433 for Kotri Bridge Project. One Air-compressor valuing Rs. 210,716 was not used on the Project for eight months due to change in the design of the bridge. In June, 1978 the Air-compressor was shifted to Jassar for dismantling the Jassar Bridge. It was put to work in November, 1978 and failed after working for 29 hours only. Certain parts were broken and since then it has not been used and requires major repair. The firm concerned could not be called upon to rectify the defects free of cost as the guarantee period of 12 months provided in the agreement expired on 23rd August, 1978. The firm, of the other hand demanded Rs. 11,400 for replacing the broken parts which amount was subsequently increased to Rs. 63,964.

2149. The Ministry accepted the Audit report but mentioned that the Compressor was defective when purchased. Audit observed that the machine was not originally defective as it was accepted after due trial test of 20 hours but

certain parts of the machine were broken due to careless handling by the operators for which responsibility needed to be fixed. There was also the question of undue delay in getting the defective parts replaced.

2150. After obtaining further information, the committee decided that action should be taken for the utilization of the Machine on Kotri Bridge Project. The paragraph was treated as dropped subject to verification by Audit, of the disciplinary action taken by the Ministry.

2151. *Un-necessary Purchase of machine resulting in blocking up of capital worth Rs. 745,000 (Para 4.14, page 33-AR—Railway).*—Audit reported that an electrically driven adzing and boring machine was purchased in 1972 for Rs. 503,000. The machine was to be installed in Sleeper Depot Haripur Bund but despite passage of more than 9 years it was not installed. The matter was taken up with the Railway Administration in May, 1974, who informed Audit in July, 1978 that the machine could not be installed and put into operation for want of spare parts which were supplied in 1973 and thereafter due to non-supply of A.C. connection by WAPDA.

2152. It was explained by the Ministry that the adzing and boring machine was received in Haripur Bund Depot in September, 1972. Some of its parts which were lost at Karachi were supplied in April, 1973. The action regarding provision of foundations of the machine and A.C. electric connection was initiated in time. The Ministry further stated that there were unprecedented floods in August, 1973 which caused colossal damage and loss in the Creosoting Plant and Sleeper Depot at Haripur Bund. It was accordingly decided to shift the Creosoting Plant from Haripur Bund to some safer place and as such installation of the machine was deferred. Efforts were again made for Commission the machine at Haripur Bund and it was decided to procure a Diesel Electric Generating set as there was no possibility of getting electricity from WAPDA and the charges demanded by them for electric connection were exorbitant.

2153. Audit expressed the view that the machine purchased in 1972 could have been installed earlier than 10 years from its years of purchase, thus avoiding blocking of capital. Even when installed in 1983, it worked only for 37 days from 6-1-1983 to 19-2-1983, and then went out of order.

2154. The Vice-Chairman enquired as to who took the decision not to install the machine and when was that decision taken? The departmental representative replied that the decision was taken at the level of Chief Engineer. The Vice-Chairman stressed upon the departmental representative that he should go into details to find out as to why the machine was not installed and why the matter was not reported.

2155. *The Committee directed that it may be intimated as to whether the matter was reported to the Chief-Engineer and a conscious decision taken not to install the machine.*

2156. *Infructuous expenditure of Rs. 98,000 on the purchase of a truck (Para 4.15, page 34-AR-Railways).—*In 1962 purchase of a truck was sanctioned to facilitate transportation of the Railway material by the IOW/RWP. The chassis of the truck was purchased in September, 1966 for Rs. 42,000 and sent to DCOS/Mughalpura for manufacturing a body thereon in June, 1968. The DCOS/Mughalpura informed after two years that the truck had been accepted by him as Scrap. The Divisional Superintendent insisted on the return of the truck and the truck which was returned February, 1972 after manufacture of its body and carrying out Major repairs costing Rs. 11,516. In May, 1972 it was put on road. After a period of three years and running only 15,798 miles it went out of order in August, 1975. The quotations for its repairs called for from the market were not accepted and the W.M. CDL/Shop was requested to carry out the repairs/who after examining the truck intimated that it was beyond the repairing capacity of the Shop as no facilities existed for its major repairs. In June, 1979 the truck was returned to DCOS/Mughalpura and scrap rendering the entire expenditure of about Rs. 54,000 as infructuous. The staff employed for the operation of the truck were allowed to continue even after August, 1975 and were surrendered in May, 1980 and October, 1980 thus incurring an avoidable expenditure of Rs. 44,500 in the shape of pay and allowances.

2157. The Ministry regretted that the truck remained un-utilized for a long time after its purchase. The Driver and the cleaner posted on the truck were regular employees of the Division. The Ministry admitted that they were kept attached to the truck beyond 1975 for too long. Necessary action against the persons responsible for providing them alternative jobs after inordinate delay was being taken up.

2158. Questioned as to who ordered that the truck should not be sent for body building. The departmental representative said that disciplinary action had been taken against the staff who stopped it. The department had awarded penalty of Rs. 12,000 and Rs. 14,000 to each official.

2159. *After discussion, the Committee directed that a comprehensive note, meeting the Audit objections should be furnished through Audit. A report about the action taken against those responsible for various irregularities in this case should also be furnished. The paragraph was deferred.*

2160. *Irregular payment of daily allowance to relieving staff Rs. 63,000 (Para 4.16, page 34-AR-Railways).—*Under the extent rules, staff when required for relief at a particular station for more than six weeks is to be temporarily

transferred to that station and no daily allowance is admissible for this temporary posting. Contrary to this, relieving staff was posted in vacancies of more than six weeks caused, during January, 1979 to September, 1980 by retirement, L.P.R., etc., of the staff on fifteen stations in Multan Division and were paid daily allowance of Rs. 63,814.

2161. The explanation furnished by the Railway Administration was not acceptable to Audit who reiterated its objection and stressed upon the Ministry that the irregular payments should be recovered or regularized and simultaneously responsibility for making such irregular payments should be fined and action taken against the persons held responsible.

2162. Replying to a question of the Vice-Chairman, the departmental representative informed the Committee that the department was going to regularize all these things and also stated that in an organisation as big as the Railways such cases did occur. The Committee decided to drop the paragraph subject to verification of the action by Audit.

2163. *Loss due to non-execution of agreement with a private firm Rs. 185,000 (Para 4.17, page 35-AR-Railways).*—Audit having verified the recovery, the paragraph was treated as settled.

2164. *Non-recovery of recreation allowance paid to the staff engaged for maintenance of deposit works Rs. 164,000 (para 4.18, Pages 35-36-AR-Railways).*—Railway Rules require that the actual pay and allowances of the extra establishment engaged in connection with the maintenance and operation of deposit works, should be recovered from the parties concerned. The recreation allowance paid from 1st July, 1974 to such staff was, however, not recovered in five Divisions of the Railway, which worked out to Rs. 170,933 up to December, 1981. No effective action towards recovery of the amount involved had been taken so far except in Lahore Division where an amount of Rs. 6,908 was recovered, leaving a balance of Rs. 164,025.

2165. It was explained by the Ministry that for deposit works recoveries to be made specified in the agreements executed between the Railways and the sponsors. The payment of recreation allowance became admissible to Railway employees w.e.f. July, 1974 and, accordingly, permanent Railway employees posted for the maintenance/operation of deposit works also became entitled to its payment, and were paid. But the relevant record dealing with the payment of maintenance/operation charges was not amended. The non-recovery of the recreation allowance, from the sponsoring agencies, was an inadvertent omission and no individual was considered responsible for the default. The Ministry further stated that the amount recoverable from different parties on account of payment of recreation allowance had been assessed and bill for recoveries of the same had

been sent to them. According to the latest information supplied by Divisions recovery of Rs. 142,449 had so far been effected against the outstanding amount referred to in the draft paragraph. Concerted efforts were underway to recover the balance.

2166. Audit confirmed that the recovery of Rs. 142,449 was under verification and the recovery of the balance of Rs. 21,500 would be watched. Audit further stated that in terms of paragraph 2035 of the Railway Engineering Code, actual pay and allowances should have been recovered from the parties concerned. As this was not done, responsibility for non-recovery needed to be fixed.

2167. A member of the Committee remarked that it would be better if an inquiry was held to decide as to who was responsible for the non-recovery and consequential action should be taken.

2168. Accordingly, the Committee directed that the responsibility for non-recovery should be fixed for necessary action and recovery expedited. Audit should also keep track of the matter.

2169. *Non-recovery of interest charges (para 4.19, Page 36-AR-Railways).*—An agreement for collection of Railway earnings and their deposit into the State Bank of Pakistan was executed with National Bank of Pakistan in September, 1975. Under penal clause, interest @ 1% above the prevailing bank rate was recoverable from the bank if the bank failed to deposit in time, the amount in the State Bank of Pakistan. During test Audit, instances were noticed where the Bank failed to deposit the cash in time and interest charges amounting to Rs. 1,477,585 became recoverable up to 30th June, 1978. The departmental representative informed the Committee that in this case the National Bank had filed a counter-claim of Rs. 67 lakhs and the matter was under negotiation. In view of the position stated above, the Committee decided to drop the paragraph subject to verification by and satisfaction of Audit.

CHAPTER V

PERFORMANCE OF INTERNAL AUDIT

2170. *(Para 5.1 and 5.2, page 38-AR-Railways).*—The paragraphs being descriptive, required no action.

2171. *Internal Check (Para 5.3, page 38-AR-Railways).*—It was pointed out by Audit that in view of the functioning of internal check, a small percentage of transactions was test audited by the Audit Department. As a result of this test audit applied on the vouchers and documents passed by divisions, branches and various sections of the FA & Chief Accounts Officer's Office, for the year 1981-82, the failures of internal check noticed by the Audit in respect of Receipt side and

Expenditure side were given in the report. These related to items like application of incorrect freight and haulage rates, short recovery of light engine charges, creation and upgrading of posts etc.

2172. The Ministry submitted their replies on the items reported. The Committee directed that actions, including disciplinary actions, wherever called for may be taken at an early date and Audit should verify them.

2173. *Miscellaneous failures relating to Accounts, etc. (Para 5.4 (i), page 39-AR-Railways).*—The Committee decided that the paragraph be dropped. Subject to verification by Audit.

2174. *[Para 5.4 (ii) (iii) and (iv), page 40-AR-Railways].*—After consideration of the above paragraphs, the Committee decided that Audit should follow up action taken by the Department.

CHAPTER VI

OTHER TOPICS OF INTEREST

2175. *Unsanctioned expenditure (Para 6.1, page 42-AR-Railways).*—The Chairman and the Finance Member, Railway Board have certified on the grand summary of the Appropriation Accounts that all the expenditure included in the Appropriation Accounts had been sanctioned by the competent authority with the exception of the items detailed in the statement of unsanctioned expenditure. This statement appearing on pages 14 and 15 of the Appropriation Accounts shows unsanctioned expenditure of Rs. 76.889 million incurred during the year 1981-82 and total unsanctioned expenditure of Rs. 126.200 million outstanding for regularisation to the end of 1981-82.

2176. The Ministry stated that out of the unsanctioned expenditure of Rs. 126.200 million an amount of Rs. 107.508 million had been cleared up to 1982-83.

