Audit Report
On Financials of Pakistan Railways for FY 2018-19

Department of the Auditor General of Pakistan

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Abbreviation and Acronyms

AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenues
CIA	Chief Internal Auditor
CEO	Chief Executive Officer
CGA	Controller General of Accounts
CoA	Chart of Accounts
COSO	Committee of Sponsoring Organizations
CPO	Chief Personnel Officer
CSF	Concrete Sleeper Factory
CWIP	Capital Work in Progress
DAC	Departmental Accounts Committee
DAO	Divisional Accounts Officer
DRF	Depreciation Reserve Fund
DS	Divisional Superintendent
EFF	Extended Fund Facility
FA&CAO	Financial Advisor and Chief Accounts Officer
FD	Finance Division
FG	Federal Government
FIFO	First In First Out
FS	Financial Statements
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GFR	General Financial Rules
GM	General Manager
GPF	General Provident Fund
HRM	Human Resource Management
HSD	High Speed Diesel
HQ	Headquarter
IAS	International Accounting Standards
IASB	International Accounting Standard Board
IASC	International Accounting Standard Committee
IF	Improvement Fund
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information Technology
KCR	Karachi Circular Railway
Km	Kilometers
KUTC	Karachi Urban Transport Company

LC	Letter of Credit
MCS	Management Control System
M&S	Manufacturing and Services
MD	Managing Director
MEFP	Memorandum of Economic and Financial Policies
ML	Main Line
MOR	Ministry of Railways
NAM	New Accounting Model
OAGP	Office of the Auditor General of Pakistan
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PPP	Public Private Partnership
PPRA	Public Procurement Regulatory Authority
PR	Pakistan Railways
PRACS	Pakistan Railway Advisory and Consultancy Services
PRFTC	Pakistan Railway Freight Transportation Company
PSDP	Public Sector Development Programme
RAILCOP	Railway Constructions Pakistan Limited
RPGCC	Royal Palm Golf & Country Club
SAO	Senior Accounts Officer
SAI	Supreme Audit Institution
SBF	Staff Benevolent Fund
SIC	Standard Interpretations Committee
SOP	Standard Operating Procedure
WAPDA	Water and Power Development Authority

Glossary of Technical Terms

Appropriation Accounts

The statements which are prepared for presentation to the Public Accounts Committee, comparing the amount of actual expenditure with the amount of grants voted by the National Assembly and appropriations sanctioned by Prime Minister, are called Appropriation Accounts.

Commercial Accounts

The commercial accounts of the Railways are known as its "Financial Statements". The Financial Statements of Pakistan Railways are compiled periodically and comprise statement of financial position and statement of financial performance.

Depreciation

Depreciation is the sum set aside from Railway Revenue to meet the cost of Renewals and replacements of assets.

Depreciation Reserve Fund

The Depreciation Reserve Fund, started, with effect from the 1st April 1924, to provide for the cost of renewals and replacements of assets, as and when they become necessary. The Fund, as originally constituted, was designed to provide the amount of the original cost of the work replaced, and its scope was restricted to the replacement of complete units of certain classes of wasting assets[1].

Grant-in-Aid

A grant-in-aid is any money coming from Federal Government for meeting operational shortfall. This kind of funding is usually used to fund reasonably independent entities through public exchequer as per decision of and by the government and parliament.

Improvement Fund

The fund aims at meeting the expenditure on (i) un-remunerative works mainly intended for improving operational efficiency of Railways (ii) all works whether original and additional or alteration to existing works pertaining to staff welfare or provision of amenities to lower class passengers (iii) other expenditure connected with modernization of accounting system etc.

Non Voted (Charged)

The expenditure charged upon the Federal Consolidated Fund which may be discussed in but cannot be voted upon in the National Assembly.

Revenue and Capital Expenditure

The Budget Orders are accompanied by the final issues of "Pakistan Railways (Revenue Expenditure)" and "Capital Outlay on Pakistan Railways (Development Expenditure)" containing the detailed distribution of the budget allotment made to the railway administrations for working expenses and development expenditure. The revenue expenditure is distributed over

[1] Rule 331 of State Railway General Code

the various detailed object wise by the Ministry of Railways (Railway Board) while project / scheme wise allotment of development expenditure (Public Sector Development Programme) is made by the competent authority (Planning and Development Division)

Railway Reserve Fund

This Fund was started in pursuance of the “Separation Convention” with effect from 1st April, 1924. The receipts in the Fund consist of the surplus which may remain out of net receipts of Railway after payment to general revenues of the contribution fixed under the convention. Any surplus, remaining after this payment to general revenues, has to be transferred to a railway reserve; provided that if the amount available for transfer to the railway reserve exceeded in any year three crores of rupees, only two third of the excess over three crores be transferred to the railway reserve and the remaining one-third accrued to general revenues[2].

Suspense under Capital

Suspense under capital is an account head to which transactions relating to stores, workshop manufacturers, recoverable advances and other items which cannot once be charged to final head of account are booked temporarily pending final adjustment under this head.

Suspense under Revenue

Suspense under revenue is an account head which is used for recording items of expenditure chargeable to revenue but kept in suspense pending adjustments against final heads and also advances awaiting recovery.

Voted (Other than Charged)

The voted (Other than Charged) expenditure is submitted to the National Assembly in the form of demands for grants. Unlike the charged expenditure, the National Assembly has the power to assent to, or to refuse to assent to, any demand, or to assent to any demand subject to a reduction of the amount specified therein.

[2] Rule 337 of State Railway General Code

Executive Summary

The audit was carried out by the Directorate General Audit Railways under mandate of Auditor General of Pakistan (AGP). The prelude to the instant assignment was a request from Finance Division, vide letter no F.1 (9)-EF (IFR)/2019-RI-237, dated 15th July 2019, to meet structural benchmarks agreed with International Monetary Fund (IMF). The Memorandum of Economic and Financial Policies (MEFP) Para No 23 (c) required an audit of Pakistan Railroads, for the FY 2019, by AGP office. The audit included the audit of both receipts and expenditure of Pakistan Railways.

Scope of Audit

The scope of audit was limited to the audit of financials of Pakistan Railways for the financial year 2018-19 alone. The audit of the financials and an evaluation of internal control environment were carried out in view of the following Terms of Reference (TORs):

1. Analyzing Financial Statements of Pakistan Railways and their disclosure.
2. Assessing the reporting adequacies in terms of International Financial Reporting Standards (IFRS)
3. Evaluating the internal control environment.

Audit methodology

The audit was conducted in accordance with the auditing standards issued by the International Organization of Supreme Audit Institutions (SAI). The Audit examined appropriation accounts and commercial accounts of Pakistan Railways and their disclosures. A ratio analysis was carried out to gauge the performance of Pakistan Railways in succeeding years. Moreover, in light of IFRS, the audit assessed accounting principles, their presentation and significant deviations in the financial statements of Pakistan Railways. Furthermore, types of internal controls, with special reference to their effectiveness were evaluated to highlight weaknesses.

Key findings of the report

1. **Analysis of Financial Statements of Pakistan Railways**

(a) Appropriation Accounts

An analysis of appropriation accounts revealed multiple issues like:

(i) Non-adoption of various components of New Accounting Model (NAM) i.e. chart of accounts and accounting code for self accounting entities

(ii) Non-adjustment of expenditure held under various suspense heads amounting to Rs 1,752.15 million

(iii) Deliberate deferment of expenses to next financial year resulting in understatement of expenditure for the FY 2018-19 amounting to Rs 1,714.34 million

(iv) Unauthorized expenditure without budget allotment amounting to Rs 408.68 million

(v) Misclassification of expenditure under different heads of accounts amounting to Rs 684.53 million
(vi) Non-accountal of capital expenditure resulting in an understatement amounting to Rs 304.40 million
(vii) Unauthorized booking of expenditure from Revenue to Capital Grant and vice versa amounting to Rs 76.19 million

Owing to these issues, the Audit furnished "Qualified Opinion" on the appropriation accounts of Pakistan Railways.

(b) Commercial Accounts

The commercial accounts of PR comprise profit and loss account and balance sheet. Analysis of the commercial accounts revealed myriad issues like:

(i) Overstatement of gross earnings, amounting to Rs 730.55 million, by booking irrelevant revenue i.e. receipts of securities and deposits, amounting to Rs 660 million and withholding tax, amounting to Rs 70.55 million, were booked as revenue to inflate earnings.
(ii) Non depiction of pension liability in balance sheet i.e. an amount of Rs 31,858 million, for the financial year 2018-19, was directly paid from revenue grant and grant-in-aid.
(iii) Misrepresentation in statement of financial position due to non-clearance of suspense balances, amounting to Rs 9,111.98 million and deferment of expenditure amounting to Rs 1,714.34 million to next financial year.
(iv) Violation of matching principle as PR recognized a significant portion of its earning on accrual basis while recognizing expenditure on cash basis.
(v) Inappropriate accounting treatment of grant-in-aid amounting to Rs 37,000 million, which was used to set off loss of Rs 32,769 million and the remaining amount of Rs 4,231 million was transferred to railway reserve fund.
(vi) Cumulative losses have a static and incorrect balance, amounting to Rs 36,924.39 million as the progressive losses of previous years were not recorded under this head.
(vii) Double booking in heads of "investment by government" and "depreciation reserve fund" amounting to Rs 37,698.69 million.
(viii) Non-disclosure of accrued liabilities on account of interest and exchange risk premium on foreign loans.
(ix) Non adherence to disclosure principle in case of fixed assets i.e. value of tangible assets has not been adjusted for factors like depreciation and impairment.
(x) Non adhesion to multiple provisions of IFRS like valuation and classification of inventories, related party disclosures, employee benefits etc.
(xi) Non provision for bad debts in relation to aging accounts receivables, amounting at Rs 9,818 million.

(xii) Non-adjustment of railway remittances (transfer divisional), amounting to Rs 4,475 million, in financial statements resulting in an understatement of expenditure.

(xiii) Overstatement of current assets by adding amounts not accepted by Finance Division amounting to Rs 14,298.21 million on account of General Provident Fund (GPF) interest.

