REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE APPROPRIATION ACCOUNTS 2007-08

AND

AUDIT REPORT FOR THE YEAR 2008-09

NATIONAL ASSEMBLY SECRETARIAT
ISLAMABAD

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِيْمِ

بِسْمِ اللّٰهِ تَوَكَّلْتُ عَلَى اللّٰهِ وَلَاحَوْلَ وَ لَاقُوَّةَ
اِلَّا بِاللّٰهِ

(I begin) with the Name of Allâh,

I depend on Allâh, there is no

power and no strength save in

Allâh.

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PREFACE

Under the Constitution of the Islamic Republic of Pakistan, the disbursement from the Federal Consolidated Fund requires approval by National Assembly of Pakistan. While authorizing huge sums of the tax payer's money, the Assembly has a right to reassure itself that the moneys so granted were steered to the intended purpose and were spent prudently and in accordance with Rules & Regulations. The National Assembly oversees expenditure through its committee on Public Accounts, on the basis of Appropriation Accounts, Finance Accounts and Audit Reports prepared by the Controller General of Accounts and Auditor-General of Pakistan. The said reports are laid in the National Assembly as required under Article 171 of the Constitution.

The PAC examines with reference to the facts of each case, the circumstances leading to any excess expenditure and make appropriate recommendations. The PAC also constitutes Sub Committees and Inter-departmental Committees for the scrutiny of some important issues. The current PAC was faced with the gigantic task of examining the backlog of Audit paras relating to previous 12 years and constituted three Sub/Special Committees for their examination. The PAC has completed 10 years of backlog till date.

The reports of the Sub-Committees are submitted separately as volumes, to the main report of the Public Accounts Committee.

Major issues and Committee's general recommendations, on each Ministry/Division, have been highlighted separately in the respective sections for having a quick glance on their performance.

The drafting and preparation of this Report and the Sub-Committees Reports has been made possible due to the concerted efforts of the Honourable Conveners/Members of the Sub-Committees and officers/staff of the Public Accounts Committee of the National Assembly Secretariat. This is indeed an extra ordinary achievement which deserves highest praise for all concerned.

The National Assembly Secretariat is graciously appreciative of the guidance and motivation received from Chairman, Public Accounts Committee, Ch. Nisar Ali Khan and other Members of the Committee, in doing justice to this difficult and taxing assignment.

It is hoped that suggestions and recommendations of the Committee would encourage and assist the Government in smartening up the system and procedure for constructive financial management.

Karamat Hussain Niazi
Secretary
National Assembly Secretariat

Islamabad, the September ___ , 2011

COMPOSITION OF

PUBLIC ACCOUNTS COMMITTEE – 2008-09

1	**Ch. Nisar Ali Khan**	**Chairman**
2	Mr. Nadeem Afzal Chan	Member
3	Mr. Noor Alam Khan	Member
4	Syed Ghulam Mustafa Shah	Member
5	Mrs. Rukhsana Bangash	Member
6	Mrs. Yasmeen Rehman	Member
7	Rana Muhammad Farooq Saeed Khan	Member
8	Mr. Qamar Zaman Kaira	Member
9	Begum Shehnaz Sheikh	Member
10	Khawaja Mohammad Asif	Member
11	Mr. Zahid Hamid	Member
12	Sardar Ayaz Sadiq	Member
13	Muhammad Pervaiz Malik	Member
14	Mr. Riaz Fatyana	Member
15	Mr. Hamid Yar Hiraj	Member
16	Syed Haider Abbas Rizvi	Member
17	Mr. Asfandyar Wali	Member
18	Mrs. Asiya Nasir	Member
19	Mr. Saeed Ahmad Zafar	Member
20	Mian Riaz Hussain Pirzada	Member
21	Mr. Wasim Akhtar	Member
22	Noor-ul-Haq Qadri	Member
23	Minister-in-Charge for Finance and Revenue (Ex-Officio Member)	Member