2177. Audit pointed out that the figure of clearance viz. Rs. 107.508 million was not correct and that only Rs. 44.061 million had been cleared to end of 1982-83 as the outstanding unsanctioned items on that date were as follows :—

	Rs.
Outstanding relating to the period to the end of 1981-82	82.139 million
Outstanding relating to 1982-83	98.726 million
Total	180.265 million

2178. Audit further pointed out that during the meeting held on 5-1-1984, the PAC had directed that all outstanding unsanctioned expenditure must be regularized and cleared before 30-6-1984. The position on this date would be reviewed on receipt of the relevant statement for 1983-84 from the Financial Adviser and Chief Accounts Officer.

2179. After discussion, the Committee observed that the unsanctioned expenditure should be cleared as soon as possible. Subject to verification, of clearance, by Audit, the paragraph be treated as dropped.

2180. *Undercharges in traffic earnings (Para 6.2, pages 43-44-AR-Railways).*—The Statement appearing on page 22 of Appropriation Accounts showed that the undercharges outstanding for recovery had decreased from Rs. 4,762,333 at the end of the preceding year to Rs. 4,489,797 at the end of the year under report. The decrease was attributable to the fact that, out of the undercharge outstanding at the end of the previous year, undercharge of Rs. 3,104,913 had been withdrawn during the year as is shown in Column 2 (b) of the aforementioned statement. The undercharges so withdrawn were 65.19% of the amount outstanding at the end of the preceding year.

2181. After examining the reply of the Ministry, a member of the Committee pointed out that an error of Rs. 2,163,001 was shown in the Error Sheets as relating non-accountal of invoices and Traffic mistakes and enquired as to what that item meant. The departmental representative could not satisfy the member. *The Committee, therefore, directed the departmental representative to look into the item and give an explanation therefore. A full and complete report should be furnished to the Committee through Audit. The paragraph was, therefore, deferred.*

2182. *Losses due to remission and abandonment of claims to revenue (Para 6.3, pages 44-45-AR-Railways).*—Audit reported that these losses, a detailed account of which is given in the statement appearing on page 23 of the Appropriation Accounts amounted to Rs. 12,598,246 during the year under report recording an increase of about 59% over such losses during the preceding year which amounted to Rs. 7,396,080. The Ministry explained that the percentage due to remission and abandonment of claims of demurrage and wharfage charges had shown an appreciable decrease as was evident from following statement :—

Period			Demurrage & Wharfage accrued	Demurrage/ wharfage remitted	Percentage of remission
			Rs.	Rs.	
30-9-83	--	--	24,152,136	1,772,274	7.33%
31-12-83	..	--	25,755,886	1,461,270	5.67%
31-3-84	..	..	27,345,226	1,443,074	5.64%

Wharfage had accrued due to non-removal of consignments.

2183. Audit pointed out in their comments that Ministry had claimed appreciable decrease in remission of wharfage and demurrage but the figures did not appear to be correct.

2184. *In view of the Audit Comments, the Committee directed that the departmental representative should look again into the figures and a full and complete reply should be furnished to PAC through Audit. The paragraph was, therefore, deferred.*

2185. *Statement showing suspense balances (Para 6.11, pages 49-51-AR-Railways).—As stated in the note under the statement showing suspense balance appeared on page 59 of the Appropriation Accounts, posting and balancing of the Registers of Miscellaneous Advances (Revenue) pertaining to Workshop Accounting Centre was incomplete. This position was persisting for the last 13 years. Need for updating the Suspense Registers was pointed out. The Ministry informed the Committee that updating of suspense Registers of Workshop Division was in progress.*

2186. After examining the detailed replies to Audit sub-paragraphs to (m) of the paragraph and the Audit comments thereon, *the Committee took the following decisions :—*

- (i) *The Accounts of P.R.A.C. and other subsidiaries should be finalised by the Railways and furnished to Audit.*
- (ii) *The investment made by Railways should be reflected in the Books of Accounts as assets of the Railways.*

2187. *Delay in Disposal of Audit Notes, Inspection Reports and Specific Reports (Para 6.12, Page 53-AR-Railways).—The Committee did not make any observation on this paragraph and as such it was dropped.*

2188. *Uncovered Losses (Para 6.13, page 55-AR-Railways). The financial results of the working of the Pakistan Railways for 1981-82 given in detail in Chapter-II of the Audit Report show a net loss of Rs. 803.084 million as against the loss of Rs. 457.217 million during the preceding year. Audit further reported the fact that losses of Rs. 1,670,812 million for the years 1969-70 to 1981-82 for which no grants were given, remain uncovered.*

2189. It was explained by the Ministry that the losses incurred by the Pakistan Railways during 1969-70 to 1981-82 were allowed to remain as 'uncovered' pending final decision regarding the adjustment of such loss by the Finance Division.

2190. Audit drew attention to the fact that with the uncovered loss for 1982-83 amounting to Rs. 1,071,197 million, the total of uncovered losses had increased to Rs. 2,742,010 million. Need for adjustment of these losses was obvious.

2191. In view of the position stated above, both by the Ministry and Audit, the Committee decided to drop the paragraph with the remark that the decision should be taken early.

PERFORMANCE AUDIT REPORT ON PAKISTAN RAILWAYS PRE-STRESSED

Concrete Sleeper Factory, Sukkur (Paras 1-12, Pages 47 to 61 PAR Vol. I)

2192. Audit had reported that in order to reduce dependence on the import of wooden sleepers and achieving saving in foreign exchange expenditure and to have durable and cheaper sleepers, the Government decided in 1963 to set up a Prestressed Concrete Sleeper Factory at Sukkur. The Project was sanctioned in December, 1965 at a total cost of Rs. 4,089 million (including foreign exchange component of Rs. 1,562 million for import of machinery etc). and was to be completed in June, 1967.

2193. The manufacturing operations were to be started immediately after construction work was completed. In the first two years the estimated production was to be 80 thousand and 170 thousand sleepers respectively. From the third year, the factory was to work to full capacity and produce 200 thousand sleepers annually.

2194. It was stated by the Ministry that the capacity of the plant had been assumed as 200,000 sleepers per year which was not correct. Even in West Germany, with full automation and higher efficiency of labour, capacity of the type of plant installed at Sukkur was rated at 140,000 sleepers per year. As such its capacity can not possibly be taken as 200,000 sleepers per year. This audit report was based on the wrong assumption of its capacity, the conclusions drawn were consequently wrong.

2195. Audit disagreed with the statement of the Ministry and stated that the capacity of 200,000 sleepers per year was given in Railway's own estimate No. 1 of 1966-67 sanctioned by the Chief Engineer, Railways. The Ministry had disputed it but had not given their figures. Audit further pointed out that the statement that similar plant in West Germany with full automation and higher efficiency was 140,000 sleepers appeared to be doubtful as the same firm had supplied and installed at Khanewal a similar plant and its rated capacity had been certified as 150,000/160,000 sleepers per year. Questioned as to what was the total design capacity, the departmental representative informed the Committee that it was 200 thousand per year on double shift basis.

2196. A member of the Committee further enquired as to what capacity the department indicated in PC-I Form? The departmental representative replied that it was two hundred thousand. From 1968-69 the total work sanction

was 81.46 miles and the requirements of concrete sleepers for this emerged at 2 lacs 18 thousand sleepers. Against this the actual production during this period was 2 lacs 42 thousand. As such, the supply was never below the requirement. The same member further enquired as to what was the highest production in any year. The departmental representative stated that it was over 120 thousand with double shifts.

2197. After discussion and seeking certain clarification and obtaining information about the project from the departmental representative, the Committee observed that the explanation of the departmental representative was acceptable to PAC. Audit, if desired, may verify the use of sleepers, installed and supplied etc. to their satisfaction.

2198. The departmental representative also invited Audit to visit the factory and satisfy themselves about proper accounting etc. This point of the departmental representative was appreciated by both Audit and the Committee.

COMPLIANCE OF THE POINTS CONTAINED IN THE 1979-80 PAC REPORT

2199. *Grant No. 135-Capital Outlay on investment on Railways (Page 135-AA) (Paras 1542-1543, page 409-PAC Report 1979-80).*—The Committee had last directed that instructions should be issued by the Ministry of Finance giving following clarification :—

- (i) To whom should the profit, if any, earned due to exchange rate, be credited i.e. the Railways or the Government.
- (ii) How should a foreign loan, converted into a grant, be disposed of; whether the beneficiary for its should be the Central Funds or the Ministry concerned.

2200. The Ministry explained in their written reply that instructions had been issued by the Finance Division in this case. Central Funds were the beneficiary in such cases. For the Ministry the original terms of the loans continued to apply. Thereupon, the Committee did not make any further observation and the paragraphs were dropped.

2201. *Grant No. 187-Capital Outlay on Pakistan Railways (Page 232-AA) (Paras 1544—1547, pages 409-410-PAC Report 1979-80).*—The Committee had previously directed that total amount of the grant should have been shown in the Appropriation Accounts (Civil). This must be noted for the future. The Finance Division and Audit should also consider it. The Ministry explained that the total amount of the Grant had already been shown in the Appropriation Accounts of Pakistan Railways for 1979-80 at page 13 of the printed Appropriation Account.

2202. Audit commented that the total amount of grant was reflected in the budget as well as Appropriation Accounts (Railway) while a portion of the Grant relating to Government investment in Pakistan Railways was depicted in Appropriation Accounts (Civil). In the presence of a separate Appropriation Accounts of Railways, the total amount of the grant could be shown in the Appropriation Accounts (Civil). However, the matter regarding separation of the two grants was under correspondence with the Finance Division. *The Committee decided to defer the paragraph.*

2203. *Loss of revenue due to detention of Wagons [Para 6.1, (ii), (iii) and (iv), Pages 16-17-AR-Railways] (paras 1550—1555, pages 410—412-PAC Report 1979-80).*—The Committee had previously directed that action should be taken against the staff at Peshawar responsible for the irregularity. In compliance, the Ministry explained that Mr. Abuzar, the then S. M. Peshawar was held responsible for this undue detention. However, he had retired from service *w.e.f.* 3-6-1982 and no action could be taken against him.

2204. Audit pointed out that the irregularity was taken up by Audit with Railways in January, 1980. The defaulter Station Master retired in June, 1982. Action could and should have been taken earlier.

2205. *6.1 (iii).*—The Committee previously had also directed that action, should also be taken against the Control Staff responsible for such occurrences. The Ministry had not given any report of action taken except that “Noted for Compliance in future”. However, Audit informed the Committee that no action had been taken against the control staff.

2206. The Vice-Chairman also observed that the action should have been taken against the controlling staff. The departmental representative replied that the controlling staff was not involved. *However, the Committee decided that the paragraph be deferred and Audit should look into it and, report back to the PAC.*

2207. *6.1 (iv).*—The Committee had previously directed that inquiry should have been instituted and responsibility fixed for negligence in this case. The detention of 30 loaded Tank wagons for upto 237 days was a grave matter. It should be looked into again and a report submitted to the Committee.