Owing to these issues, the Audit furnished “Adverse Opinion” on the commercial accounts of Pakistan Railways.

2. Financial Reporting inadequacies

While juxtaposing reporting standard with IFRS, multiple inadequacies were observed as appended below:

(i) Non-preparation of cash flow and statement of changes in equity
(ii) Incorrect measurement and classification of all tangible assets
(iii) Non-preparation of consolidated Financial Statements of PR as a group including its subsidiaries
(iv) Non-disclosure of intangible assets in financial statements
(v) Non-disclosure of post-retirement benefits in Balance Sheet as liability
(vi) Non-conversion of foreign loans in Pak rupees on closing date of balance sheet
(vii) Non-recognition of unearned revenue

3. Internal control environment

The Audit observed serious lapses in the control environment. Some of the findings are:

(i) Non-existence of Strategic plan
(ii) Poor Management Controls
(iii) Non-updating of Rules and Regulations
(iv) Non Segregation of Functions
(v) Ineffective Internal Audit
(vi) Closure of Directorate of Vigilance
(vii) Poor compliance of Departmental Accounts Committee (DAC) and Public Accounts Committee (PAC) directives
(viii) Partial automation of core business processes

Management Response

As part of financial attest and compliance with authority audit of Pakistan Railways, for financial year 2018-19, the Directorate has by and large discussed comments, analysis, opinion and observations subsumed in this report with management at different levels i.e. during exit conference meetings, DAC meetings and Clearing House Meeting. The management response was included in each observation and paras of relevant reports.

Conclusion:

Audit for the financial year 2019 reveals that performance of Pakistan Railways as a going concern is in doldrums. Based on audit findings, it can safely be inferred that unless a strategic turnaround is planned and executed, sustainability of future operations of Pakistan Railways will depend on a continuous material support from the government.

Recommendations:

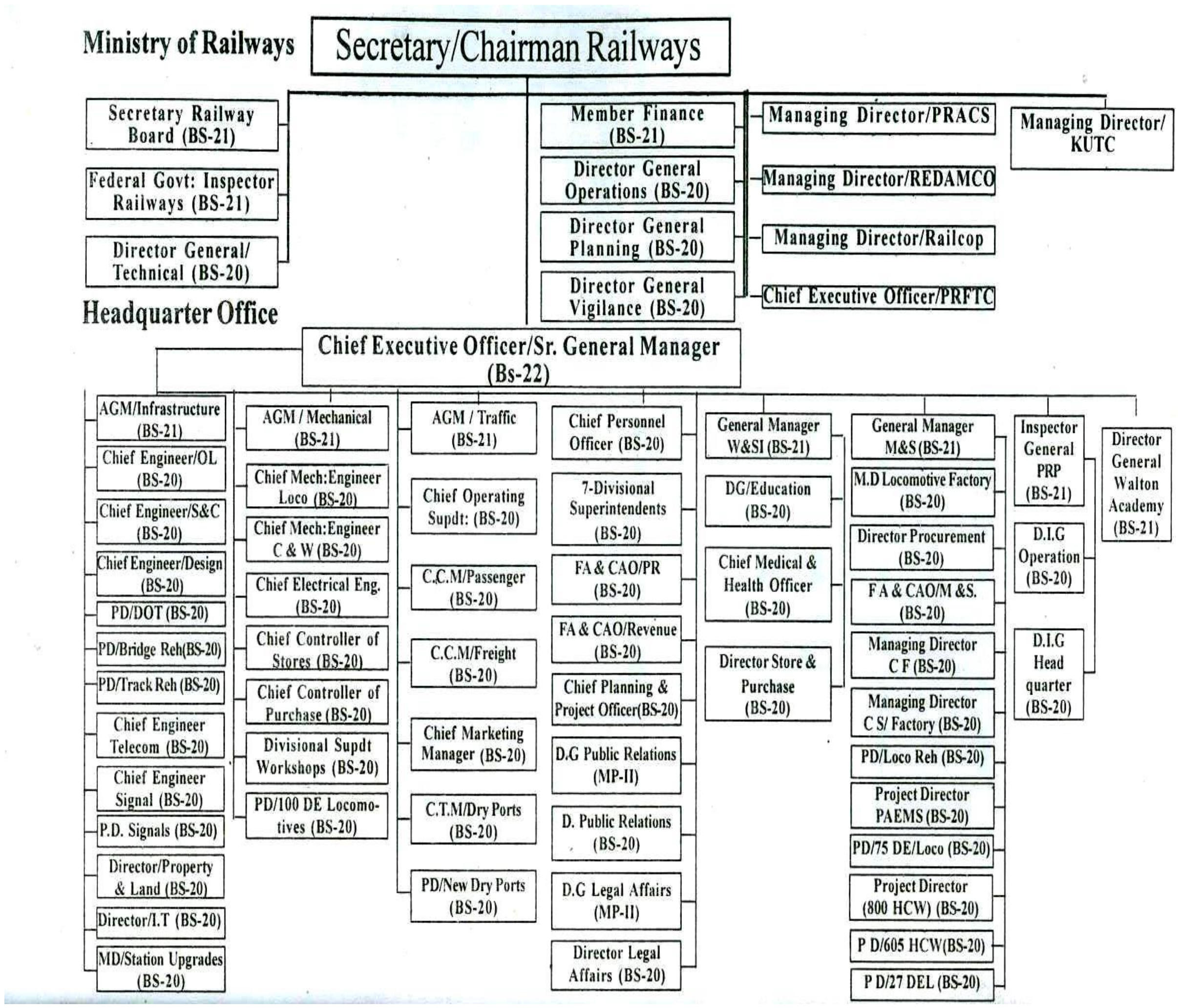
1. The management internal controls as defined in Pakistan Railways Codes/manuals are required to be revamped and redefined
2. The International Financial Reporting Standards be adhered to have clear accounting policies, presentation and disclosure of Financial Statements
3. Rationalization of accounts receivables appearing in the Financial Statements
4. A separate pension fund be created in order to reduce burden from revenue expenditure
5. The balances appearing under different revenue and capital suspense accounts be adjusted/cleared and booked to final heads of accounts on monthly basis and a periodic review be carried out
6. The accounting treatment of depreciation reserve fund be set right to avoid double booking of federal government investment
7. The matter regarding accounting treatment of grant-in-aid be referred to Finance Division (FD) through Controller General of Accounts (CGA) for prescribing appropriate accounting policy
8. Pakistan Railways needs to take turn around initiatives under 3Rs' strategy comprising retrenchment, repositioning and reorganization. Ways through each component of the strategy can be catered for are:
    - (a) Retrench is overhead reduction through activities like:
        - (i) Introduction of Information Technology (IT) based solutions for E-governance
        - (ii) Modernization of infrastructure
        - (iii) Adoption of modern accountal and measurement system of operational fuel
    - (b) Reposition its revenue through activities like:
        - (i) Focusing on unit cost instead of tariff
        - (ii) Optimizing yield-per-train
        - (iii) Outsourcing non-core activities
        - (iv) Streamlining of freight structure
        - (v) Simplifying freight traffic book
        - (vi) Developing connectivity with neighboring countries
    - (c) Reorganize through activities like:
        - (i) Overhauling internal structure
        - (ii) Preventing leakages in revenue
        - (iii) Bifurcating concurrence and pre-audit assignment of railway accounts department

Chapter-1 Introduction

Pakistan Railways is a Federal Government Department with the aim to provide a competitive, safe, reliable, market oriented, efficient and environment-friendly mode of transport[3].

1.1 Organizational Structure of Pakistan Railways

The Ministry of Railways is responsible for the overall control of Pakistan Railways. It guides and formulates overall policy for the PR. Ministry of Railways (MoR) comprises four directorates i.e. Administrative Directorate, Technical Directorate, Planning Directorate, and Budget &Finance Directorate. Railway Board is the decision making organ and the Chairman of the Ministry of Railways serves as its secretary in ex officio position. Organogram for the ministry is given below:



[3] Year Book of Pakistan Railways 2018-19

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

(i) Chief Executive Officer (CEO) /Senior General Manager
(ii) General Manager (GM) /Manufacturing and Services (M&S)
(iii) (GM) /Welfare and Special Initiatives

The core operations of Pakistan Railway are administered by the Chief Executive Officer/Senior General Manager. He is assisted by three Additional General Managers for infrastructure, mechanical and traffic besides the Principal Officers of respective departments. Pakistan Railways has seven operational divisions at Peshawar, Rawalpindi, Lahore, Multan, Sukkur, Karachi, Quetta and one workshops division at Mughalpura Lahore. Each Division is administered by a Divisional Superintendent (DS). The Divisional Superintendent is assisted by Divisional Officers in their respective fields. The fields include Civil, Mechanical, Electrical, Signal, Telecom Engineering, Traffic, Commercial, Accounts, Medical, Police and Personnel.

Manufacturing unit is headed by the General Manager/ M&S who is assisted by Managing Director (MD) /Locomotive Factory, Risalpur, MD/Carriage Factory Islamabad and MD/Concrete Sleeper Factories Lahore.

Welfare activities of Pakistan Railways are administered by the GM/Welfare and Special Initiatives (W & SI), who is assisted by Director General/Pakistan Railway Academy Walton, Director General Education and Chief Health & Medical Officer.

The administrative head of the Railway Accounts Department is Member Finance in the Railway Board who is assisted by three Financial Advisors & Chief Accounts Officers. Moreover, there is a Chief Internal Auditor who heads the Internal Audit Wing and reports directly to the Principal Accounting Officer.

1.2 Statutory framework of Pakistan Railway:

The basic law enacted in the Sub-Continent for regulating the Railways affairs in the undivided India was the Indian Railway Act, 1890. After inception of Pakistan, this Act was adopted and renamed as the Railway Act, 1890. Over the period, Railway Act 1890 became outdated and no effort was made for updating it. However, a series of ordinances was issued as a stopgap arrangement. This clearly depicts that, PR has never remained a priority for the policy makers in the Parliament.