EXECUTIVE SUMMARY

Public Financing is controlled by the Parliament through a process, exercised by the Public Representatives, in two stages: 'proposals stage' and the 'results stage'. At the first stage, the government presents Budget proposals for the National Assembly's approval, which is imperative, to give effect to its policies and programmes. The second stage relates to the control over the expenditure of public money. This is the stage, where the Public Accounts Committee (PAC) comes into picture, when it examines the accounts of the Federal Government, compiled by the Controller General of Accounts (CGA) and the Auditor General of Pakistan. Under Article 171 of the Constitution of the Islamic Republic of Pakistan, the Auditor General of Pakistan submits Annual Audit reports to the President who causes them to be laid before the National Assembly. For a detailed scrutiny, these reports are referred to the Public Accounts Committee in order to examine whether the moneys shown in the accounts, as having been disbursed, were legally available for and applicable to, the service or purpose to which they have been applied or charged; that the expenditure conforms to the authority which governs it and that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by the competent authority.

PAC REPORTS

2. The present Public Accounts Committee was constituted on April 10th, 2008 and the gigantic task of examining Audit Reports of 12 years was entrusted to it which was performed on a fast track basis.

3. The present PAC is different from the former Committees both in volume of work done (cleared back log of six years) as well as on the basis of the robust directives given by the Committee to government functionaries. This time these directives were taken rather more seriously, resulting in a record recovery of over **Rs.115 billion** which is even more than the recovery made by NAB.

4. The primary objective of the PAC, right from the beginning has been to dispose off unfinished work pertaining to previous years. While the main PAC, under Chairmanship of Ch. Nisar Ali Khan, MNA, examined **Appropriation Accounts 2007-08 and Audit Report 2008-09,** three Special/Sub Committees were also constituted, under the Convenership of Mrs. Yasmeen Rahman, M.N.A, (Monitoring and Implementation Committee/Special Committee # 1) Mr. Zahid Hamid, M.N.A. (Special Committee # II) & Mian Riaz Hussain Pirzada M.N.A. (Special Committee # III) in order to clear the backlog and examine the Audit Reports of six more years, within one year, which was an up hill task.

5. These committees have achieved their targets of examining the Report entrusted to them and each years report has been prepared separately, and, after adoption by the main PAC, now form a part of the main PAC report.

6. The PAC started taking up, for its examination, the Federal Accounts/Auditor General's Reports for the year **2008-2009 from February 12th, 2010.** This was the Report containing large number of Grants and Audit Paras **(174 grants and 3038 paras).** The Committee met regularly, at least once or twice in a month, to consider this report. The PAC held a **total number of 110 meetings (approx) for 73 days** during that period.

APPROPRIATION ACCOUNTS OF THE FEDERAL GOVERNMENT

7. Annually compiled Appropriation Accounts of the Federal Government bring out the position of budgetary control of the government. Expenditure, against each grant, is discussed by the Committee with the respective Principal Accounting Officers in the context of public funds placed at their disposal by the National Assembly, and actual spending by the departments under their control. Financial control and budget management also came under detailed review.

8. In the course of examination of the Appropriation Accounts for the year 2007-08, the Committee reviewed **370 grants**, whereas, the Sub/Special Committee-II reviewed **510 grants,** Sub/Special Committee-III **162 grants** and Monitoring and Implementation Committee **1275 grants** for the years **1990-1991, 1992-93, 1994-95, 1997-98 & 2001-02**. In total, therefore approximately 2317 grants were examined.

9. The Committee came across situations where excesses and savings were a regular feature. There was a liberal resort to supplementary grants, which in certain cases, were obtained, towards close of the financial year, even though the original allocation was not consumed fully. Excesses even after receipt of generous supplementary allocations were also found in some cases.