2208. The Ministry stated in their reply that since the Station Master who was held responsible in this case had retired on 3-6-1982, no action could be taken against him.

2209. Audit informed the Committee that action should have been taken against the Station Master before his retirement and also against the Control Staff in this case too. *The Committee required Audit to look into it and report back to the Committee, if necessary.*

2210. *Irregular payment of pay and allowance etc. (Para 6.2, pages 18—22-AR-Railways) [Para 1556 (i), pages 412-413 -PAC Report 1979-80].—The Committee had previously directed that the Ministry should keep a greater watch over such irregularities and more severe punishment should be given. In compliance, the Ministry in their reply, had noted the directive for future compliance. No observation was made by the Committee and the paragraph was dropped.*

2211. *Irregular payment of mileage allowance [Para 6.2 (iii), pages 18—22-AR-Railways] [Para 1557 (iii), page 413-PAC Report 1979-80].—The Committee after going through the Audit Comments, directed Audit to following up the balance recovery of Rs. 24,656.*

2212. *Infructuous expenditure on pay and allowance [Para 1557 (iv), pages 413-414 PAC Report 1979-80].—Audit pointed out in their comments on the reply of the Ministry that the payment of pay and allowance of Rs. 17,081 made to Trollymen from January, 1977 to May, 1978 was irregular. Regularisation action was required. Audit further pointed out that no disciplinary action had been taken.*

2213. *In view of the position stated above, the Committee decided that the paragraph be deferred and directed the departmental representative to take action as suggested by Audit.*

2214. *Irregular issue of Privilege and Complementary passes [Para 6.2 (v), pages 18—22-AR-Railways] and Extra expenditure on surplus staff [Para 6.2 (vii), pages 18—22-AR-Railways] [Para 1559 (v) and (vii)—Page 414-PAC Report 1979-80].—The Committee, after going through the Audit Comments, decided to drop these paragraphs.*

2215. *Extra expenditure on surplus staff [Para 6.2 (viii), pages 18—22-AR-Railways] [Para 1559 (viii), pages 414-415—PAC Report 1979-80].—The Committee decided to drop the paragraph subject to verification by Audit.*

2216. *Extra Expenditure of Rs. 42,000 due to splitting up works (Para 6.3, pages 22-23-AR-Railways) (Paras 1560-1561, page 415-PAC-Report 1979-80). Loss of Railway material in Transit [Para 6.4 (i), pages 23-24-AR-Railway] [Para 1562 (i), page 415-PAC Report 1979-80].—The Committee decided to drop these paragraphs.*

2217. *Loss of Railway material in transit Para 6.4 (ii), (iii) and (iv) pages 23-24-AR-Railways] [Para 1562 (ii), (iii), (iv), page 415-PAC Report 1979-80].—The Committee had previously directed the department that a report stating the latest position should also be submitted to the Committee in the next meeting. In compliance, the Ministry stated that the inquiry had been completed which revealed that in all the cases the consignors had failed to record correctly the station of*

consignee destination which resulted in mis-routing of wagons to a wrong station. Resultantly, these wagons were detailed in Lahore yard or Mughalpura and remained there for quite a long time for effecting delivery. The contents of the wagons were gradually pilfered. The claims were also not lodged in time in the Commercial Branch and they also became time-barred.

2218. Audit made out in their comments that no action has been taken against defaulters and to regularise the loss. *Accordingly, the Committee directed that action should be taken against the defaulters and loss be regularized.* The paragraph was deferred.

2219. *Suspected Mis-appropriation of hospital appliances amounting to Rs. 173,000 and shortage of article of tools and plant costing Rs. 148,000 (Para 6.5, pages 24-25-AR-Railways) (Paras 1563—1566, pages 415-416-PAC Report 1979-80).*—In compliance, the Ministry explained that the stocks were rechecked in the presence of the Stock-verifier and after through scrutiny it had been found that a lot of the shortages pointed out, were due to wrong nomenclature.

2220. Audit, thereupon, commented that action for the regularisation of loss was required ; disciplinary aspect also needed to be considered ; and final action taken to trace out the remaining articles would be watched. *In view of the position stated above the Committee decided that the paragraph be treated as deferred.*

2221. *Mis-appropriation of Railway material worth Rs. 14,580 (Para 6.6, page 25-AR-Railways) (Paras 1567—1569, pages 416-417-PAC Report 1979-80).*—The Committee had previously directed that the adequacy of punishment, awarded to the officials, found responsible in this case, be reviewed. The department was directed to look into the matter again for suitable action, according to the rules.

2222. In compliance, the Ministry explained that in accordance with the directive of the PAC fresh charge-sheet was issued to the accused Mr. A. Khaliq Rasool, Ward Keeper. His defence was reconsidered by the competent authority but, the charge could not be established against him and the charge sheet was withdrawn.

2223. Audit stated in their comments that the charge-sheet was issued to one employee only. Punishment given to other three was not considered adequate by the PAC. Department was asked for suitable punishment to all the defaulters. No action had been taken in this respect by the Ministry.

2224. *In view of the above position, the Committee directed as under :—*

(a) *Due actions should be taken soon and intimated to Audit.*

(b) *The procedure for handing and taking over charge should be carefully streamlined and set down.*

Loss of Rs. 41,000 due to careless inspection (Para 6.8, pages 26-27-AR-Railways) (Paras 1571-1572, page 417-PAC Report 1979-80).

Unsanctioned expenditure (Para 7.1, page 33 AR-Railways) (Paras 1593—1595, pages 421-422 PAC Report 1979-80).

Losses due to remission and abandonment of claims to revenues (Para 7.3, page 35-AR-Railways) (Paras 1598—1600, page 422—PAC-Report 1979-80).

Other Losses booked in accounts (Para 7.14, pages 35-36-AR-Railways) (Para 1601, page 422-PAC Report 1979-80).

Transfer Transactions (Para 7.5, page 36-AR-Railways) (Paras 1602-1603, page 423-PAC Report 1979-80).

Improvement Fund (Para 7.8, pages 38-39-AR-Railways) (Paras 1607-1608, page 424-PAC Report 1979-80).

Improvement Fund (Para 7.8, pages 38-39-AR-Railways) (Paras 1607-1608, page 424-PAC Report 1979-80).

Results of verification and Revaluation of Stores (Para 7.9, Page 39-AR-Railways) (Paras 1609—1614, pages 424-425-PAC-Report 1979-80).

Over-draft from State Bank (Para 7.13, page 41-AR-Railways) (Paras 1622—1629, Pages 426—428-PAC Report 1979-80).

General Administration (Page 12-3-AA-Railways) Paras 241-242, page 63-PAC Report 1975-76, Paras 1641—1645 pages-430-431-PAC Report 1979-80).

2225. The Committee after going through the departmental replies and Audit Comments, decided that the paragraphs be treated as settled/dropped.

Lack of Planning in the execution of Project (Para 6.4, page 28-AR-Railways) (Paras 1573-74, pages 417-418-PAC Report 1979-80).

Avoidable expenditure of Rs. 92.945 on late payment of electric bills (Para 6.15, page 32-AR-Railways) (Paras 1589—1592, pages 420-421-PAC Report 1979-80).

Under charge in Traffic earnings (Para 7.2, page 35-AR-Railways) (Paras 1596-1597, page 422-PAC Report 1979-80).

Non-recovery of Rs. 1.9 million (Para 7.10, page 39-AR-Railways) (Paras 1615-1616, page 425-PAC Report 1979-80).

Grand Summary of Appropriation Accounts by Grants and Appropriation (pages 2-3 AA-Railways) (Paras 239-240, pages 62-63-PAC Report 1975-76) (Paras 1637—1640, page 430-PAC Report 1979-80).

2226. The Committee decided to drop the above paragraphs subject to verification by Audit.

Delay in disposal of Audit notes, inspection Reports and specific reports (Para 7.11, page 40-AR-Railways) (Paras 1617—1619, pages 425-426-PAC Report 1979-80).

Statement Showing Suspense Balances (Para 7.12, page 41-AR-Railways) (Paras 1620-1621, page 426-PAC Report 1979-80).

2227. The Committee observed that progress of clearance was not satisfactory and directed that prompt action should be taken for clearance of outstanding Audit Notes etc. and Suspense Balances.

2228. *Wasteful expenditure of Rs. 393,000 (Para 6.1, page 16-AR-Railways) (Paras 243—246, pages 63-64-PAC Report 1975-76) (Paras 1646-1647, pages 431-432 PAC Report 1979-80).*—The Committee had previously directed that the Machine should be disposed of to get rid of this un-workable equipment. In compliance, the Ministry informed the Committee that the spectograph in question had since been disposed of. Audit disputed the statement and said that the spectograph machine had not yet been disposed of and was still lying in steel shop. After discussion, the Committee decided that Audit should look into this case and come back to the PAC, if necessary.

Loss of Rs. 85,000 due to defect in new rails (Para 6.3, page 17-AR-Railways) (Para 250, page 65-PAC Report 1975-76) (Paras 1648-1649, page 432-PAC Report 1979-80).

Extra expenditure of Rs. 180,000 due to delay in the execution of a work (Para 6.6, Page 18-AR-Railways) (Para 253, page 65-PAC Report 1975-76) (Paras 1650-1651, page 432-PAC Report 1979-80).

2229. The Committee after going through the departmental explanation decided to drop the above paragraphs.

2230. *Irregular payment of overtime and daily allowance amounting Rs. 33,718 (Para 6.9 page 20-AR-Railways) (Para 256, page 66-PAC Report 1975-76) (Paras 1652-1653, pages 432-433-PAC Report 1979-80).*—The Committee had directed earlier that Railways should consider reviewing the punishments prescribed under their Manual for various offences. There should be more deterrent punishment for serious irregularities.

2231. In compliance, the Ministry explained that the amount excess drawn had since been recovered from the staff apart from awarding them punishment ranging from WIP 6 months to 2 years. The supervisory staff had also been awarded punishment proportionate to their responsibilities for slack supervision. Further investigation into the case had revealed that the Head Time Keeper/Pass

Clerk were also responsible for such fraudulent payment as he did not tally the claim with the office record to ascertain their genuineness. As such Head Time Keeper/Pass Clerk Loco Shed Rohri had been awarded WIP for 2 years. He had been removed from service in another case of disciplinary action against him. The Ministry further stated that there was no manual of punishment in the Railway. However, punishments, were awarded by the competent authorities according to the offences and discretion of the Officers.

2232. In their comments Audit stated that deterrent punishment as directed by the Public Accounts Committee had not been given, not only in this case but also in later cases as would appear from Audit Report 1981-82.

2233. After discussion the Committee directed that the Ministry should award deterrent punishment in these cases, as may be permissible under the rules and a report furnished to the PAC in its next meeting. The paragraph was, therefore, deferred.

2234. Purchase of defective material costing Rs. 18,525 (Chapter-VI) (Para 6.9, pages 20-21-AR-Railways) (Para 119, page 49-PAC Report 1976-77) (Paras 1657—1659, page 433-PAC Report 1979-80).—The Committee directed the departmental representative to check why prompt action was not taken against the officer concerned in Compliance with the Committees earlier directive and to send a report to the PAC. The consideration of the paragraph was deferred.