1.3. Rules and Regulations governing the organization:

Ministry of Railways by invoking the provision vested in it, under Section 47 of the Railway Act 1890, made the detailed public safety rules and working rules of train operations known as General & Subsidiary Rules of Pakistan Railways. These rules are presented in the form of following Railway codes.

(i) PR Code for the Accounts Department (Part I&II)
(ii) PR Code for the Engineering Department
(iii) PR Establishment codes (Vol-I & II)

(iv) PR code for the Mechanical Department
(v) PR code for the Traffic Department
(vi) PR code for the Stores Department
(vii) PR General Codes (Vol-I & II)

The aforementioned codes were originally framed before partition and were adopted and updated in the decade of sixties. However, since 1970, no modifications have been made in these codes rendering them obsolete or outdated. Similarly, Railway manuals, entailing various departmental procedures, barring Commercial Manual, have also not been updated after 1970.

1.4. Layout of internal control system of the organization:

Strategic level management of Pakistan Railways including Principal Accounting Officer, Chief Executive Officer, Financial Advisor & Chief Accounts Officers and Principal Officers are responsible for achievement of ultimate objectives of the organization as stated in the mission statement. In pursuance of these objectives the Chief Internal Auditor plays a vital role and highlights issues identifies control weaknesses and control deviations beside risk assessment through Internal Audit Reports. Moreover, in align to the CIA working; the department of Vigilance Directorate is also a watch dog and act as ear and eyes of the organization. However, vigilance directorate has since been wound up.

The management has developed various internal controls for aligning its operations with overall goals of the entity. However, unfortunately, the controls over operations, inventory, suspense balances, revenue, Depreciation Reserve Fund (DRF) and HRM etc. are ineffective and inefficient which have been discussed in detail under chapter-4.

1.5. Infrastructure:

(i) Pakistan Railways remained the primary mode of transportation in the country till late sixties. Afterwards, as the road sector flourished and emerged as a quicker mode of transportation, Railways' share of inland traffic reduced from 41 percent to 10 percent for passenger traffic and 73 percent to 4 percent for freight traffic[4].

(ii) By 30.06.2019, the total track length of PR was recorded as 11,881 Kilometers with 7,791 route kilometers along with 468 Railway stations whereas rolling stock consisted of 468 locomotives, 1,647 Coaching vehicles and 14,327 Freight Wagons[5].

1.6. Human Resources/ Personnel

(i) Pakistan Railways has its centralized Human Resource (Personnel) Department headed by a Chief Personnel Officer (CPO). He is assisted by Deputy Chief Personnel Officers, Senior Personnel Officers and Divisional Personnel Officers. Historically, there was an independent hierarchy of this department. However,

[4] Economic Survey of Pakistan 2018-19
[5] Year Book of PR 2018-19

over the years this independent cadre has become defunct and non-professionals have infringed the cadre.

(ii) Pakistan Railways has 68,727 employees and 121,000 pensioners. In 2018-19, the expenditure on pay and pension was 67.5% of the total working expenses[6].

(iii) As on 30.12.2019, 693 cases of litigation are pending in different courts/ tribunals. Owing to mismanagement and inefficiency of Human Resource Department, Pakistan Railways is sustaining continuous losses due to pending issues of litigation[7].

1.7. Financials (2018-19)

(i) The total budget of PR was Rs 90,000 million and corresponding expenditure was 87,664.13 million for the year 2018-19. It had an unspent budgetary allocation of 2.6% under voted & charged portion of revenue grant.

(ii) The revenue expenditure of Pakistan Railways during the financial year was Rs 86,867.69 million under voted expenditure.

(iii) Government of Pakistan further allocated funds through Public Sector Development Program in order to rehabilitate and improve Railway infrastructure, rolling stock, equipment and operational systems during the financial year. An expenditure of Rs 21,126.87 million was incurred on the execution of twenty eight projects.

(iv) In order to bridge the operational loss, PR has had been subsidized, at an average per year amount of Rs 37,000 million, by the Government of Pakistan.

(v) The net loss of PR for the year 2018-19 stood at Rs 32,769.28 million which was covered through government assistance and State Bank of Pakistan (SBP) Overdraft. The balance of overdraft with SBP as on 30.06.2019 stood at Rs 37,264.36 million and PR paid Rs 496.43 million as interest on overdraft for the year 2018-19.

(vi) PR had a liability of Foreign Loans/Credits worth Rs 29,348.32 million against which it paid Rs 300 million as interest. Audit found that foreign loans have neither been revaluated in the light of current exchange rates nor segregated by type of liability in the financial statements of Pakistan Railways.

In addition to aforementioned factors, there are some chronic internal issues which hampered the growth of organization over the years. These include legacy accounting and financial reporting system, poor personnel strength management.; inadequate capacity to implement guidelines of Public Procurement Regulatory Authority (PPRA); contract mismanagement; extravagant utility expenses; theft of material; parasitic mode of business by PR's ancillary corporations and failure of Public Private Partnerships (PPPs).

[6] Year Book of PR 2018-19
[7] Directorate of Legal PR

Chapter-2 Analysis of Financial Statements of Pakistan Railways and their disclosures

The financial statements of Pakistan Railways are comprised of Appropriation Accounts and Commercial Accounts. The Financial Adviser and Chief Accounts Officer is responsible for preparation of appropriation accounts and commercial accounts on behalf of the Controller General of Accounts, under section 7 of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 on the format prescribed by Auditor General of Pakistan. Audit of appropriation and commercial accounts of Pakistan Railways, for the FY 2018-19, was carried out by the Director General Audit Railways. The audit was carried out under the mandate of Auditor General of Pakistan and in conformity with the applicable set of rules and regulations.

2.1 Appropriation Accounts for the FY 2018-19

Appropriation Accounts were prepared by the FA&CAO/ Pakistan Railways in respect of budgetary provisions and expenditure charged to revenue / non-development and capital / development for the FY 2018-19 keeping in view the requirements of government accounting. A systematic record of all incomings (receipts) and outgoings (expenditure) classified under certain appropriate headings has been maintained. The summary of grants and expenditure is given hereunder;

2.1.1 Revenue Grants No. 94 of PR for the year 2018-19

(Rs in millions)

Items	Original Allocation	Supplementary Allocation	Final Allocation	Actual Expenditure	Variation	
					Excess/ (Saving)	%
Voted	86,500.00	2,500.00	89,000.00	86,867.69	(2,132.31)	(2.40)
Charged	1,000.00	0	1,000.00	796.43	(203.57)	(20.36)
Total	**87,500.00**	**2,500.00**	**90,000.00**	**87,664.13**	**(2,335.88)**	**(2.60)**

Table-1
Source: Appropriation Account of PR 2018-19

The revenue grant of PR consisted of two components i.e. the revenue targets fixed by the Parliament and the financial assistance granted by the Government of Pakistan. The parliament, initially, approved estimates of Rs 87,500 million for the year 2018-19 however a supplementary grant of Rs 2,500 million was provided later on. The revenue target of Rs 50,500 million was initially fixed with no subsequent change. In order to bridge the gap between revenue and expenditure, financial assistance worth Rs 37,000 million was granted to PR during the year. Details for the estimates, actuals and variations for the revenue are given below:

(Amount in Rs)

Description	Revenue 2018-19		Variation	%
	Estimates	Actual	Excess/ (Shortfall)	
Passenger earnings	24,000,000,000	29,189,457,721	5,189,457,721	21.62
Freight earnings	19,850,000,000	18,853,163,057	(996,836,943)	(5.02)
Other coaching earnings	1,750,000,000	1,995,348,494	245,348,494	14.02
Sundry earnings	4,900,000,000	4,469,961,765	(430,038,235)	(8.78)
Gross Earnings	**50,500,000,000**	**54,507,931,037**	**4,007,931,037**	**7.94**

Table-2
Source: Statement of cumulative revenue up-to the period ending 30.06.2019 (Final Accounts) of FA & CAO / Revenue & Appropriation Account of PR 2018-19

The comparison of estimates and actual expenditure under voted portion of revenue grant for the year 2018-19 is appended below:

(Amount in Rs)

Summary of Budgeted and Actual Expenditure				
Description	**Estimates**	**Actual Expenditure**	**Variation Excess/ (Saving)**	**%**
General Administration	10,453,167,000	10,142,036,000	(311,131,000)	(2.98)
Repair and Maintenance	19,877,594,000	17,779,699,000	(2,097,895,000)	(10.55)
Operating Expenses	26,094,429,000	26,255,239,000	160,810,000	0.62
Other Revenue Expenditure	32,386,811,000	32,445,412,000	58,601,000	0.18
Improvement and Welfare Expenditure	188,000,000	190,897,000	2,897,000	1.54
Misc Advance	-	54,409,000	54,409,000	
Total	**89,000,001,000**	**86,867,692,000**	**2,132,309,000**	**2.40**

Table-3
Source: Financial Review of PR for the year 2018-19

Audit observed that during the year 2018-19, financial management of resources was not up to the mark in the PR. Comparison between allocated budget and actual expenditure revealed that the actual expenditure incurred under “voted and charged” portions of Revenue Grant was less than the final allocation and there was unspent amount of Rs 2,335.87 million (2.60%). The unspent amount under repair and maintenance was due to non-adjustment of value of stores supplied by store department to the consuming departments i.e. mechanical and civil. Although supplementary grant of Rs 2,500 million was provided, the earnings target was not revised accordingly.

2.1.2. Capital Grant No. 151 of PR for the year 2018-19

(Rs in millions)

Items	Original Allocation	Supplementary Allocation	Final Allocation	Actual Expenditure	Variation	
		(Surrender)			Excess/ (Saving)	%
Voted (Capital)	28,065.05	(5,272.18)	22,792.87	21,126.87	(1,666.00)	(7.31)

Table-4
Source: Appropriation Account of PR 2018-19

The actual expenditure of capital grant was Rs 21,127 million against final allocation of Rs 22,793 million resultantly there was unspent amount of Rs 1,666 million (7.31%). A trend analysis of last one decade shows that there were persistent unspent amounts under capital grant which indicates inappropriate/poor budgetary controls and weak financial management. Financial year 2019 is not an exception to this trend.