10. The Committee repeatedly expressed concern over the state of financial indiscipline. While examining Appropriation Accounts in a number of cases, the Committee noticed that the Principal Accounting Officers (PAOs) were usually not equipped with skilled assistance, at the base level i.e. the Accounts Officers, who are responsible for maintaining the Accounts. In most of the Ministries/Divisions/Attached Departments and subordinate offices, it was observed that the PAOs were not vigilant enough to get the accurate budgetary estimates prepared for the next year or to monitor the flow of the expenditures through a proper system of internal control. The result was that a large number of cases of savings and excesses in spending the budgetary grants surfaced. In a country, where it is difficult to mobilize funds for the urgent needs for the development projects, proper budgeting is very essential. If adequate budgetary allocation has been made to one department of the government, the other departments get less, even a saving by one department, which is not diverted to a needy project in another department in time, is a national loss. The Committee cautioned the Ministries and Divisions that strict notice would be taken of budgetary transgression.

11. In some cases the Committee observed variations in the figures of various components of the grant, although total amount of expenditure shown by the Office of Accountant General of Pakistan Revenue (AGPR) and Administrative Departments concerned, were in agreement. The Committee advised the Controller General of Accounts (CGA) and all concerned to look into the matter and take corrective measures.

12. In certain cases the Committee found some PAOs negligent in over seeing the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes, concerns and projects together with the balance-sheets and statements of profit and loss accounts, which are required to be prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme.

13. The most effective safeguard against misuse of public funds lies in creating some arrangement in each Ministry/Division that revolves around effective internal controls/audit system. Strengthening the internal control is, therefore, vital to good governance. In some Ministries/Divisions/ Departments and their subordinate offices, the Committee noticed that the Officers dealing with their Accounts were not trained for such assignments, resulting in weak internal budgetary controls. The Committee was informed by the Auditor General of Pakistan that on the directive of previous PAC, Chief Finance & Accounts Officers are appointed for internal budgetary control system in Ministries/Divisions.

COMMENTS ON REPORTS OF THE AUDITOR GENERAL

14. It is a fundamental principle of any parliamentary system that each Federal, Provincial and District Government must be held responsible to the legislature (by whose authority it governs) and through the legislature to the citizens at large. This includes the responsibility to account for the Government's use of tax payer's money, which is reported annually by the Auditor General of Pakistan in our case. Examination of all reports of the Auditor-General of Pakistan pertaining to the money spent by Federal Ministries and Departments is a national responsibility, which the PAC exercises on behalf of the National Assembly. These reports are in many volumes. These Federal spending are examined from different perspectives which include: review of financial transactions from regulatory, propriety and procedural points of view, comprehensive review of performance of Organizations, comments regarding future plans of public entities, comments arising out of accounting documents, special studies of various activities, etc.

15. The main PAC examined approximately **3038 Audit Paras** relating to 2007-08 and 2008-09 while the Special Committee-I examined **81 paras**, Special Committee-II, **525 paras** for the years 1990-91, 1992-93 and 2000-01 and Special Committee-III, **568 paras** for the years 1994-95 and 1997-98. In addition, the Monitoring + Implementation examined **1287 paras** approximately. The total number of paras, thus examined comes to 5499 approximately.

16. In addition to the above grants and paras examined by the Committee a Sub/Special Committee was formed under the convener-ship of **Mrs. Yasmeen Rehman** who, in addition to looking after the Monitoring and Implementation, also examined paras of the following 17 Ministries:-

Council of Islamic Ideology	Ministry of Culture
Election Commission of Pakistan	Federal Tax Ombudsman Secretariat
M/o Kashmir Affairs and Gilgit Baltistan	Ministry of Minorities Affairs
M/o Livestock and Dairy Development	Ministry of Narcotics Control
Ministry of Overseas Pakistanis	M/o States and Frontier Regions
Ministry of Science and Technology	Statistics Division
M/o Social Welfare and Special Education	Ministry of Tourism
Wafaqi Mohtasib Secretariat	Ministry of Women Development
Ministry of Youth Affairs	

17. The Reports pertaining to the above Ministries/Division/Departments are incorporated in this Report.

18. Many significant issues surfaced during the Committee deliberations on the Report of the Auditor General. Brief and to the point replies by the PAOs and the directives issued by the PAC, as a result of discussion on each para for necessary actions by the PAOs, at the culmination of each PAC meeting, are appended to the Report. Some of the significant issues for the attention of the House are in the succeeding paras.