Loss of material worth Rs. 27,487 (Chapter VI) (Para 6.13, page-23-AR-Railways) (Para 122, page 50-PAC Report 1976-77) (Paras 1660-1661, page 434-PAC Report 1979-80).

Theft of Permanent Way Material Rs. 346.078 (Para 1, page 10-AR-Railways) (Paras 509-510, page 133-PAC Report 1977-78) (Paras 1664—1667, page 434-PAC Report 1979-80).

2235. The Committee decided to drop the above paragraphs.

2236. Irregular payment of Pay/Leave-Salary amounting to Rs. 47,537 (Chapter VI) (Para 6.14, pages 23-24-AR-Railways) (para 123, page 50-PAC Report 1976-77) (Paras 1662-1663, page 434-PAC Report 1979-80).—The Committee decided to drop the para subject to watching of balance recovery by Audit.

2237. Non-recovery of Rs. 243,000 for water supplied to Government Departments and private parties (Para 6.11, page 21-AR-Railways) (Para 536, page 138-PAC Report 1977-78) (Para 1677, page 435-PAC Report 1979-80).—The Committee previously dropped the para subject to verification by Audit. Audit in their Comments informed the Committee that a balance of Rs. 173,718 was still recoverable. The Committee directed Audit to follow-up the recovery.

2238. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paragraphs/points in (i) the Appropriation Accounts (Civil and Railway) 1981-82 and the Audit Reports thereon; and (ii) Compliance of the PAC's Report on the accounts for 1979-80. These would be deemed as settled subject to such regularisation actions as may be necessary under the rules.

2239. The Committee then adjourned to meet again at 9.00 A.M. on Wednesday, the 9th January, 1985.

M. A. HAQ,
Secretary.

Islamabad, the 12th April, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday the 22nd April, 1986

First Sitting (PAC)

1. The Public Accounts Committee assembled at 9.30 A.M. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

PAC :

- | | | |
|--|-------|------------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. . . . . | .. .. | <i>Chairman.</i> |
| (2) Mr. Anwar Aziz Chaudhry, Minister for Local Government and Rural Development . . . . . | .. .. | <i>Member.</i> |
| (3) Sardar Aseff Ahmed Ali, M.N.A. . . . . | .. .. | <i>Member.</i> |
| (4) Rai Arif Hussain, M.N.A. . . . . | .. .. | <i>Member.</i> |
| (5) Ch. Muhammad Sarwar Khan, M.N.A. . . . . | .. .. | <i>Member.</i> |
| (6) Mr. Shahabuddin Shah Hussainy, M.N.A. . . . . | .. .. | <i>Member.</i> |
| (7) Mr. Miangul Aurangzeb, M.N.A. . . . . | .. .. | <i>Member.</i> |

National Assembly Secretariat :

- (1) Ch. Abdul Qadir, Joint Secretary.
- (2) Mr. Muhammad Aslam, Deputy Secretary.
- (3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (5) Sh. Muhammad Sadiq, Accountant-General, Pakistan Revenues.
- (6) Syed Jamil Ahmed Zaidi, Director-General, Railway Audit.
- (7) Mr. Muhammad Iqbal, Deputy Director, Railway Audit.
- (8) Mrs. Naseem Akhtar, Deputy Director, Railway Audit.

Ministry of Finance :

- (1) Mr. Qamaruddin, DFA (Railways).

2. *Accounts Examined.*—Accounts pertaining to the Ministry of Railways were examined by the Committee during the course of the day :—

MINISTRY OF RAILWAYS

3. The Committee first took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Railways. The following departmental representatives were present :—

- (1) Mr. J. J. D'Melo, Chairman|Secretary, Railways.
- (2) Mr. Mashkoor Ahmad Khan, Member Finance|Additional Secretary.
- (3) Mr. Munir Ahmad, FA & CAO.
- (4) Mr. S. Naqi Mohsin, Deputy CAO|D.P.
- (5) Mr. Feroz Bashir Ansari, J. D. (Budget).
- (6) Mr. Ghiasud Din, G. M. (Pak Railways).
- (7) Mr. Akhtar Ali Shah, CEN|S&C.
- (8) Mr. M. A. Qadeer Khan, C.C.P.
- (9) Mr. Shohoodul Haque, M.C.E.
- (10) Mr. M. A. Saeed, M.M.E.
- (11) Mr. M. Ashraf Sheikh, CEN.
- (12) Mr. M. I. Hasan, C.C.S.

4. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
CIVIL		
1.	Ministry of Railways	108
2.	Capital Outlay on Investment in Railways	135
3.	Capital Outlay on Pakistan Railways	187
RAILWAYS		
4.	Pakistan Railways	109
5.	Other Capital expenditure of Pakistan Railways	136
6.	Capital Outlay on Pakistan Railways	187

5. *Reconciliation of Accounts with Audit.*—Audit pointed out that reconciliation was complete except for the expenditure under grant No. 135 which has not been reconciled after November, 1985. The PAC directed that the outstanding accounts should be reconciled with Audit without further delay.

APPROPRIATION ACCOUNTS (CIVIL)

6. *Grant No. 108—Ministry of Railways (Page 729-AA).*—There was a net saving of Rs. 2.831 million under this grant. The Ministry of Railway stated that as a result of merger of Ministry of Railways and Railway Board, the entire expenditure for two organizations was to be met from Grant No. 109. The Ministry of Finance agreed to merge these two grants. The merger took place under a Presidential Order. The Audit pointed out that no formal order in this respect was issued and as a result the savings under Grant No. 108 remained unutilised.

7. The PAC took a serious view of saving of Rs. 2.83 million which worked out to 65 per cent of the total amount. The merger as explained had no legal and constitutional cover. It was directed by the PAC that merger of Ministry of Railways with the Railway Board must be regularised and a formal order for merging Grant Nos. 108 and 109 may be issued. The Ministry must exercise strict control on budgeting and should avoid large scale savings.

8. *Grant No. 135—Capital Outlay on Investment in Railways—722 Investment in Pakistan Railways (Page 730-AA).*—There was a saving of Rs. 18.096 million under this Grant which worked out to 33 per cent of the Final Grant. No explanation for non-surrender of this saving was given by the Department. The Audit pointed out that supplementary grant of Rs. 15 million was obtained for repayment of loans which the Department could not utilise. The Department admitted that Rs. 15 million should not have been demanded which was due to lack of knowledge. The Department regretted and stated that the savings could not be sorted out with the Ministry as a confusion had arisen due to merger of Railway Board. Economic Affairs Division was being contacted for formulating the procedure in consultation with the AGPR.

9. It was, however, held by Audit that the Department was supposed to know the terms of loans, repayment of loans, and the liability they had to meet as the organisation had its own procedures. If the procedures were not clear it was the Department and not any body else responsible for such ambiguities. This was a case of defective budgeting.

10. The Committee was not satisfied with the manner in which the position had been explained. The amount of the Grant was not utilised because procedures were not settled in advance with the Economic Affairs Division and AGPR. The procedures may be settled within five months and the Audit informed accordingly.

AUDIT REPORT (RAILWAYS)

CHAPTER I

11. *Comparison with Previous Years (Para 1.3, page 2-AR-Railways).*—The Audit pointed out that the budget was a tool of management for planning and its comparison with previous years showed a tendency of over budgeting, which was required to be looked into. No observation was made by the PAC on this paragraph.

12. *Grant No. 136—Other Capital Expenditure (Para 1.7, page 5-AR-Railways).*—The Department attributed savings mainly to delay in receipt of material, and non-finalization of plans and estimates. On a query from a member for pin pointing lapses of system and fixing responsibility for such lapses, the Department admitted lack of control and reported, that a cell had been created which was headed by a Chief Engineer. It was a framework of technologies, which will improve the affairs.

13. Explanation of the Department having not been found convincing, the PAC observed that the large scale savings under this Grant showed lack of control by the Department and responsibility therefore be fixed and the PAC may be informed.

14. *Grant No. 187—Capital Outlay on Pakistan Railways (Para 1.10, page 6-AR-Railways).*—Audit pointed out that there was an overall excess of Rs. 49,872,284 under this grant requiring regularisation under the Budgetary Provision Order, 1978. The PAC was not satisfied with the replies furnished by the Department through the statement of replies. The Chairman observed that this huge excess does not appear to have been approved by any authority nor any justification appeared to have been given for this excess. No request for supplementary grant was made which showed that budgetary controls were lacking.

15. In their explanation the Department stated that a separate Bank Account with the State Bank of Pakistan was being maintained against a budget of Rs. 5 thousand million. We anticipated earning at Rs. 4 thousand million, but there was deficit of Rs. 1.119 million. They were not sure if any approval for this excess was taken. Generally an excess under some scheme is adjusted against saving of other scheme. On a query from a Member if the Department is free to spend money as they like after it has been approved for specific purpose by the Assembly, the Departmental representatives explained that reappropriation from one head to other is sanctioned where permissible by the authority competent to allow such reappropriation.

16. The PAC was not satisfied with the explanation of the Department and directed that the Department should investigate the large scale excess expenditure under this grant and fix responsibility and come back with full justification. It was, however, decided to recommend the regularisation of excess expenditure to the legislature, as it has already been incurred and could not be left uncovered.

CHAPTER II

Financial Results of the Pakistan Railways

17. (*Paras 2.1 to 2.5, pages 9—11-AR-Railways*).—Audit commented that a net loss of Rs. 1071.2 million had been shown during 1982-83, against estimated loss of Rs. 788.9 million. The net loss remained totally uncovered. Effective measures are required to be taken to increase Revenue earnings. While comparing this net loss of Rs. 1071.2 million with previous year and budget estimates of current year, it was pointed out that the loss was higher than the previous year by Rs. 268.1 million and was due to increase of Rs. 670.0 million in the Revenue expenditure, partly counter balanced by an increase of Rs. 401.9 million in Revenue receipt. Similarly it is higher by Rs. 282.3 million as compared to budgeted figure of Rs. 788.9 million. This increase was attributed to excess of Rs. 428.4 million in Revenue expenditure partly set off by an increase of Rs. 146.1 million in Revenue Receipt.

18. A detailed discussion was held as to how these operational losses could be minimised, if not eliminated. The Department explained that things were shaping better now, as some corrective measures had already been taken. As for losses due to ticketless travelling, it formed a very small percentage of total losses and steps had been taken to check it. Railways was a service and it was in deficit all over the world. On a query from a Member, the Department explained that coal could not be used as fuel instead of diesel oil, as the coal available in the country was not fit for locomotive use.

19. The PAC remarked that in order to achieve better results the Department should take more interest in their performance. The steps should be taken to minimise Revenue Expenditure and to increase Revenue Receipts.

20. *Loss of Rs. 241,000 due to fraudulent decanting of Oil from 12 Tank Wagons by an Agent, (Para 4.1, page 13-AR-Railways)*.—Audit had pointed out that a consignor booked 12 Tank Wagons for the despatch of oil from Keamari to Quetta in favour of a consignee. The Railway Receipts were passed on by the consignor to the consignee. An authorised agent of the consignor managed to decant the oil in connivance with Railway officials without producing Railway Receipt and without paying for the cost of oil to the consignee

viz. a Nationalised Bank of Pakistan at Quetta. The Railway had to pay Rs. 241,000 in consequence of out of court compromise reached with the consignor. This loss had neither been made good nor any disciplinary action was taken and the officials responsible were allowed to retire without taking any disciplinary action against them.