During the FY 2018-19, twenty eight PSDP projects were planned; Out of these nine projects have been completed and remaining nineteen projects are in progress.

2.1.3. Analysis of Appropriation Accounts

Analysis of appropriation account of Pakistan Railways, for the FY 2018-19, revealed several qualifications mentioned underneath:

(i) **Non-adoption of New Accounting Model:** On 1st of July, 2005 The Auditor General of Pakistan prescribed a Chart of Accounts for classification of Government receipt and expenses by all the Federal, Provincial and self-accounting entities. PR, being a self-accounting entity, was required to implement the new Chart of Account (COA). However, the new chart of account, as well as accounting code, for self accounting entities has not so far been adopted by PR.

(ii) **Non-adjustment of expenditure held under suspense heads:** As on 30th June 2019, an amount of Rs 1,752.15 million appeared outstanding in the head of capital suspense. The amount has accumulated over the years and represents expenditure incurred by Concrete Sleeper Factories (CSF) for manufacturing of sleepers. However, the amount has not been adjusted to the final head of account. This resulted in understatement of expenditure.

(iii) **Deliberate deferment of expenses to next financial year:** Expenditure under the head operational fuel for the month of June, 2019, amounting to Rs 1,714.34 million, was initially booked in the accounts for the FY 2018-19. However, the same amount was subsequently reversed and transferred to the next financial year 2019-20. This resulted in understatement of expenditure and material misstatement amounting to Rs 1,714.34 million for the FY 2018-19.

(iv) **Misclassification of expenditure under different heads of accounts:** Expenditure of Rs 684.54 million was booked under irrelevant heads of accounts in violation to codal provisions.

(v) **Wrong booking of expenditure pertaining to previous years:** Certain expenses relating to heads of operating, repair & maintenance etc. incurred in previous years were adjusted and booked in the FY 2018-19. Therefore, the working expenses were overstated by Rs 643.90 million.

(vi) **Unauthorized expenditure without budget allotment:** An expenditure of Rs 408.687 million pertained to different heads of account was incurred without budget allotment for the Financial Year 2018-19. This resulted in unauthorized expenditure. (Detailed in Annexure-A)

(vii) **Wrong booking of capital expenditure:** An expenditure of Rs 304.40 million pertaining to the accounting unit of Mechanical Projects, Mughalpura was booked by Accounts Officer Project, Headquarters (HQ) in the accumulated figures without taking into accounts the expenditure of current month. This resulted in understatement of expenditure on capital accounts.

(viii) **Misclassification of expenditure from Revenue to Capital Grant and vice versa:** An expenditure of Rs 76.19 million was misclassified in violation to codal provisions. The booking of revenue expenditure to capital was Rs 52.78 million and booking of capital expenditure to revenue was Rs 23.40 million. (Detailed in Annexure-B)

(ix) **Non-recording of head wise budget and expenditure of capital grant:** Instead of detailed head-wise allotment of funds, a lump sum capital grant of Rs 22,793 million was allocated to different public sector development projects for the FY 2018-19. Accordingly lump sum expenditure was recorded against each project without head wise detail. There are ample chances of wrong utilization of funds due to non-allocation of funds in appropriate heads and non recording of detailed head wise expenditure.

2.2. Commercial Accounts for the FY 2018-19

Pakistan Railways is as much a Government concern as a commercial enterprise. Its accounts should, therefore, not only follow the essential formalities of Government accounting but also conform to the requirements of commercial accounting. The commercial accounts of the Pakistan Railways are known as “Financial Statements”. Financial Statements of Pakistan Railways comprised Profit and Loss account, Balance Sheet and notes to the accounts.

2.2.1 Profit and Loss Account

Profit and Loss Account of Pakistan Railways shows financial information in respect of gross earnings, costs, and expenses incurred during the financial year 2018-19. The profit and loss account is given below. Moreover, head wise detail of expenditure is given in Annexure-C.

(Amount in Rs)

Description	2018-19	2017-18	Variation	%
Gross Earning	54,507,931,037	49,569,679,092	4,938,251,945	9.96
Operating Expenses				
i. Ordinary Working Expenses	53,850,468,126	52,152,040,021	1,698,428,105	3.26
ii. Other Expenditure	32,445,412,030	33,193,208,137	(747,796,107)	(2.25)
iii. Improvement & Welfare Expenditure	190,896,914	169,136,011	21,760,903	12.87
Total Working Expenses	86,486,777,070	85,514,384,169	972,392,901	1.14
Operating Surplus/(Loss)	**(31,978,846,033)**	**(35,944,705,077)**	**(3,965,859,044)**	**(11.03)**
Interest on Debt	796,433,359	683,335,044	113,098,315	16.55
Profit/(Loss)	(32,775,279,392)	(36,628,040,121)	(3,852,760,729)	(10.52)
Misc. Receipts	5,994,700	5,990,642	4,058	0.07
Net Profit/(Loss)	**(32,769,284,692)**	**(36,622,049,479)**	**(3,852,764,787)**	**(11.75)**

Table-5
Source: Commercial Accounts of PR 2018-19

2.2.1.1 Analysis of Profit & Loss Account

The analysis of Profit & Loss Account revealed the following facts:

(i) **Gross earnings:** Earnings of PR comprised of passenger, other coaching, goods and sundry earnings. There was an increase of 10% in earnings as compared to previous year. Passenger sector was the major contributor towards the increase in earnings of PR. However, advance sales of tickets were not recorded on accrual basis. Audit has reservations on accrual basis of recognition of revenue and crediting of unrelated items to the earnings. For instance, booking of receipts on account of securities and deposits, amounting to Rs 660 million, and withholding tax, amounting to Rs 70.55 million, to gross earnings resulted in overstatement of earnings for the year 2018-19. Audit has expressed adverse opinion on these aspects of gross earnings.

(ii) **Ordinary working expenses**: Expenses on account of administrative, repair & maintenance and operating heads witnessed an increase of 3% during the year. This increase did not depict a true picture due to deferment of expenses on account of operational fuel and non-adjustment of suspense balance and inventories.

(iii) **Pension payments**: PR has 121,000 pensioners and the expenditure on account of pension of Rs 31,858 million was charged to working expenses under the head other revenue expenditure, which was 37% of working expenses. The payments were made out of revenue grant and grant-in-aid by the Federal Government. However, the obligation regarding post-employment benefits i.e. commutation, pension payments, medical and travelling facility were not booked in the accounts on the balance sheet date in contravention of IAS-19. This requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future and valuation should be conducted in order to assess the entity's obligation at the balance sheet date. This was not done by PR and the entire expenditure was charged to working expenses of each financial year. This created an extra burden on working expenses of PR and resulted in operational loss of Rs 31,979 million for the year 2018-19.

(iv) **Improvement and welfare:** The expenditure against this fund comprised provision of passenger amenities, execution of staff welfare works and other un-remunerative works which registered an increase of 13%. This was due to increase in expenditure on public passenger amenities. But this needs to be further improved due to dilapidated facilities provided to passengers and its expenditure is much lesser in comparison of passenger earnings.

(v) **Operating loss:** There was a huge gap between the working expenses and the gross earnings of PR. The working expenses were Rs 86,486.77 million whereas the gross earnings were Rs 54,507.93 million during the year 2018-19. The gap between working expenses and gross earnings resulted in operational loss of Rs 31,978.84 million. Needless to say, the operational loss would have further increased if the deferred expenditure and adjustment of suspense balances were made in the accounts.

(vi) **Interest on debt:** Interest on foreign loans and overdraft had marked an increase of 16% which was due to increase in interest on account of overdraft with SBP.

(vii) **Net loss:** PR suffered a net loss of Rs 32,769.28 million during the year. Net loss decreased by 11.75% as compared to previous year but PR still requires a huge contribution margin to turn the organization into profit making enterprise.

(viii) **Matching principle and revenue/ expenses recognition:** PR recognises it's earning on accrual basis and expenses on cash basis of accounting. This contradictory policy was against the matching principle. It resulted in overstatement of earnings and understatement of expenses.

(ix) **Grant-in-aid**: Federal Government provided Grant-in-aid amounting to Rs 37,000 million to PR for meeting operational expenses and to cover the deficit. The entire amount was transferred to Railway reserve fund as receipts during the year. This was used to offset the net loss of PR of Rs 32,769 million during the year 2018-19. The remaining amount of Rs 4,230.72 million resulted in increase in Railway Reserve Fund. This policy was not in accordance with International Accounting Standard (IAS-20) which requires that it should be booked either as revenue or in reduction of expenditure. Further, the Finance Division has not so far prescribed any accounting treatment for grant-in-aid whether it would be booked as investment of FG or considered as subsidy to PR.