SIGNIFICANT ISSUES

19. It was regularly observed that the response of the Ministries and Departments to the audit observations is not satisfactory. Even routine matters, which could easily have been sorted out, between the Audit and Departments concerned, do not receive timely attention. To arrive at some agreeable solutions of the issues contained in the audit paras, before the PAC meetings, an important forum of the Departmental Accounts Committee (DAC) was activated, which proved to be very useful and helped in accelerating the disposal of issues by the PAC. The Committee has emphasized that in future the settlement of audit observations and reconciliation of accounts would be the primary responsibility of the Principal Accounting Officers. The PAC directed the Ministries/Divisions/Departments to:-

i) Take necessary action by holding the meetings of DACs once a month to review audit paras at the earliest opportunity;

ii) Review, at regular interval, the progress of all the pending audit paras;

iii) Initiate disciplinary action in the cases requiring time lines so as to complete enquiry & actions expeditiously and

iv) Complete action at their end and try to settle disagreements with the Audit where possible, within three months of the receipt of Audit Report.

20. Generally, it was observed that some of the Principal Accounting Officers (PAOs)/Head of the Corporations/ Autonomous bodies, either hesitate to appear before the PAC personally or when attending the meetings, they were found not fully prepared. During the meetings, they were often obliged to seek the assistance of their subordinates, sometimes at a very low level. This practice has always been discouraged by the PAC.

RELUCTANCE TO PRODUCE RECORD TO AUDIT

21. The PAC time and again observed the reluctance of Ministries/Divisions to produce the required record to the Audit, resulting in unnecessary audit objections, which also consume valuable time of the PAC. The Committee directed that proper record be maintained and produced before the Audit as and when demanded.

COURT CASES

22. It was noticed that the Ministries/Divisions did not take timely actions to defend court cases effectively at an appropriate level. Sometime PAOs were observed to have been assisted in such matters by an Officer, who was not even conversant with the facts of such cases. Serious efforts were not made to get the stay orders vacated, in numerous cases, with the result that recoveries and administrative actions were delayed. The PAC felt concerned about this state of affairs and directed taking effective measures to curb this unhealthy trend in the public interest.

VIOLATION OF GENERAL FINANCIAL RULES

23. General Financial Rules (GFRs) were not observed by the Officers/Officials of some Departments while spending public funds placed at their disposal. The canons of propriety laid down in the GFRs need to be emphasized by the PAOs in respective Departments/Organizations, which provide that every officer, incurring or authorizing expenditure from public funds, should be guided by the high standards of financial propriety. Among the principles, on which emphasis has been generally laid, are:

- Every public servant should exercise the same vigilance in respect of expenditure incurred from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money;

- The expenditure should not be, prima facie, more than the demand; and

- No authority should exercise power of sanctioning expenditure to pass an order that would be directly or indirectly disadvantageous to the national exchequer.

ISSUES OF PUBLIC IMPORTANCE

24. Besides examination of Auditor General's Reports, the PAC took notice of issues of public importance pertaining to following Ministries/Division:-

i. Alleged corruption in EOBI (Briefing by the Department-Available in PAC Secretariat).

ii. Unprecedented price hike of Oil and Gas (Briefing by the Department-Available in PAC Secretariat).

iii. Construction of Islamabad Expressway and installation of five overhead bridges (CDA).

iv. Military Land Act 1937 (A-1 Land issues)

v. Purchase and misuse of vehicles by Government Departments.

vi. Missing of files/record regarding allotment of Plots/Flats (M/o Housing and Works)

vii. Written off loans during last 8 years and disregard of procedure, rules and regulation for awarding of loans by the commercial Banks/National Bank of Pakistan, including under Saeban Loan Scheme.