21. The Department explained that M/s. Pakistan State Oil filed a suit in Sind High Court that the authorised dealer was under the consignee and hence was the legal owner of the goods. Railway liability for giving delivery to the Authorised Agent of consignee without production of Railway Receipt was established. In order to save the Administration from additional cost, the claim was settled. The legal proceedings were, however, instituted against owner of the firm and officials responsible for this irregularity were also placed under suspension. After having been arrested, they were released on bail. The disciplinary action against them had to be pended as the case was subjudice in the court of special Railway Magistrate Quetta. Upon their acquittal by the court Railway went in appeal against the said decision. In the meantime, 3 of the officials were retired.

22. The PAC was of the view that Railway officials responsible should not have been retired without taking disciplinary action against them. Since the case was subjudice, the PAC directed that the department should pursue it properly and the paragraph was dropped subject to verification by Audit.

23. *Non-recovery of Rs. 105,475 from M/s. Mustehkum Cement Factory, Faruqia (Para 4.2, pages 13 and 14-AR-Railways).*—Audit pointed out that an Oil Tanker was wrongly despatched to the siding of Mustehkum Cement Factory in March, 1981 which was decanted by the firm. The amount of Rs. 105,475 was not recovered from the Cement Factory.

24. On explaining by the Department that the recovery had been made, the PAC dropped the paragraph subject to verification of recovery by Audit.

25. *Blocking of Capital of Rs. 7.282 million and Extra-expenditure of Rs. 562,000 due to inadequate Planning and Delay in the Execution of Development Work (Para 4.3 (i) and (ii), pages 14—17-AR-Railways).*—Audit pointed out 3 cases in this paragraph in which delays occurred in execution of Departmental works, in addition to capital blockade and incurring of extra-expenditure.

26. In one of the cases, project was approved at a cost of Rs. 5.273 million in 1976. The structural portion was completed in August, 1978 at a cost of Rs. 4.845 million but the completion of the project was delayed and was completed in 1985 by lowering down specification. The Railway in the reply stated that the work had to be delayed due to financial constraints.

27. In a similar other case a 'D' Class Station was approved to be converted into 'B' Class at a cost of Rs. 1.240 million in 1974. The structural portion of the work was completed in March, 1977 at a cost of Rs. 1.186 million. The way and signal portion, however, remained incomplete. The work was ultimately deleted from the Annual Development Programme for the year 1979-80. An expenditure of Rs. 1.975 million had, so far, been booked against it. The Ministry now proposed to include this work in ADP for 1986-87 at an additional cost of Rs. 2.4 million.

28. The PAC observed that some body must be responsible for incorrect planning and PAC could close their eyes on such things. The responsibility for lack of planning should be fixed and names of the defaulters with their explanation reported to it.

29. [Para 4.3 (iii), page 16-AR-Railways].—In this case 11 (eleven) Tube Wells were installed at a total cost of Rs. 661,332 during 1977—81. 8 Tube Wells could not be commissioned for one reason or the other, up to February, 1983. The Department however, stated that out of these eight, 3 were Trial Borings and remaining 6 have also been commissioned. The paragraph was dropped by the PAC.

30. *Unnecessary Purchase of Machines Worth Rs. 22.589 Million* [Para 4.4 (i), page 17-AR-Railways].—Audit had pointed out that Railway Administration purchased two wheel Lathe Machines costing Rs. 18.689 million from a Foreign Firm under an agreement executed in July, 1980. One machine was allocated for installation in Central Diesel Locomotive Workshop, Rawalpindi while the other was to be installed at Kundian. Since Central Diesel Locomotive Workshop had already a machine, it was subsequently decided to install it in Loco Workshop, Rawalpindi. Subsequently under another decision taken in January 1982, it was decided to install the machine in Mughalpura Workshop, Lahore. The machine received at Mughalpura in March, 1982 could not be installed/commissioned as heavy voltage fluctuation at Mughalpura damaged certain electrical parts in Control Panel. Similarly machine received at Kundian in April, 1982 could not be installed as the foundation was made in open air, the service Engineer could not start the work. The Audit held that this was an unnecessary purchase.

31. In their reply, the Railways explained that change of location for installation of a machine in the overall interest of Department did not mean that the machine was not required. Due to expansion in the Diesel Locomotive fleet and future wheel machining demand, a decision was taken to set up a Lift Shop in Rawalpindi Shed and to install the machine there so that unnecessary shuttling of wheels between Rawalpindi Shed and Central Diesel Locomotive

Workshop, Rawalpindi could be avoided. However, this decision could not be implemented, as a crisis was created at C and W Shop Mughalpura due to shortage of wheel Machining Capacity there. In view pressing demand, the machine was installed at Mughalpura and was working there satisfactorily to the best advantage of Railways.

32. As for machine at Kundian Shed, it was stated that service Engineer arrived at Kundian on 29th April, 1984, and installed the machine, but could not commission it as the switching devices were found corroded/damaged. To settle the claim for damaged parts, a surveyor was called who completed its survey on 6th November, 1984. The firm has been approached to supply the damaged parts free of cost. Railway was expecting that within couple of months, the machine would be put into commission.

33. After hearing the Department, the Audit observed that the machine was installed in January, 1983 in Carriage and Wagon Shop, Mughalpura but could only be commissioned in April, 1984. It then went out of order, the reasons attributed were Electrical and Mechanical faults. These machines were a loss to Pakistan and the PAC may like to know the names of those, who ordered these machines and other details pertaining to its procurement.

34. After discussion, the Department admitted that it was a bad case and its details would be checked up. The PAC directed that the names of officials who ordered supply of machinery may be intimated to PAC with full details viz. source of supply whether purchases were made through open tenders, its utilization etc.

35. [Para 4.4, (ii), page 18-AR-Railways].—As per Audit Report, the Railway Administration entered into an agreement with a Foreign Firm for procurement of three vertical Grinding Machines, at a cost of Rs. 3.9 million. These Machines reached Karachi in December, 1978 and March, 1979. The machines were allocated to Karachi, Rawalpindi and Lahore Stations. The Works Manager, Karachi, being not required refused to accept it. This was re-allotted to Diesel Spare Manufacturing Shop, Rawalpindi, which also refused, being not required. It was transferred to Carriage Factory, Islamabad, where it was lying unoperated. The fate of other two machines was also not different.

36. The Railway Administration held that there was a demand for two Machines; the third was also ordered to cope with future expanded requirements. The Machine not accepted by Works Manager, Karachi had been installed at Carriage Factory in 19th October, 1981. It could not be commissioned till June, 1984, due to certain defects. This machine was now working satisfactorily since 28th July, 1984. The second Machine put into commission on 6th July, 1981, also developed certain, defects. The warranty has

since expired, and material required, was being purchased to put it into operation. The third Machine commissioned on 15th October, 1980, had worked satisfactorily upto 15th February, 1983, when it also developed certain defects and necessary action to rectify these defects was being taken.

37. It was observed by the PAC that practically one Machine only worked for a period of little more than 2 years, the remaining two were still lying unused and had developed defects. These Machines appeared to have been ordered without demand. The PAC directed, that an enquiry may be initiated against the persons responsible for the purchase of Machinery and action may be taken against officials found responsible for the irregularities and the PAC may be informed.

38. *Wasteful Expenditure of Rs. 157,000 due to defective construction—*(Para 4.5, page 20-AR-Railways).—According to Audit, a Retaining Wall constructed in 1979 at a cost of Rs. 157,333 was found defective as a part of it collapsed. An enquiry conducted held that it was constructed below specification. The Department explained that the Assistant Engineer had been warned and increment of A.I.O.W. and I.O.W. were withheld. The PAC dropped the paragraph.

39. *Loss of Maternal in Transit Rs. 172,000* (Para 4.6, pages 20 and 21-AR-Railways).—The Audit pointed out that material worth Rs. 451,653 despatched by various subordinates of Engineering Department either did not reach the consignee, or it was received short. The Department in reply, however, stated that the material worth Rs. 279,780 was received and accounted for, during March, 1983. The remaining material costing Rs. 171,873 had also been accounted for.

40. The PAC dropped the paragraph, subject to verification by Audit.

41. *Avoidable Extra Expenditure of Rs. 382,000 on the Transportation, and loading of material* (Para 4.7, page 21-AR-Railways).—According to Audit Report, Wooden Sleepers imported from Malaysia, were required to be despatched to Haripur Bund. The Railways, instead of direct despatch, first transported part of said goods to General Store Depot Karachi and then from there to Haripur Bund. This resulted in extra expenditure on carriage, loading and unloading amounting to Rs. 382,045, which could have been avoided by direct despatch.

42. An inquiry was conducted by the Railways to look into the reason for non-supply of Wagons in time. It was held that due to acute shortage of Wagons, it was not possible to meet the requirements. Only in the case of one consignment, demand of Wagons was not made in time. The Officer responsible has since retired.

43. The PAC after going through the explanation of the Department, dropped the paragraph.

44. *Infructuous Expenditure of Rs. 271,801 on consultancy services for the execution of a project (Para 4.8, pages 21-22-AR-Railways).*—As per Audit Report, the Railway Administration paid an amount of Rs. 271,801 as consultancy charges in December, 1978 for construction of a Modern Hospital at Lahore. Adequate funds could not be arranged for the construction of Hospital from the year 1975-76 to 1982-83. The project was abandoned in 1983-84. Thus the Railways sustained a loss of Rs. 271,801. The Department explained that the Hospital was still a necessity. The work had only been delayed due to financial constraints and expenditure incurred was not a loss but proved useful whenever the project would be completed. The PAC dropped the paragraph subject to verification of the reply of the Department by Audit.

45. *Non-realisation/extra and avoidable payment of storage charges of Rs. 1.316 Million by the Railway Administration (Para 4.12, pages 24-25-AR-Railways).*—The Audit had pointed out that an amount of Rs. 1.316 Million was paid to Karachi Port Trust during 1980-81 as storage charges for late clearance of consignments. The Department explained the circumstances under which the amount could not be recovered and the firm could not be black listed. The PAC accepted the explanation and dropped the paragraph.

46. *Un-necessary blockade of Capital of Rs. 727,000 and loss of expected earnings of Rs. 1.155 Million per annum (Para 4.13, pages 25-26-AR-Railways).*—According to Audit, a work of Railway Sidding was to be completed at an estimated cost of Rs. 384,903 by 30th June, 1978 but the work was delayed and completed in March, 1984 with an extra cost of Rs. 342,072. In addition to extra expenditure there was loss of anticipated revenues of Rs. 1.155 Million. The rice Mill for which this sidding was constructed made its own transportation arrangements.

47. While explaining reasons for delay, the department intimated that structural portion was completed in time. There were, however, certain difficulties in procurement of way and signalling stores which delayed the completion.