2.2.2 Balance Sheet of Pakistan Railways as on 30th June 2019

Balance Sheet of Pakistan Railways as on 30th June 2019 and its comparison with previous year is tabulated below:

(Rupees in millions)

Particulars	2018-19	2017-18	Variation Increase /(Decrease)	Variance in %
1. Capital & Net Worth				
(a) Investment by Government	258,018.75	235,645.38	22,373.37	9.49
(b) Cumulative Surplus/ (Deficit)	(36,924.39)	(36,924.39)	-	-
Total Capital & Net Worth	**221,094.35**	**198,720.98**	**22,373.37**	**11.26**
2. Revenue Reserves				
(a) Depreciation Reserve Fund	37,698.69	37,062.41	636.28	1.72
(b) Improvement Fund	529.39	529.39	-	-
(c) Railway Reserve Fund	25,899.47	21,668.76	4,230.72	19.52
Total Revenue Reserves	**64,127.56**	**59,260.56**	**4,867.00**	**8.21**
3. Long Term Liabilities				
(a) Provident Fund	6,886.96	6,594.50	292.46	4.43
(b) Staff Benefit Fund	38.60	36.12	2.47	6.85
(c) Foreign Loans/ Credits:				
(i) On Capital Account	26,174.99	26,174.99	-	-
(ii) On Replacement Account	3,173.33	3,173.33	-	-
(d) Overdraft with State Bank of Pakistan	37,264.36	37,651.25	(386.89)	(1.03)
Total Long Term Liabilities	**73,538.23**	**73,630.19**	**(91.96)**	**(0.12)**
4. Current Liabilities				
(a) Sundry Creditors	3,700.33	1,724.30	1,976.03	114.60
(b) Security & Deposits	14,932.21	14,690.57	241.65	1.64

(c) Accrued Liabilities	91.51	91.51	-	-
Total Current Liabilities	**18,724.05**	**16,506.38**	**2,217.68**	**13.44**
Total Liabilities & Capital	**377,484.20**	**348,118.12**	**29,366.08**	**8.44**
1. Fixed Assets				
(a) Tangible Assets:				
(i) Land	904.47	904.47	-	-
(ii) Structural & Engineering Works	35,150.77	33,377.35	1,773.41	5.31
(iii) Equipment	22,216.94	21,174.67	1,042.26	4.92
(iv) Rolling Stock	94,452.48	85,404.42	9,048.06	10.59
(b) Investments	191.80	191.80	-	-
(c) Preliminary Expenses, Miscellaneous and General Charges	12,214.03	9,466.12	2,747.90	29.03
Total Fixed Assets	165,130.47	150,518.84	14,611.64	9.71
2. Deferred Assets	**135,996.79**	**128,891.16**	**7,105.63**	**5.51**
3. Current Assets				
(a) Inventories	20,694.59	17,320.62	3,373.97	19.48
(b) Accounts Receivable	9,818.00	9,105.14	712.86	7.83
(c) Pre-payments and Advances	16,219.62	13,327.26	2,892.35	21.70
(d) Sundry Debtors	-	-	-	-
(e) Cash in hand and in Bank	15,330.39	15,616.73	(286.35)	(1.83)
(f) Balance of amount in account current with Government	14,294.34	13,338.37	955.97	7.17
Total Current Assets	**76,356.93**	**68,708.12**	**7,648.81**	**11.13**
Total Assets	**377,484.20**	**348,118.12**	**29,366.08**	**8.44**

Table-6
Source: Commercial Accounts of PR 2018-19

2.2.2.1 Analysis of Balance sheet

The analysis of Balance Sheet reveals the following facts:

1. **Capital and Net worth**

(a) **Investments by Government:** The investment increased by Rs 22,373 million (9.49%) over the preceding year. This increase was due to injection of funds by the Federal Government through cash release for public sector development programs

(PSDP). The amount was utilized to carry out different development projects by PR.

(b) Cumulative losses: Losses of Rs 36,924 million remained unchanged due to the provision of Federal Government assistance of Rs 37,000 million. The grant was used to offset the amount of net loss for the year 2018-19. The amount under this head represents net adjusted balance of cumulative losses and no impact of progressive losses of previous years was recorded under the head. Therefore, the disclosure of cumulative losses was not appropriate.

2. Revenue Reserves

There are three types of funds maintained by PR under revenue reserves are given below:

(a) Depreciation reserve fund (DRF): This fund was created for replacement and renewal of existing assets of PR through contribution from revenue. However, the practice stopped due to weak financial health of PR. In the financial year 2018-19, Federal Government investment on Replacement Account of Rs 7,105.63 million was booked to DRF. This amount was first booked under the head "Investment by Government" and at the same time, it was booked to DRF. Audit has reservations on this practice of double booking and expressed adverse opinion in this regard. The balance of Rs 37,698 million represents notional amount and no cash backup was available with PR.

(b) Improvement fund: This fund was created for providing facilities to passengers and staff of PR on the basis of levy on tickets. However, the practice stopped due to continuous losses and the expenditure was met out of revenue grant and charged to working expenses under the head improvement and welfare expenditure.

(c) Railway reserve fund: Railways reserve fund increased by Rs 4,231 million (19%) over the preceding year. Grant-in-aid by FG was booked to this head and net loss of PR was adjusted against this account. The increase represents remaining amount of Grant-in-aid as explained vide point (ix) under analysis of profit and loss account. The balance of Rs 25,899 million appearing under this head is a notional amount and no cash backup was available with PR.

3. Long term liabilities

(a) Provident Fund; The fund increased by Rs 292.46 million (4.43%) over the preceding year. The fund was built-up with the subscription deducted from regular salaries of employees which was being paid at the retirement of employees. Separate bank account with SBP is now being maintained by PR for the purpose, although the bank balance does not commensurate with the actual liability payable to the employees.

(b) Staff benefit fund: This fund was created to provide certain amenities to distressed employees of PR. The fund was contributed from fines levied to employees and contributions from revenue. The contribution from revenue has been stopped due to continuous losses. The amount under this head has increased by Rs 2.47 million (6.85%) during the year.

(c) **Foreign loans/ credits:** On capital account foreign loans were Rs 26,174.99 million and on replacement account they were Rs 3,173.33 million. This amount remained unchanged due to non-retirement of foreign loans during the period. However, interest of Rs 300 million was paid during the period. Accrued liability on account of interest and exchange risk premium on foreign loans was not booked and disclosure was not made in the financial Statements. Audit expressed adverse opinion on this aspect.

(d) **Overdraft with State Bank of Pakistan:** Overdraft has decreased by Rs 386.89 million (1.03%) during the period and the liability of this account was Rs 37,264.36 million as on 30th June 2019. This credit line was also provided to temporarily bridge the gap between the earnings and working expenses of PR. However, PR was not being able to pay back the amount due to continuous cash shortfall over the years. This was capped at Rs 40,000 million and an interest of Rs 496.43 million was paid during the period.

4. Current Liabilities

(a) **Sundry creditors** increased by Rs 1,976.03 million (114%) due to increase under the head miscellaneous creditors during the period and total liability under this head as on 30th June 2019 was Rs 3,700.33 million.

(b) **Securities and deposits** increased by Rs 241.65 million (1.64%) and total liability under this head as on 30th June 2019 was Rs 14,932 million. It primarily consisted of deposits from contractors, public bodies and private parties for execution of works.

(c) **Accrued liabilities** were static at Rs 91.51 million for the last three years due to non-booking of accrued expenses at the closing date of balance sheet. Further, the balance was not reconciled and cleared although payments have been made in subsequent years.

1. Fixed Assets

(a) **Tangible Assets:** Depreciation on account of all tangible wasting assets was not booked in the accounts and all tangible assets were presented at their original/ historic cost. Audit expressed adverse opinion on this aspect. Further asset registers were not being maintained and disclosed in financial statements. Therefore, the actual number of assets and their relative value could not be ascertained. Furthermore, classification of tangible assets among structural engineering works, equipment and rolling stock was inappropriate for example locomotives were classified under equipment and buildings were classified under structural engineering works. The tangible assets were categorized in the following four sub-heads:

- **(i) Land:** The value of land is being presented at the historic cost and PR has not revaluated land and buildings to their fair value. Furthermore, value of land acquired by PR for expansion of Railway network, during the last three decades, has not been reflected in the financial statements. For example recent acquiring of land for establishing Gwadar Railway station and Dry Port, valuing Rs 1,300 million approximately, was not disclosed in the Financial Statements.
- **(ii) Structural Engineering works:** There was an increase of Rs 1,773.41 million (5.31%) due to booking of expenditure incurred on various projects relating to construction of structural and engineering works but no segregation or detail is available either in the Financial Statements or in the physical asset register regarding acquisition of new assets or addition to the existing assets.
- **(iii) Equipment:** Value of equipment increased by Rs 1,042.26 million (4.92%) due to booking of expenditure incurred on various projects related to procurement of equipments.
- **(iv) Rolling stock:** Value increased by Rs 9,048.06 million (10.59%) due to booking of expenditure incurred on various projects related to procurement and manufacturing of rolling stock i.e. locomotives, carriage and wagons. However, losses of rolling stock due to accidents were not being disclosed in the books of accounts. PR management suffered huge losses on account of accidents having worth more than Rs 1,000 million during last five years[8] but these losses were not disclosed in the books of accounts.

(b) Investments: PR had a total investment of Rs 191.80 million in its subsidiaries i.e. Railway Constructions Pakistan Limited (RAILCOP), Pakistan Railway Advisory and Consultancy Services (PRACS), Pakistan Railway Freight Transportation Company (PRFTC) and in Karachi Circular Railway (KCR). Out of the total investment the major chunk, amounting to Rs 180.00 million, was made in KCR. The project of KCR was not completed and therefore no financial benefits could be reaped by PR.

(c) Preliminary expenses miscellaneous and general charges: There was an increase of Rs 2,748 million (29%) during the year. The increase was due to incurrence of expenditure on various feasibility studies for projects relating to rail links between different locations. Major expenditure under this head was incurred on preliminary design & drawings for up-gradation of Main Line-I (ML-I) and

[8] Special study on accidental losses 2017-18

Establishment of Dry port at Havelian. However, these preliminary expenses were never classified into the relevant class of asset after completion of the projects.

2. **Deferred Assets:** Deferred Assets increased by Rs 7,105.64 million (5.51%) over the preceding year. The increase was due to wrong accounting treatment relating to the booking of Federal Government Investment on Replacement Account under the head DRF and to give its effect on the assets side of Balance Sheet, the same amount was charged to Deferred Assets. Further, the disclosure of deferred assets in balance sheet does not conform to IFRS. Audit has expressed adverse opinion on this incorrect accounting treatment.
3. **Current Assets**

(a) Inventories increased by Rs 3,373.97 million (19.48%) over the preceding year. Inventory consisted of stores, scrap and suspense heads valuing Rs 20,695.59 million as on 30th June, 2019. The description of each class of inventory is as follows:

- **(i) Sales** represent realizable value of different items of scraps material and rolling stock which was either obsolete or unserviceable. This constitutes 21% of inventories and the amount has been increased from last one decade but no detail of sale of scrap is disclosed in the Financial Statements.
- **(ii) Stores** represent amount incurred from revenue grant for the procurement of spare parts to be utilized for repair and maintenance of rolling stock and structural engineering works. But the same has not been utilized and were lying pending for adjustment in the books of accounts. This constitutes 56% of inventories and the amount is increasing since last one decade. This did not represent actual balance of stores as detail of actual inventory was not available with PR.
- **(iii) Workshops Manufacturing Suspense** represents expenditure incurred for manufacturing of different items of spares required for periodical overhauling and nominated repair of rolling stock out of revenue grant. It comprised 22% of inventories but the expenditure is not being adjusted efficiently in the books of accounts.

The disclosure of inventories was not in accordance with IAS-2 as the utilization of stores during the year could not be ascertained. If the amount of suspense balances would have charged to the final heads of account the amount of loss would increase.

(b) Accounts receivable increased by Rs 712.86 million (7.8%) during the period due to increase in unrealized traffic earnings and bills receivables. Total accounts receivables as on 30th June 2019 were Rs 9,817.99 million. The amount had increased over the years and department wise aging of accounts receivables was not available with PR. No provision for bad debts exists in the financial statements to write off the un-realizable bad debts and unrealistic and unrealizable amounts were also included i.e. irregular/ unauthorized adjustment of bills receivable on account of illegal overhead crossings by Water and Power Development Authority (WAPDA), amounting to Rs 456 million, and undeclared dividend from RAILCOP amounting to Rs 298 million of (subsidiary of PR) were shown as bills receivables. Audit has expressed adverse opinion on these inadequate and incorrect disclosures.

(c) **Prepayments and advances** increased by Rs 2,892.35 million (21.7%) during the year due to non-adjustment of railway remittances transactions (transfer divisional). The amount under this head was Rs 16,219.62 million as on 30th June 2019 and comprised Misc. advances, Railway remittances, loans to employees, and advances for purchases. The description of these items is given below:

- **(i)** **Misc. Advances revenue** represents advances given to officers for meeting contingent expenses and unadjusted amounts of utility bills which were pended for adjustment in the accounts. An amount of Rs 1,556 million was shown against this head and audit has reservations due to non adjustment of advances under this head, and expressed adverse opinion. (Detailed in Annexure-D/1)
- **(ii)** **Railway remittances (Transfer Divisional)** represent net balance of remittance transactions between different accounting units of PR. The amount under this head has increased by Rs 4,475 million (102%) during the year. This amount also required adjustments in the account of PR but was pending due to multiple issue like late origination of Transfer Certificates by the originating units, non-acceptance by the responding units for want of verification of vouchers by the consumers, insufficiency of vouchers and inadequacy of budget under the relevant heads etc. Audit is of the view that if PR had adjusted this amount in books of accounts the amount of loss would have increased by Rs 4,475 million.
- **(iii)** **Advances for purchases** represent advances granted to contractors for the procurement of spare parts, tools, machinery & equipment, rails fittings etc for executing various development projects. It also includes the amount of Letter of Credit (LC) opened for imports. Although the amount has reduced during the year, PR still requires to adjust Rs 4,826 million. Audit has reservations due to continuous non-adjustment of advances over the years. (Detailed in Annexure-D/2)

(d) **Cash in hand and Bank** decreased by Rs 286 million (2%) during the year, however reasons for the variance couldn't be ascertained due to non preparation of cash flow statement. PR maintains cash accounts with Divisional Paymasters and Chief Cashier and Treasurer of PR and maintains one consolidated fund account and different accounts with SBP for different purposes, like pay and pension, capital works and provident fund etc.

(e) **Balance of amount in account current with Government** increased by Rs 955.97 million (7.17%) during the period. This comprised interest levied on funds of Rs 14,298.21 million shown as receivable but the Finance Division did not recognize this liability. The PR management agreed to write off this amount by amortizing 1,500 million every year but this could not be done during the preceding financial years due to financial crunch. Audit has expressed adverse opinion on receivables from Federal Government.

2.3 Ratio Analysis

Railway Reform Toolkit (World Bank 2017) was used to ascertain revenue, operational, financial and investment efficiency and sustainability. Data for the toolkit was extracted from Year Book, Financial Review, Appropriation Accounts and Commercial Accounts of Pakistan Railways for the FY 2018-19. Calculations for various measures and their values used for the tool kit are appended in Annexure-E. Based on Railway Reform Toolkit (World Bank 2017), following ratios and interpretations came to fore:

(i) Revenue ratios:

Sr. #	Revenue ratio	Units	2018-19	2017-18
1	Revenue to traffic unit	Rs per KM travelled	1.32:1	1.37:1
2	Collection Ratio	No of Days	66	67
3	Subsidy to total traffic Unit	Rs per KM Travelled	0.98:1	1.16:1
4	Subsidy as % of GDP	Percentage	0.10%	0.12%

Table-7

Revenue to traffic unit and collection ratio slightly decreased which is not a good sign. On the other hand, there is good sign with a decrease in subsidy to total traffic unit. The subsidy given to Pakistan Railways was 0.10% of Gross Domestic Product (GDP) for the year 2018-19.

(ii) Operating ratios:

Sr. #	Operating ratio	Units	2018-19	2017-18
1	Total Operating cost to traffic unit	Rs per Km	2.28:1	2.59:1
2	Labor cost to traffic unit	Rs per Km	0.19	0.20
3	Traffic density	Km travelled per Km	3,189,869.20	2,776,208.32
4	Average payment period	No of Days	16	7

Table-8

In financial year 2018-19, PR's total operating cost to traffic unit and labor to traffic unit decreased which is a good sign. Traffic density shows that trains in Pakistan Railways travelled

3,189.87 times on whole track during the FY 2018-19 which is 15% higher than the FY 2017-18. On the other hand, average payment increased by 9 days which is not a good sign.

(iii) Debt Servicing

Sr. #	Debt Service ratio	Units	2018-19	2017-18
1	Gearing Ratio	Percentage	25.78%	28.54%

Table-9

Gearing ratios measure financial leverage and demonstrates the degree to operations funded by equity/capital versus debt financing. In Pakistan Railways' scenario, operations were funded by 25.78% of debt which decreased by 2.76 % from last year due to decrease in overdraft.

(iv) Operational Sustainability

Sr. #	Operational Sustainability	Units	2018-19	2017-18
1	Total Operating Expense ratio	Percentage	158.67%	172.51%

Table-10

The operating expenses ratio is a measurement that how profitable a piece of income is. In every going concern organization, a lower operating ratio is desired as it means that expenses are minimized relative to revenue. Although the total operating expense ratio decreased by 13.84% with reference to FY 2017-18, but it is still on high side.

Vertical analysis of different ratios reveals that PR spends Rs 2.28 per KM for earning Rs 1.32 per KM. The deficit is primarily met through subsidy received from the Federal Government.

Chapter-3 Assessing the reporting adequacies in terms of IFRS

3.1 Introduction of IFRS

International Accounting Standard Board (IASB) was established in 2001 to harmonize global financial reporting standards. Accordingly IASB started to develop new Standards and Interpretations. IFRS standards comprise the IAS Standards, IFRS standards and interpretation developed by the IFRS interpretations committee. The list of IFRS is appended at Annexure-F.

3.2 Reporting inadequacies in terms of IFRS

The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity. Those decisions include buying, selling or holding equity and debt instruments, providing or settling loans and other forms of credit, exercising rights to vote on, or otherwise influence management. Furthermore, general purpose financial reports also provide information about the resources of, and claims against, an entity and the effects of transactions and other events on those resources and claims. IFRS Standards bring integrity by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.

Since 1989, Pakistan Railways is producing financial Statements on the format of Generally Accepted Accounting Principles (GAAP). These statements do not adhere to IFRS which resulted in inadequate financial reporting and presents skeptical information. The inadequacies observed in the Financial Statements of Pakistan Railways are given below:-

Sr. No.	Standard No.	Description	Deviations
1	IAS 1	Presentation of Financial Statements	The statement of cash flows and changes in equity was not being prepared by PR which is in contravention to the pristine objectives of general purpose financial reporting.
2	IAS 2	Inventories	(i) PR reflected inventories worth, Rs 20,694 million, under the suspense head without charging to the concerned final heads of accounts in the balance sheet. (ii) Complete disclosure of the inventories in line with IAS-2 was not provided in the Financial Statements. (iii) Purchase and consumption of inventories were recorded at standard prices. When standard prices were revised, all balance items of inventory were revaluated at revised standard price (last purchase price). This practice resulted in overvaluation of inventory in excess of its actual cost. Instead of using the first-in first-out (FIFO) or weighted average cost formula, PR management used standard cost method

			to determine assets.
3	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	(i) Revenues were recognized on accrual basis whereas; expenses were recognized on cash basis of accounting. (ii) Advance sale of tickets was not recognized as per matching principle. (iii) PR provide services in its operations for transportation of fuel, materials stores/ spare parts and ballast for use in its own projects, factories, workshops and other Railway departments. Freight on these services was charged by forwarding and recipient station in clear violation of IAS 8.
4	IAS 16	Property, Plant and Equipment (Cost or revaluation model)	(i) All tangible fixed assets were carried forward at their original cost instead of presenting them at cost less accumulated depreciation and accumulated impairment losses, if any. (ii) Pakistan Railways did not revaluate the value of Land periodically; therefore its book value cannot be considered reliable in terms of Revaluation model. (iii) Non-recording of expenditure on additions and replacements of tangible fixed assets made from DRF. (iv) Tangible fixed assets were either wrongly classified or classified in more than one class of tangible fixed assets.
5	IAS 19	Employee Benefits	Obligations regarding post-employment benefits i.e. pension payments, medical facility and traveling facility, were not disclosed in the financial statements.
6	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Federal Government assistance of Rs 37,000 million was received to meet the operational short fall. The assistance was neither disclosed as a revenue nor subsidy and was wrongly credited in Railway Reserve Fund account and then an amount of Rs 32,769 million was adjusted against losses leaving the remaining balance as RRF.
7	IAS 21	The Effects of Changes in Foreign Exchange Rates	Foreign loans/ credits on account of capital and replacement worth Rs 26,175 million and 3,173 million respectively are not translated into the exchange rate prevailing at the date of balance sheet.
8	IAS 24	Related Party Disclosures	Pakistan Railways did not present and disclose information pertaining to related parties, i.e. Railway Sports Board, Clubs and Housing Societies in its Financial Statements.