48. The PAC observed that some body must be responsible for this delay and directed that enquiry may be held to pin-point the responsibility. The PAC may be informed of the action taken against the defaulting officials.

49. *Suspected misappropriation of material Rs. 100,000 (Para 4.16, page 28-AR-Railways).*—As per Audit Report, 50,000 cft. pitching stone valuing Rs. 100,000 was shown to have been issued to Flood Emergency Account

during October|November, 1981, without approval of the competent authority. Neither source of transportation of material was indicated, nor labour for loading|unloading was employed. The Audit suspected misappropriation.

50. An enquiry was conducted by the Department which was finalized in 1985. Misappropriation was established and I.O.W. responsible was reverted to lower rank. The recovery of loss was also ordered at the rate of Rs. 500 P.M. from his pay. A recovery of Rs. 3,100 had only been made upto March, 1986. The Audit pointed out that the date of superannuation of the official is 23rd April, 1994, a further recovery of Rs. 48,500 would be possible which meant that full recovery would not be possible. The Department explained that he had already been punished and second punishment could not be awarded under Efficiency and Disciplinary Rules.

51. After discussion, the PAC recommended that the official responsible be retired from service if he had completed his 25 years of service and the remaining recoverable amount of loss be written off.

52. *Irregular Up-gradation of 22 categories of Railway Employees resulting in un-necessary expenditure (Para 4.21, pages 31 and 32-AR-Railways).*—The Railway Board, as reported by Audit, abolished 22 posts in Grade 1—12 and simultaneously re-created those posts in Grade 2—16 with effect from 1st May, 1979. The Finance Division in consultation with Law held that it was not within the competency of Railway Board or Ministry of Railways to up-grade these posts. It was suggested that the said posts be degraded, which was not done. The Department explained that the matter was being regularised. The PAC directed that the case may be regularised with the approval of the competent authority.

53. *Avoidable expenditure of Rs. 37,000 due to delay in letting out a contract (Para 4.22, pages 32 and 33-AR-Railways).*—As per Audit Report, a contract for supply of 1.8 Million cft. of stone ballast and pitching stone valuing Rs. 1,409,750 between the period April, 1977 to April, 1978 was extended upto August, 1978 enhancing it to Rs. 1,972,200 for a total quantity of 2.5 Million cft. Although lower rates for supply were available against fresh contract entered into during September, 1978, material was obtained at higher rates through extended contract.

54. The PAC, after hearing departmental explanation, directed that the expenditure may be regularised. The paragraph was dropped subject to verification by Audit.

55. *Un-necessary expenditure on special repairs/renovation of Dak Bungalow and non-recovery of rent Rs. 413,843 (Para 4.26, page 35-AR-Railways).*—Audit had pointed out that Railway Administration incurred an expenditure of Rs. 349,331 on the special repairs/renovation of Dak Bungalow at Sargodha in 1976. The renovation included purchase of Airconditioner, Refrigerator and other Electrical fancy fitting which were not generally provided in the Dak Bungalow. The Dak Bungalow remained in un-authorised occupation of Police Officers during July, 1978 to June, 1980. An amount of Rs. 84,512 was due as rent from Police Department but was not recovered.

56. The Department explained that the work of repairs/renovation of Dak Bungalow at Sargodha was undertaken under the directive of the Honourable Minister for Railways. Furniture Crockery etc. procured in 1976 had since been transferred to Jhelum Dak Bungalow. The Refrigerator had also been transferred to Railway Hospital, Rawalpindi. The Airconditioner had been taken on General Pool of Rawalpindi Division. The Police Department had also been approached for recovery of rent through Commissioner Sargodha Division and attempts were being made to recover the outstanding rent.

57. The Chairman PAC observed that an amount of Rs. 4 lac had been spent on furnishing the Dak Bungalow which was a very serious irregularity and some justification must be given for this irregular expenditure. The Departmental Representative admitted that there was no justification for such luxurious furnishing but this was done under orders of then Minister.

58. After discussion the PAC directed that this was a case of misuse of funds and a detailed report with full facts and justification should be furnished to the PAC.

59. *Un-sanctioned expenditure (Para 6.1, page 43-AR-Railways).*—Audit pointed out that in 1982-83, an expenditure of Rs. 29.3 million was incurred without sanction of estimates by the competent authority and an expenditure of Rs. 39 million was incurred in excess of sanctioned estimates. The departmental representative informed the Committee that since January, 1984 they had stopped overspending.

60. A member desired that the Committee would like to know the details of this expenditure and a report should be submitted to the Committee.

61. *Under-charges in traffic earnings (Para 6.2, page 44-AR-Railways).*—Audit informed the Committee that in 1982-83, a sum of Rs. 7 million was found to have been undercharged in traffic earnings. It was further stated that there was an increasing trend during the years 1983-84 and 1984-85.

62. The Committee after hearing the departmental explanation, directed that a detailed report on these under-charges, covering (i) rising trend (ii) non-control and (iii) old outstanding—non-clearance, should be submitted to the Committee.

63. *Losses due to remission and abandonment of claims (Para 6.3, page 44-AR-Railways).*—Audit pointed out that in 1982-83, losses due to remission and abandonment of claims amounted to Rs. 20.7 million and were about 64 per cent higher than the previous year. After some discussion the Committee observed that the situation needed improvement.

64. *Points not discussed to be treated as settled.*—The PAC did not make any observations on other paragraphs|points in the Appropriation Accounts 1982-83 and the Audit Reports thereon. These would be deemed to have been settled subject to such regularisation action as may be necessary under the rules.

65. The Committee then adjourned to meet again on Wednesday, the 23rd April, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 29th September, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 4th January, 1987

Fifth Sitting (PAC)

*290. The Public Accounts Committee assembled at 9.00 A.M. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

PAC :

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|--|----|----|-----------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | Chairman. |
| (2) Sardar Aseff Ahmed Ali, M.N.A. | .. | .. | Member. |
| (3) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | Member. |
| (4) Nawab Muhammad Yamin Khan, M.N.A. | .. | .. | Member. |
| (5) Mr. Miangul Aurangzeb, M.N.A. | .. | .. | Member. |
| (6) Malik Said Khan Mahsud, M.N.A. | .. | .. | Member. |

National Assembly Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord.).
- (3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (4) Sh. Muhammad Sadiq Accountant General Pakistan Revenues.
- (5) Mr. Iftikhar Ali Khan Raja, Director General (A&A Works).
- (6) Mr. Ziaul Haq Khan, Director General (Railway Audit).
- (7) Mrs. Naseem Akhtar, Deputy Director (Railway Audit).

Ministry of Finance :

- (1) Mr. Manzur Hussain, Joint Secretary (Budget).
- (2) Mr. Tanwir Ali Agha, Deputy Secretary.

290-A. **Accounts examined.**—Accounts pertaining to the Ministry of Railways were examined by the Committee during the course of the day.

*Paragraphs upto 289 pertain to other Ministries/Divisions.

MINISTRY OF RAILWAYS

290-B. The Committee then took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Railways. The following departmental representatives were present :—

- (1) Mr. J. J. D'Mello, Secretary|Chairman.
- (2) Mr. Mashkooor Ahmed Khan, Addl. Secretary|Member Finance.
- (3) Mr. Munir Ahmed, FA & CAO.
- (4) Mr. S. Naqi Mohsin, Deputy CAO|DP.
- (5) Mr. Feroz Bashir Ansari, Joint Director (Budget).
- (6) Mr. Ghiasud Din, G.M.
- (7) Mr. Akhtar Ali Shah, CEN|S&C.
- (8) Mr. M. A. Qadeer Khan, CCP.
- (9) Mr. Shohoodul Haq, MCE.
- (10) Mr. M. A. Saeed, MME.
- (11) Mr. M. Ashraf Sheikh, CEN.
- (12) Mr. M. I. Hasan, CCS.

291. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1983-84		
1.	Capital Outlay on Investment in Railways	134
2.	Capital Outlay on Pakistan Railways	185
1984-85		
1.	Capital Outlay on Investment in Railways	136
2.	Capital Outlay on Pakistan Railways.	190

APPROPRIATION ACCOUNTS (CIVIL) (1983-84)

292. Grant No. 134—*Capital Outlay on Investment in Railways* (Page 874-44).—The Grant closed with a saving of Rs. 39,205,479, which was attributed by the Department towards conversion of U.K. credit into grant, rescheduling in rates of exchange. The Committee did not make any observation over this saving.

293. *Grant No. 185—Capital on Pakistan Railways (Page 875-AA).*—There was a saving of Rs. 148,564,000 under this grant, which was 15 per cent of Final Grant. The Department reported that there was a discrepancy in the figures of revised grant as shown in the Appropriation Accounts. Actually there was no saving under the Demand. The Committee did not make any observation over this grant.

APPROPRIATION ACCOUNTS (RAILWAYS) (1983-84)

294. *Grant No. 108—Pakistan Railways (Pages 10 and 11-AA)- Railways (Para 1.4, page 2-AR).*—The charged section of this grant closed with a caving of Rs. 35,578,630 which was due to less interest expenses on foreign loans as compared to estimation. The “other than charged” section closed with a saving of Rs. 38,046,620 which was within permissible limits and the Committee did not make any observations.

295. *Grant No. 135—Other Expenditure of Pakistan Railways (page 12-AA-Railways) (Para 1.6, page 3-AR).*—The “other than charged” section of this grant closed with a saving of Rs. 10,019,345, which was stated to be due to delay in execution of works, which could not be taken up as the material required was not received in time. The Committee observed that there should be better coordination between “Works” and “Stores” Wings of Railways.

296. *Grant No. 158—Capital Outlay on, Pakistan Railways (Page 13-AA-Railways) (Para 1.8, page 3-AR).*—The grant closed with a saving of Rs. 449,768,315. The Department reported that the main reason for saving was that the foreign loans did not materialise during the financial year. The Committee did not make any observations.

AUDIT REPORT (RAILWAYS) (1983-84)

297. *Loss of revenue due to Detention of Wagons Rs. 1,522,744 (Para 4.12, page 19-AR-Railways).*—Audit observed that 120 Wagons were found to have been detailed un-necessarily for 4 to 441 days during 1981-82 and 1983-84, which resulted in estimated loss of Rs. 1,522,744. It was suggested that negligence on the part of Railways Staff was required to be examined. The Department informed the Committee that certain irregularities had been committed by the staff and the Station Master, Mughalpura was mainly responsible for it. His two years contract was cancelled and two other officials were also penalised in this case. Steps had been taken to avoid abnormal detention in future.

298. The Committee was not satisfied with the reply and observed that the undue detention of wagons was seriously impairing better and effective utilization of wagons and as such the whole issue should be examined thoroughly by a high level Committee and its findings should be reported to the Committee. The Chairman PAC also enquired if the present unloading system of Railways

could be modernised. The Department intimated that stress at the present was on container services for delivering goods at the premises of the Customers. A study was being carried out at Dry Port, Lahore. The Committee directed that report of the study may be submitted to PAC.