9	IAS 38	Intangible Assets	Pakistan Railways did not develop any policy for recognizing its intangible assets such as Oracle/SAP/ Software /payroll system/ E-ticketing system etc. in the Financial Statements.
10	IFRS 10	Consolidated Financial Statements	Consolidated Financial Statements of PR were not prepared despite the fact the PR has the following wholly owned subsidiaries: (i) Pakistan Railways Advisory and Consultancy Services (Private) Limited (PRACS), (ii) Railway Constructions Pakistan Limited (RAILCOP), and (iii) Pakistan Railways Freight Transportation Company (PRFTC)

Table-11

Pakistan Railways is as much a Government concern as a commercial enterprise. Its accounts should, therefore, not only follow the essential formalities of commercial accounting but also conform to the requirements of Government accounting. One of the foremost requirements to operate as a successful business entity is to have a good financial reporting system in place. Pakistan Railways need to adhere to these international standards.

Chapter-4 Assessment of Control Environment

An internal control environment refers to the overall attitude, awareness and actions of the top echelons of the entity with regards to existence, importance and effectiveness of internal control system. Multiple factors like management style, corporate culture, values, philosophy, operating style, organizational structure, etc define the control environment in the entity.

Committee Of Sponsoring Organization (COSO) defines internal control as 'a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.' Control environment, being an integral component of internal controls, is strongly connected to objectives of Pakistan Railways. An internal audit and compliance function is critical to assessing and maintaining control environment. The types and means for assessing control environment vary from one organization to another and from one industry to another.

4.1 Types of controls in Pakistan Railways

4.1.1 Management controls

Management controls are the mechanism that allows the top management to direct the resources of the organization for achieving productivity, efficiency and consistency. Management Control System (MCS) ensures that resources are used effectively and efficiently in achieving the corporate goals within the policy guidelines.

The existing Railway law, rules and procedure, as contained in enactments, codes & manuals, were well defined during the British era. However, PR management could not update these controls and is still using the aged old legacy. Resultantly, management controls by and large have now become totally obsolete and ineffective. Currently following Railway Books, Codes and Manual are being used as British Legacy in the Pakistan Railways:

I. The Railway Act, 1890 (as adopted by Government of Pakistan)
II. The Railway Board Ordinances
III. The General and Subsidiary Rules of Pakistan Railways framed under section 47 of the Railway Act, 1890
IV. Following Railway Codes containing the department wise controls:
    (i) PR Code for the Accounts Department (Part I & II)
    (ii) PR Code for the Engineering Department
    (iii) PR Establishment Codes (Vol-I & II)
    (iv) PR Code for the Mechanical Department
    (v) PR Code for the Traffic Department
    (vi) PR Code for the Stores Department
    (vii) PR General Codes (Vol-I & II)

Further audit observed multiple instances of poor compliance of SOPs issued by MoR to carry out train operations and Instructions issued by Federal Government from time to time regarding administrative controls rendering a weak control structure. Some of the imbecilities impacting management control structure are:

(a) Non-existence of strategic plan
(b) Inconsistency of policies of the political regimes
(c) Unnecessary creation and up-gradations of posts at senior management level
(d) Non-existence of Research & Development Wing
(e) Non-hiring of professionals in H.R and rationalization of staff
(f) Non-automation of Railway operations

4.1.2 Financial controls and their structure

Pakistan Railways being a self-accounting entity has departmentalized accounts headed by Member Finance who is assisted by three FA&CAOs. The FA&CAOs carry out multiple functions including revenue collection reporting, financial concurrence and compilation of accounts. The departmentalized accounts performs three functions on behalf of:

(a) Ministry of Railways
(b) Ministry of Finance
(c) CGA & Auditor General of Pakistan

Brief detail of these functions are:

a) Functions performed on behalf of Ministry of Railways

(i) Internal Audit Function
(ii) Exercise of Internal Checks of transactions relating to Railway Receipts and Expenditures
(iii) Treasury function, including collection of Railway Revenue and disbursement of salaries and other miscellaneous payments
(iv) Physical verification of stock i.e. inventories, process goods, lying in various depots, sub depots , workshops, factories, imprest and charged off stores with engineering subordinates etc. at the intervals and frequency prescribed in Pakistan Railways Code for the Stores Department
(v) Regular physical check of documents and records relating to Railway receipts at its primary unit level i.e. Railway Stations on monthly and periodical basis by the representatives of accounts department known as Inspector of Station Accounts

b) Functions performed on behalf of Ministry of Finance

(i) Regulating financial matters of Pakistan Railways in light of provisions of General Financial Rules (GFR), New System of Financial Control and Budgeting 2006, Railway statutory rules, codes and manuals.

(ii) Devising detailed procedures orders and SOPs from time to time for better and smooth financial operations

(c) Functions performed on behalf of CGA & AGP

(i) Maintenance, compilation and reporting of monthly and annual accounts of Pakistan Railways to the Accountant General Pakistan Revenue (AGPR) on the prescribed format for and on behalf of CGA & Auditor General of Pakistan.

Furthermore, the PAO is assisted by Chief Finance & Accounts Officer, (CF&AO) and CIA. The CF&AO furnishes advice in financial and accounting matters and CIA heads the internal audit wing.

4.2 Analysis of Control Environment of PR

Audit of financial controls revealed non segregation of functions- both concurrence and pre-audit functions were being performed by the Accounts Department alone. Moreover, Pakistan Railways could not adopt the latest accounting models and prevailing IFRS. The accounts of Pakistan Railways are still being maintained on manual basis.

Despite existence of Internal Audit Department, Pakistan Railways is lacking an efficient internal control structure. The prime reason for the weak internal audit department is lackadaisical management response. Resultantly, recurrent irregularities have had been pointed out by the statutory auditors. A perusal of audit reports, for the last half decade, depicts multiple deviations from desired internal control environment as discussed below:

4.2.1 Inventory mismanagement:

Pakistan Railways is making huge investments in inventories- the inventory balance, under various heads like sales/scrap, stores, workshop manufacturing suspense account and suspense other accounts stood at Rs 20,694.59 million on 30.06.2019. However, the Audit observed that inventory balances are not organized, counted, inspected, segregated and classified as per modern standards. A standardized book keeping of inventory and inventory review for culling obsolete inventory is not being performed. Owing to these ineffective and weak controls, PR is beset with problems of theft, misappropriation, overstatement of value of inventory and unnecessary procurements resulting in capital blockage.

4.2.2 Poor asset management:

Pakistan Railways has weak physical and financial controls over tangible assets. Proper recording of assets i.e. the date of purchase, model number, serial number, acquisition cost, expected life through asset register is not being maintained at HQ and Divisional levels. Periodic review of controls, policies and procedure regarding acquisition, booking in relevant heads, depreciation, capitalization, useful life expectancy, inspection and salvage value for assets has not been carried out by the management of PR. Therefore, the financial statements of PR do not reflect true and fair picture about assets management.

4.2.3 Inappropriate Procurement and Consumption Practices:

Poor adherence of Public Procurement Rules and deviations from codal provisions, has resulted in multiple procurement issues in Pakistan Railways, like substandard quality, overpricing, defective material etc. Furthermore, the consumption trend for procurements in general and operational fuel in particular varied over the years. The classic example of this is High Speed Diesel (HSD).

The efficient fuel management system is the mainstay of cost effective train operations. Despite, inclusion of more fuel-efficient locomotives to the fleet, PR operational fuel consumption remained high. In 2018-19, PR consumed 159.93 million liters of HSD oil[9]. Besides irrational rationing system, the major factor responsible for the excess consumption of HSD oil is non-adoption of modern accountal and measurement systems.

4.2.4 Defective land management:

Besides earning from its core functions i.e. passenger and freight business, PR's earnings include leasing of surplus Railway land for commercial and agricultural purposes. Pakistan Railways has 167,690 acres of land for operational and leasing purpose. However, encroachments, non-compliance of lease agreements and defective leasing policies have resulted in a loss of potential revenue. Audit observed, encroachments on railway land valuing, at Rs 4,474.74 million[10], depriving PR of significant lease earning. However, one classic example of defective land management is Royal Palm Golf & Country Club[11].

4.2.5 Poor human resource management:

As discussed in Para 1.6 of chapter 1 of the report, the HR department of PR is being manned through adhocism. The cadre comprises of non-professionals with a week hierarchy.

4.2.6 Project Mismanagement:

Project mismanagement is another high risk area. In order to rehabilitate and improve Railway infrastructure, rolling stock, equipment and operational systems, Government of Pakistan allocated funds through Public Sector Development Programme. During financial year 2018-19 an expenditure of Rs 21,126.87 million was incurred on the execution of 28 projects. Project mismanagement resulted both in cost and time overrun in almost all projects. Mis-utilization of PSDP funds has also been highlighted in the Report.

For a public owned commercial concern, like Pakistan Railways, both policymakers and management owe the responsibility of ensuring existence of an appropriate internal control environment. A control environment having adequate and effective internal controls, efficient risk management paraphernalia and sound governance policies will be a sine qua non for survival of Pakistan Railways as a going concern.

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[9] Audit Report 2018-19
[10] ibid
[11] Interim Forensic Audit Report RPGCC

Annexures

Annexure-A

Unauthorized expenditure without budget allotment

Rs in million

Head of Account	NAM Head	Budget	Actual Expenditure
Railway Board			
Rent of Office Building	A03402	0	1.975
Purchase of Medicine	A03927	0	0.060
Write off Loans Advances (Govt. Servants)	A05301	0	0.013
Locomotive Factory			
Rent of Office Building	A03402	0	0.307
Rent for Res. Building	A03403	0	0.353
F.A. & C.A.O/PR			
Insurance	A03602	0	0.090
Purchase of Medicine	A03927	0	0.019
Software.	A13702	0	0.036
F.A. & C.A.O/M&S			
Entertainment & Gifts	A06301	0	1.009
F.A. & C.A.O/Revenue			
Bank / Legal Fees	A03101-2	0	2.363
Chief Internal Auditor			
Rent for Res. Building	A03403	0	0.009
Lump sum Grant	A05216	0	0.006
Write off Loans Advances (Govt. Servants)	A05301	0	0.488
Police Department			
Insurance	A03602	0	0.395
Software.	A09202	0	0.003
Software.	A13702	0	0.002
DIVL/HQ Administration			
Rent of Office Building	A03402	0	0.208
Rent for Res. Building	A03403	0	2.681
Conference Workshop Seminar Symposia	A03903	0	0.056
Advertisement & Publicity	A03907	0	9.612
Delegation Abroad	A03912	0	0.578
Stores Department			
Insurance	A03602	0	0.085
Transportation of Goods	A03806	0	3.766
Misc. Expenses:			
Purchase of Medicine	A03927	0	0.082

Management Information System (I.T)			
POL Charges	A03807	0	0.025
P. Way engineering & structural works			
Furniture & Fixture	A13201	0	5.090
Track Machine	A13101	0	171.739
Operating Expenses			
Electricity	A03303	0	14.707
Elec. & genl. Comm. Services			
T.A/D.A.	A03805	0	30.686
Others	A03970	0	2.240
Imp. & welfare expenditure			
Others	A03970	0	24.287
Staff Welfare Works			
Others	A03970	0	80.943
G.M./Development			
Write off Loans Advances (Govt. Servants)	A05301	0	0.043
Furniture & Fixture	A09701	0	0.003
Hardware / I.T Equipment	A09201&03	0	0.119
Medical			
Cash awards.	A06103	0	0.003
Director School			
Rent for Res. Building	A03403	0	0.197
Misc. Advance		0	54.409
Total			**408.687**

Annexure-B

Misclassification of Expenditure (PSDP to Revenue)

Sr. No	Accounting Unit	Para No	Correct Head	Wrong Head	Amount in Rs
1	DAO Quetta	26	PSDP	Revenue	296,750
2	DAO KYC	17	PSDP	Revenue	4,492,447
3		39	PSDP	Revenue	2,600,000
4		40	PSDP	Revenue	3,540,000
5	DAO PSC	12	PSDP	Revenue	2,280,134
		27	PSDP	Revenue	7,687,297
6	DAO RWP	54	PSDP	Revenue	1,011,145
7	SAO CFI	24	PSDP	Revenue	1,498,000
Total					**23,405,773**

Misclassification of Expenditure (Revenue to PSDP)

Sr. No	Accounting Unit	Para No	Correct Head	Wrong Head	Amount in Rs
1	DAO Karachi	6	Revenue	PSDP	323,587
2		41	Revenue	PSDP	51,441,511
3	AO Project	81	Revenue	PSDP	1,016,980
Total					**52,782,078**

Annexure-C

Head wise detail of expenditure of Profit and Loss account

Figure in Rs

	Ordinary Working Expenses	2017-18	2018-19	Variation	%
	Administration	9,221,757,651	9,518,348,964	296,591,313	3.22
	Repair & Maintenance	19,337,641,973	17,779,699,366	(1,557,942,607)	(8.06)
	Operating Staff	6,732,444,611	7,247,207,433	514,762,822	7.65
	Operational Fuel	13,887,571,635	16,168,199,888	2,280,628,253	16.42
	Operation other than Staff & Fuel	2,637,963,661	2,839,831,833	201,868,172	7.65
	Misc. Expenses	253,361,403	218,670,396	(34,691,007)	(13.69)
	Other Expenses	81,299,087	78,510,246	(2,788,841)	(3.43)
	Total Working Expenses	**52,152,040,021**	**53,850,468,126**	**1,698,428,105**	3.26
I.	**Other Expenditures**				
	Health & Welfare Services	418,539,683	345,743,378	(72,796,305)	(17.39)
	Staff Training	171,802,462	142,858,478	(28,943,984)	(16.85)
	Educational Facilities	99,057,533	96,657,210	(2,400,323)	(2.42)
	Contribution to SBF & Other Welfare Funds	582,271,581	441,260,950	(141,010,631)	(24.22)
	Pension Payments	31,858,144,042	31,418,892,014	(439,252,028)	(1.38)
	Other Misc Expenses	63,392,836	-	(63,392,836)	(100.00)
	Total Other Expenditures	**33,193,208,137**	**32,445,412,030**	**(747,796,107)**	(2.25)
II.	**Improvement & Welfare Expenditures**				
	Public & Passenger Amenities	1,780,088	24,287,636	22,507,548	1264.41
	Staff Welfare Works	84,021,356	80,943,437	(3,077,919)	(3.66)
	Other Un-remunerative Works	83,334,567	85,665,841	2,331,274	2.80
	Total Improvement & Welfare Expenditures	**169,136,011**	**190,896,914**	**21,760,903**	12.87
III.	**Interest on Debt**				
	Interest on Foreign Loans	300,000,000	300,000,000	-	
	Interest on Overdraft	383,335,044	496,433,359	113,098,315	29.50
	Total Interest on Debt	**683,335,044**	**796,433,359**	**113,098,315**	16.55

Source: Financial Statements and notes for the year 2018-19

Annexure - D

Prepayment and Advances

1. (Misc. Advance Revenue)

Figure in Rs

Sr. No	Suspense Head	Cumulative Outstanding on 30/06/2019	
		Cr	Dr
i	Advance for Local Purchase	92,263,883	111,049,358
ii	Outstanding Electric Charges	554,894,596	353,808,503
iii	Outstanding Sui Gas Charges	36,681,624	1,507,275,358
iv	Outstanding Telephone Charges	26,114	105,866
v	Other items	35,023,875	303,209,667
Total Miscellaneous advance (Revenue)		**718,890,092**	**2,275,448,752**
Net Off		**1,556,558,660**	

2. Miscellaneous Advance Purchases

Figure in Rs

Sr. No	Suspense Head	Cumulative Outstanding on 30.06.2019	
		Cr	Dr
i	Purchases	-615,455,157	4,210,943,772
Net Off		**4,826,398,929**	

Annexure-E

Ratio Analysis

Railway reforms toolkit (World Bank)

S #		Name of Ratio	Formula	2017-18			2018-19		
(i)	**Revenue Ratio**								
	1	Revenue to Traffic Unit	Revenue (Passenger + Freight) / Traffic Unit	45,333,912,591	32,984,131,000	1.37	50,037,969,272	37,898,836,000	1.32
	2	Collection Ratio	Accounts Receivables / Total Revenue * 365	9,105,135,550	49,569,679,092	67.04	9,817,997,698	54,507,931,037	65.74
	3	Subsidy to traffic Unit	Government Subsidy / Traffic Unit	38,397,800,000	32,984,131,000	1.16	37,000,000,000	37,898,836,000	0.98
	4	Subsidy as % of GDP	Government Subsidy / GDP	38,397,800,000	32,385,295,000,000	0.12%	37,000,000,000	35,952,419,000,000	0.10%
(ii)	**Operating Ratio**								
	1	Total Operating cost to traffic unit	Total Operating Expenses / Traffic Unit	85,514,384,169	32,984,131,000	2.59	86,486,777,070	37,898,836,000	2.28
	2	Labor cost to traffic unit	Labour Expenses / Traffic Unit	6,732,444,611	32,984,131,000	0.20	7,247,207,433	37,898,836,000	0.19
	3	Traffic density	Traffic Units / Track kilometer	32,984,131,000	11,881	2,776,208	37,898,836,000	11,881	3,189,869
	4	Average payment period	[Accounts payable/(operating expenses-depreciation)]* 365	1,724,303,135	85,514,384,169	7.36	3,700,330,041	86,486,777,070	15.62
(iii)	**Debt Service Ratio**								
	1	Gearing Ratio	Total Debt / Total Equity	73,630,194,109	257,981,545,792	28.54%	73,538,234,599	285,221,909,767	25.78%
(iv)	**Operational Sustainability**								
	1	Total Operating Expense ratio	T. Operating Expenses / Total Revenue	85,514,384,169	49,569,679,092	172.51%	86,486,777,070	54,507,931,037	158.67%

Source:

(i) Pakistan Railway Year Book 2018-19
(ii) Pakistan Railway Financial 2018-19
(iii) Pakistan Bureau of Statistics

Annexure-F

International Accounting and Financial Reporting Standards

Sr. No.	Standard No.	Standard Title
1	IAS 1	Presentation of Financial Statements
2	IAS 2	Inventories
3	IAS 7	Statement of Cash Flows
4	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
5	IAS 10	Events after the Reporting Period
6	IAS 12	Income Taxes
7	IAS 16	Property, Plant and Equipment
8	IAS 19	Employee Benefits
9	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
10	IAS 21	The Effects of Changes in Foreign Exchange Rates
11	IAS 23	Borrowing Costs
12	IAS 24	Related Party Disclosures
13	IAS 26	Accounting and Reporting by Retirement Benefit Plans
14	IAS 27	Separate Financial Statements
15	IAS 28	Investments in Associates and Joint Ventures
16	IAS 29	Financial Reporting in Hyperinflationary Economies
17	IAS 32	Financial Instruments: Presentation
18	IAS 33	Earnings per Share
19	IAS 34	Interim Financial Reporting
20	IAS 36	Impairment of Assets
21	IAS 37	Provisions, Contingent Liabilities and Contingent Assets
22	IAS 38	Intangible Assets
23	IAS 39	Financial Instruments: Recognition and Measurement
24	IAS 40	Investment Property
25	IAS 41	Agriculture
26	IFRS 1	First-time Adoption of International Financial Reporting Standards
27	IFRS 2	Share-based Payment
28	IFRS 3	Business Combinations
29	IFRS 4	Insurance Contracts
30	IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
31	IFRS 6	Exploration for and Evaluation of Mineral Resources
32	IFRS 7	Financial Instruments: Disclosures
33	IFRS 8	Operating Segments
34	IFRS 9	Financial Instruments
35	IFRS 10	Consolidated Financial Statements
36	IFRS 11	Joint Arrangements
37	IFRS 12	Disclosure of Interests in Other Entities
38	IFRS 13	Fair Value Measurement
39	IFRS 14	Regulatory Deferral Accounts
40	IFRS 15	Revenue from Contracts with Customers
41	IFRS 16	Leases
42	IFRS 17	Insurance Contracts