299. *Un-necessary Expenditure on Consultancy Services for Marshalling Yard, Chak Jhumra—Rs. 982,000 (Para 4.15, page 22-AR Railways).*—Audit pointed out that the work of Feasibility study was entrusted to a firm for the marshalling yard by Railway Board and an expenditure of Rs. 982,000, was incurred including foreign exchange equivalent to Rs. 182,000, although the project had already been abandoned on the recommendations of principal officers. Thus the Railways sustained a loss of Rs. 982,000. The Department reported that the original study survey carried out during 1976-77 revealed that the project would be required in future. The study was not a waste, it was a good experience. Immediate result of this study was that the project was abandoned.

300. The Committee after going through the explanation conveyed its displeasure and observed, that the Department should learn a lesson out of it, and improve its efficiency.

301. *Blocking of Capital of Rs. 23.60 million and infructuous expenditure of Rs. 327,000 due to inadequate planning and delay in execution of works (Para 4.16, page 23-AR-Railways).*—According to Audit Report abnormal delays in execution of various works caused blocking of capital and infructuous expenditure. In the case of construction of additional running line at Hafizabad, structural portion of the work was completed in March, 1979 at a cost of Rs. 456,749, but the remaining work was left incomplete. Similarly in the case of work of construction of Goods Shed etc. at Hafizabad where expenditure of Rs. 725,645 was incurred upto January, 1978, the remaining work was left out. Another work of construction of 6 flats of officers was stopped when, it was 50 per cent complete.

302. The Department explained that in the case of Goods Platform and Running Line Hafizabad, Goods Platform and inter-section Platforms were completed. The third line could not be operated as inter-locking facilities were deferred being expensive. Similarly other works were delayed due to reasons beyond control.

303. The Committee was not satisfied with the departmental explanation and expressed its displeasure to the Principal Accounting Officer. The Committee observed that these cases were indicative of the fact that there was lack of proper coordination between various executive agencies of the Railways and that the overall financial management was not effective and well planned. Therefore, directed the Railway Administration to ensure better utilization of resources in future and warned that such an unefficient handling of resources shall no more be acceptable to the Legislature.

304. *Loss of Rs. 197,000 due to delay in taking delivery of Super Sulphate Resisting Cement from Rohri Cement Works (Para 4.18, page 28-AR-Railways).—* According to Audit Report, an order for purchase of Cement was placed in May, 1981, but the delivery thereof could not be taken during the agreed period due to paucity of Wage. The delay resulted in increase of Cement price causing a loss of Rs. 197,000 to the Railways. The Department reported that it was not their fault. The Rohri Factory was closed as they wanted to increase rate of Cement. The Committee accepted the explanation and settled the paragraph.

305. *Wasteful expenditure of Rs. 41.0 million due to injudicious purchase of a Welding Plant (Para 4.20, page 31-AR-Railways).—*Audit pointed out that Flash Butt Welding Plant was purchased from UK in 1980, at the cost of Rs. 41.0 million on the recommendation of consultants. The plant was not put to use during last six years. This made the usefulness of plant doubtful.

306. The Department reported that this shop welding system is working all over the world as against thermal welding. The matter had been examined. It was negotiated under UK grant. The loan was payable. A Committee was formed before finalization of tenders. They went round Sukkur and selected a site. Audit observed that in 1984, a suggestion came, that a Committee should be formed to go into the problems of this project, which showed that there was something wrong. The Department further intimated that the consultants had surveyed the site. It was being installed, now, only erection charges remained to be paid.

307. The Committee was not satisfied with the explanation and directed that an enquiry be immediately instituted to find out as to how such a bad investment was made. It was also directed that Railways should keep the Committee informed of utilization of the Welding Plant.

308. *Excess payment of Rs. 474,000 (Approx) to contractors (Para 4.22, page 33-AR-Railways).—*A loss of Rs. 474,000 was sustained due to incorrect application of rates for the second and third coating of bituman emulsion in the case of a work of repairs to road during 1978-79 to 1980-81. The Department explained that the rates were correctly paid. An attempt was made to recover the amount, but the contractors got verdict in their favour from the court. No disciplinary action was required in the case. The Committee expressed its displeasure on the inadequate provisions in the Schedule of Rates. The paragraph was settled.

309. *Avoidable expenditure of Rs. 149,758 in repairs etc. of hired House at Islamabad (Para 4.23, page 34-AR-Railways).—*As per Audit Report, a house was hired for the Chairman Railway Board from 1st August, 1982 at a rent of

Rs. 5,500 per month. The lease agreement provided for rent of Rs. 3,000 per month for the premises as Rs. 2,500 per month as rent of furnishing and fittings. The entitlement of the officer was Rs. 3,750, Rs. 2,500 per month were paid treating it as rent for the office of the Chairman. Besides an expenditure of Rs. 149,758 was also incurred on repairs to the house, which was irregular.

310. The Department explained that the circumstances under which a part of Building was used for office of the Chairman, Railcop. The expenditure incurred in excess of ceiling fixed by the Government was re-imbursed by Railcop to the Railway Board as such there was no irregularity in this case. The Committee accepted the explanation and settled the paragraph.

APPROPRIATION ACCOUNTS (CIVIL) (1984-85)

311. *Grant No. 136—Capital Outlay on Investment in Railways (Page 1028-AA).*—The Grant closed with a saving of Rs. 50,170,203, which was due to non-re-payment of foreign loans. The Committee did not make any observation.

312. *Grant No. 190—Capital Outlay on Pakistan Railways (Page 1030-AA).*—As per Appropriation Accounts there was an excess of Rs. 45,330,000 under this grant, which was due to booking in the current year an expenditure of Rs. 85,809,000 pertaining to previous year, wherein there was a saving of Rs. 139,564,000. The Department however, reported that there was no excess under this grant. The figures of final grant and actual expenditure as shown in the Appropriation Accounts were not correct. Audit at the point observed that two grants had been allotted the same number which was not correct. The representative of Finance reported that this will be looked after in the next budget estimates. The Committee directed that the discrepancy should be reconciled and got verified by Audit.

APPROPRIATION ACCOUNTS (RAILWAYS) (1984-85)

313. *Grant No. 110—Pakistan Railways (Pages 10 and 11-AA-Railways) (Para 1.3, pages 1 and 2-AR).*—The "Charged" section of this grant closed with a saving of Rs. 19,849,000 and "Authorised" section closed with an excess of Rs. 113,884,673 which was due to additional expenditure under General Administration which was attributed by the Department towards payment of Advance salary on Eids. The remaining excess was under sub head repairs and maintenance which was stated due to adjustment of Debits of previous year, increase in balance cost and payment of advance salary on Eid. The Committee was not fully satisfied with the explanation given for savings and excess and directed that the Budgetary Controls should be tightened. The excess expenditure was recommended for regularisation.

314. *Grant No. 137—Other Capital Expenditure of Pakistan Railways (Page 12-AA-Railways) (Para 1.8, pages 2 and 3-AR).*—There was a saving of Rs. 15.980 millions under Authorised Section and excess of Rs. 14,243 million under charged section. The Department explained that Supplementary Grant was approved by Finance, but could not be included in the supplementary budget statement, as such was not shown in the Appropriation Accounts, resulting in excess. The saving under authorised section was under “Staff Welfare Works”. The Committee did not make any observation.

315. *Grant No. 190—Capital Outlay on Pakistan Railways (Page 13-AA-Railways) (Para 1.12, page 3-AR).*—An amount of Rs. 75,547,344 was shown as savings under this grant. This grant had already been discussed above, as such, Committee did not make any observation.

AUDIT REPORT (RAILWAYS) (1984-85)

316. *Wasteful expenditure of Rs. 2.878 million on execution of a work (Para 4.1, page 13-AR-Railways).*—Audit observed that filtration plant imported in 1968 was planned to be installed at Sukkur at an estimated cost of Rs. 0.9 million. An up-to-date expenditure of Rs. 2.878 million had so far been incurred. The filtration and chlorination plant had not so far put into operation. The reservoir developed cracks at many places. The entire expenditure, therefore, proved abortive. 12 officials were stated to be responsible, out of which three had expired, one stood retired and remaining six had been promoted. Audit further intimated that during PAC Meeting held on 12th October, 1978 it was stated by the Department that the plant will be installed within one month. Since then the commissioning of plant was hanging on.

317. The Department held that the matter will be investigated and if some one was found responsible he would be taken to task. The Chairman PAC observed that the Department should have carried out proper investigation before coming to PAC.

318. The Committee directed that the Report of inquiry in the case must be submitted to the PAC in its next meeting and responsibility for the loss should be fixed. The paragraph was deferred.

319. *Extra expenditure of Rs. 0.564 million due to lack of proper Planning (Para 4.2, page 14-AR-Railways).*—Audit reported that it was decided in 1978 to replace a choked syphon bridge with a RCC slab bridge. The old bridge was demolished in 1979 and Railway traffic put on a restricted speed. The design of the bridge was changed in 1981 and again in 1984 and work on the bridge remained suspended. A girder bridge was, however, provided in April, 1985 at a cost of Rs. 0.727 million as compared to originally stipulated

cost of Rs. 0.231 million, which resulted in extra expenditure. It was explained by the Department that water accumulated around Lalamusa and Malakand Sections due to chocking of Drains. Thus it took time in execution of work due to rising of water level. The site conditions required a change in design. Thus extra expenditure was essential. The Committee observed that this appears to be a case of improper planning. The Committee directed that the responsibility for the delay in completion of the bridge should be fixed.

320. *Wasteful expenditure due to substandard construction of a rail bridge (Para 4.4, page 16-AR-Railways).*—In this case Audit pointed out that a Railway Bridge was reconstructed at a cost of Rs. 183,090 in 1980. The bridge developed horizontal cracks on bed stones and brick masonry of piers which had effected the operational efficiency of the Railway Traffic. The bridge as per Railway record has a long history of occurrences of cracks but due care was not taken in developing a suitable structure despite the old history.

321. The Department explained in reply that the bridge was constructed in 1934, it developed cracks in 1939 which were repaired but it developed cracks in 1956 again. A Committee was formed to go into the mishaps, which in addition to other measures had recommended, certain recovery from the contractor, the recommendations of Dy. C.E.'s Committee were being implemented. The Department intimated that further investigations were going on and remedial measures were also being taken. The Committee observed that Department should be vigilant to check such mishaps.

322. *Wasteful expenditure of Rs. 85,456 in conversion of a 'D' Class Station into 'DK' Station (Para 4.6, page 18-AR-Railways).*—Audit reported that in 1973, it was decided to upgrade a Railway Station at a cost of Rs. 174,922. The Civil Portion of work was completed at a cost of Rs. 85,456 in 1976. The permanent way and signal portion was not started. The project was abandoned in 1982. The expenditure incurred was thus wasteful. The Department informed the Committee that work was ordered to be carried out by Government against Public Demand. The work was held up for want of material. Due to development of new road link, goods traffic required was not coming forward as such the work had not been restarted. The Committee observed that it was again a case of lack of planning. The Department should be careful in future.

323. *Loss of Rs. 1.671 million due to non-enforcement of warranty clause of a purchase contract (Para 4.7, page 18-AR-Railways).*—Audit pointed out that three items of Rolling Stock imported from Germany in January, 1981, were tested in January, 1982, and were found defective even after some modifications. The warranty clause of the agreement provided replacement of defective material within 12 months. Railway Board was informed of the defects in January,

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1984, i.e. after two years of testing and expiry of warranty period, when even the Bank Performance Bond/Bank Guarantees had been released. The material worth Rs. 1.67 million is lying unused. The Department reported that the material purchased was on trial basis and as such could not be termed as loss. The firm suggested certain modifications which were carried out at their cost. The material was being consumed. 10 per cent Bank Guarantee was returned to the sellers after expiry of warranty period in accordance with the tender conditions. The Committee was, however, not satisfied with the explanation of the Department and suggested that responsibility for the loss should be fixed. The facts should be re-examined and report submitted to PAC.

324. *Wasteful/avoidable expenditure of Rs. 1,135,783 due to purchase of defective Shovel Loaders (Para 4.8, page 19-AR-Railways).*—According to Audit Report, two shovel loaders were purchased from Germany in 1981 which were found defective when put to operation. Both the loaders were got over-hauld from a private firm at Railway expense. They worked for 386 and 232 days upto 1984 and thereafter went out of commission. The entire expenditure of Rs. 1.136 million thus proved wasteful. The Department reported that this was a isolated item, which was not working properly. This was, however, being put to use after carrying out repairs. A member suggested that those who ordered/purchased and then inspected to be correct should be taken to task. The Department informed that an attempt was made to cash the warranty, but the firm shifted the responsibility on the principal. Audit at this observed that defects were noticed within warrantee period but encashment was stated to had been delayed due to shifting of office of the Railway Board.

325. The Committee was not satisfied with the explanation and directed that all such cases where equipment had been purchased from abroad but could not be utilized, should be investigated and responsibility fixed as wastage of foreign exchange resources was an impardonable act.

326. *Infructuous expenditure of Rs. 667,478 due to purchase of defective material (Para 4.9, page 20-AR-Railways).*—Audit pointed out that an infructuous expenditure of Rs. 754,888 was incurred in 1979 on purchase of 200 defective Roller bearings without conducting physical test of samples. The bearings were ultimately found to be below specifications and were not used. The Department intimated that an amount of Rs. 118,000 had been recovered and balance was still recoverable. It was also reported that it involved an amount of Rs. 600,000 in foreign exchange. The Committee directed that a thorough enquiry should be conducted and responsibility for import of defective material without proper care should be fixed and reported to the Committee.

327. *Loss of Rs. 143,066 due to excessive procurement and non-utilization of Glue within its specified life span (Para 4.11, page 22-AR-Railways).—* According to Audit Report, Railway sustained a loss of Rs. 143,066 due to solidification of 6706 Kgs. of Glue during period 1979 to 1983, as the total purchases made were in excess of the requirements. The Department reported that write off of the loss is under action. Disciplinary action against those responsible had since been initiated. The Committee directed that matter should be finalized at an early date. Subject to verification by Audit, the paragraph was settled.

328. *Non-recovery of Rs. 92,120 from a defaulting contractor (Para 4.13, page 23-AR-Railways).—* According to Audit Report, the work for construction of a block of 12 Flats was awarded to a contractor in March, 1978. The contractor abandoned the work in June, 1978. The contract was rescinded at his risk and cost in October, 1978. The contractor filed a suit against above orders and contract was revived in April, 1979 at the behest of the Court. The contract was again rescinded at his risk and cost in December, 1979. Rs. 92,120 being the extra expenditure spent remained outstanding. The Court case had not been filed as the legal opinions were conflicting. The Department admitted the facts of the case and stated that recovery case had been initiated. The Committee settled the paragraph subject to verification by Audit.

329. *Irregular expenditure of Rs. 0.774 million to acquire land for establishment of Karachi Central Station (Para 4.17, pages 25-26-AR-Railways).—* As per Audit Report to acquire 400 Acres of land in Gulshan Iqbal, Karachi for establishing Karachi Central Station, a sum of Rs. 774,600 was paid to Karachi Development Authority in 1973. In addition 141.8 Acres of land was also given to Karachi Development Authority free of cost as part of the bargain. In the same year it was decided to shift the Location of proposed Karachi Central Station. Subsequently in 1980 it was decided that 80 Acres of land will be handed over by Karachi Development Authority to Pakistan Railways but only 18 Acres were given, which was handed over to Railway Co-operative Housing Society. The K.D.A. challenged the decision of Pakistan Railways for handing over the land to the society for residential purposes and resumed possession of the entire land. The Department explained that a refund of Rs. 7,74,600 has been claimed from K.D.A. The matter at the present was subjudice. The Committee deferred consideration of the matter being subjudice.

330. *Loss of Rs. 74,106 due to non-recovery of expenses incurred on the absconded trade apprentices (Para 4.20, pages 27-28-AR-Railways).—* Audit pointed out that 17 trade apprentices absconded the Railway institution without refunding the cost of training as required under the agreement. The Railway thus suffered a loss of Rs. 74,106. The Department explained the circumstances

under which recovery was not made and informed that a write off was being proposed. The Committee settled the paragraph subject to verification by Audit.

331. *Loss of Revenue due to detention of Wagons [Para 4.26 (i) pages 30-31-AR-Railways].*—It was reported by Audit that the major source of Railway revenue is earned from freight traffic. During the year a number of instances were noticed which indicated inefficient handling of wagons resulting in loss of Revenue. The Department informed the Committee that in the case of negligence, official responsible was punished. In other case detention of single wagon was found to be of little mandatory significance. The Committee directed that the detention of wagons should be improved by Railway.

332. *Loss of material in transit (Para 4.27, pages 32-33-AR-Railways).*—As per Audit Report 12 Tank Wagons containing fuel oil booked in December 1974 to April, 1983 were found missing. Only five of which could be traced out and accounted for upto July, 1985. 7 Wagons with fuel oil (valuing Rs. 125,696) were still missing. The Committee directed that recovery stated to have been made may be verified by Audit, subject to such verification the paragraph was dropped.

333. *Recoverable Sui-Gas and Electricity charges from staff (Para 5.9, page 41-AR-Railways).*—Audit in their report pointed out that upto the year 1984-85, Rs. 10.512 million were outstanding against Railway employees. The outstanding on account of electricity charges were Rs. 7.837 million. The recoverable amount was increasing every year. The Department informed the Committee that all out efforts were being made to recover the outstanding amounts. Electric charges which were 7.8 million at the end of 1985, were brought down to 6.8 million in 1986. Similarly Sui-Gas charges which were Rs. 8.5 million had been reduced to 4.2 million in 1986. Attempts were being made to recover the balance amount. The Committee directed that recovery system should be improved and outstanding amounts should be reduced to minimum. The paragraph was settled subject to verification by Audit.

General

334. The Committee while discussing the Audit Report and heavy operation losses incurred by the Railway directed that a paper regarding operation losses indicating in detail the reasons for such losses and problems being faced by Railway, remedial steps taken to overcome their problems may be submitted to the P.A.C. by 10th February, 1987, at the latest.

335. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts (Civil and Railways) and Audit Reports thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

336. The Committee then adjourned to meet again at 9.00 A.M. on Monday the 5th January, 1987.

M. A. HAQ,
Secretary.

Islamabad, the 21st April, 1987.

ANNEXURE-II
DEVELOPMENT PROJECTS
OF
PAKISTAN RAILWAYS

(95-96)

ANNEXURE-II
DEVELOPMENT PROJECTS OF PAKISTAN RAILWAYS

Sl. No.	Name Location and Status of the Scheme	Total Cost (F.E.C.)	Estimated Expenditure upto June, 1985
1	2	3	4
		<i>(Rs. in million,</i>	
1.	New line construction including feasibility study. (Approved).	432.514 (53.915)	75.966
2.	Track Rehabilitation. (Un-Approved)	1000.000 (259.106)	554.052
3.	Bridge & Civil Engineering Works :		
	(a) Bridge works (Approved)	65.000 (0.500)	14.073
	(b) Other Bridge Works (Approved).	38.196 (1.685)	12.484
	(c) Civil Engineering Works	69.471 (0.652)	25.067
4.	Marshalling Yard Pipri (Approved)]	297.850 (67.860)	287.911
5.	Line Capacity Works and Terminal Facilities :		
	(a) Line Capacity Works (Approved)	379.820 (70.751)	226.725
	(b) Doubling of Track (MUL-KWL) (Un-App.)	190.760 (42.317)	—
	(c) Freight Terminal facilities (Approved)	16.687 (1.084)	3.114
	(d) Establishment of Dry Port Peshawar (Un-App.)	88.000 (6.000)	—
	(e) Jamshoro siding (Approved)	17.000 (1.000)	—
6.	Telecom. & Signalling :		
	(a) Telecom and signalling works (Approved)	801.423 (501.000)	783.997

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1	2	3	4
	(b) Other Telecom Works (Approved)	.. 23.542 (9.891)	5.353
	(c) Improved Signalling Works (Approved)	.. 195.287 (64.360)	31.835
	(d) Other Signalling Works (Approved)	.. 16.966 (5.256)	0.529
7.	Plant & Machinery for Sheds, Depots, etc :		
	(a) Plant & Machinery (Approved)	.. .. 159.142 (95.089)	85.109
	(b) Structural Works (Approved)	.. .. 87.700 (6.500)	50.148
8.	Locomotive Factory (Approved)	.. .. 1272.000 (693.000)	70.987
9.	Makli & Jhimpir Sidings (Approved)	.. .. 57.000 (1.500)	47.843
10.	Oil yard Mehmud Kot. (Approved)	.. .. 40.152 (4.568)	36.294
11.	Electrical Projects (Approved)	.. .. 30.382 (10.196)	6.672
12.	Motive Power & Rolling Stock :		
	(a) Rehabilitation of 42 locos (Approved)	.. 603.420 (396.109)	531.420
	(b) Procurement of 38 locos (KFW) (Approved).	672.250 (444.240)	671.240
	(c) Procurement of 30 locos (KFW) (Approved).	775.000 (500.560)	227.553
	(d) Procurement of 50 locos (Japan) (Approved),	1570.000 (1028.000)	—
	(e) Procurement of 30 locos (KFW & IDB) (App).	828.870 (547.000)	—
	(f) Passenger carriages etc. (Approved)	.. 1628.840 (470.000)	518.042
	(g) Hopper Truck/Tank Wagons (Approved)	.. 207.988 (57.610)	52.530

1	2	3	4
13. Traction Motors. (Approved)	155.000 (80.000)	—
14. 11th Railway Project :			
(a) Dry Port Expansion of Lahore (Approved)..		149.000 (47.600)	17.700
(b) Modernization of diesel maintenance facilities (Approved)		520.400 (337.900)	5.000
(c) Technical Assistance Staff Training (App.)		27.930 (122.830)	—
(d) Feasibility study of Khanewal Karachi (App.)		11.500 (3.600)	5.000
15. Technical Assistance (10th Railway Project) (Approved). █		20.000 (20.000)	7.318
16. Peshawar Division (Un-app).		50.000	—
17. Railway Board Colony (Un-Approved) ..		80.000	—