viii. Irregular Appointment of Consultants by various organizations.

ix. Pakistan Railway Land under illegal occupation of Army/Rangers/Janbaz force etc.

x. Allotment of Railway land to Royal Palm Club.

xi. Hajj arrangements for Pakistan Pilgrims in Makkah & Madina in 2010. (Briefing by Ministry-Available in PAC Secretariat).

xii. National Assembly/ Senate Co-operative Housing Society Scam. (Briefing by N.A/Senate-Available in PAC Secretariat).

xiii. Land Scams regarding CDA allotment of Plots/Encroachment etc. (Briefing by CDA-Available in PAC Secretariat).

xiv. Irregular payment in Steel Mills of House Rent Allowance in addition to provision of official accommodation.

xv. Un-authorized occupation of Government accommodation (Briefing by Ministry-Available in PAC Secretariat)

xvi. Reported sale of Pakistan Embassy building Tokyo, Japan in 2007 on a throwaway price.

ISSUES HIGHLIGHTED DURING PAC's DISCUSSION ON AGP's AUDIT REPORTS

25. In a large number of instances, public functionaries were found violating the principles of law, propriety and probity which leads to waste and embezzlement of public resources.

26. Instances of irregularities in the management of public resources under various categories are highlighted in the following paragraphs:-

i. MANAGEMENT OF APPROPRIATIONS BY THE EXECUTIVE

Repeated instances have come to notice where Ministries/Divisions obtain supplementary grants and then surrender these funds or there are savings at the end of the year.

On a regular basis, supplementary grants are sanctioned when the Supplementary Schedule of authorized expenditure has already been finalized.

On quite a few occasions, Supplementary Grants of large amounts are given at the very fag of the financial year.

Despite budgetary allocations approved by the Parliament, timely releases of funds are actually not made, or, released with a lot of delay. As a result, the Projects/ Programmes cannot achieve their objectives or result in significant cost over runs, such practices are likely to be a major obstacle in the implement of the MTBF.

ii. INEFFECTIVE MONITORING AND EVALUATION OF GOVERNMENT OPERATONS.

In a significant number of departments, it has been observed that structured internal control systems either do not exist or are ineffective. Ineffectiveness of control system leads to repetitive wide spread irregularities, both procedural and substantive.

iii. **PUBLIC ASSETS**

State lands owned by agencies like Pakistan Railways, Pakistan Army, DHA and Evacuee Trust Property Board are not always managed according to the prescribed rules.

Encroachment of state land takes place on a large scale, at times by State Agencies themselves.
State assets, particularly government vehicles, are misused more particularly Programmes and Projects vehicles.

Stores are not secured through insurance etc. and large scale thefts, particularly in Railways and WAPDA occur usually in connivance with staff.

iv. **PROCUREMENT OF GOODS AND SERVICES**

Procurements are made in violation of PPRA Rules resulting in non-transparent procurements.

The pre-qualification process is misused to favour certain vendors.

Frequently, procurements are made without carrying out need assessment.

v. **MANAGEMENT OF GOVERNING BOARDS AND AUTONOMOUS BODIES**

There are large number of instances in which Management misuses its freedom and autonomy in the following areas:

a) Re-employment of retired government servants in violation of rules
b) Investment of Funds in violation of the instruction of the Ministry of Finance
c) Grant of unjustified perks to the employees and even to Board Members.

vi. **NON-COMPLIANCE OF THE PAC DIRECTIVES:**

Delay in the implementation of PAC directives puts the credibility of Parliamentary oversight at stake.

Some organizations still do not hold regular meetings of the DACs. Directions of the DACs are not implemented in a timely manner.

vii. **DENYING ACCESS TO AUDIT:**

Cases have come to notice in which Departments try to avoid AGP's Audit by:

a) Non-production of record
b) Denying access to Audit itself.

DETAILS OF RECOVERIES MADE

27. The efficiency of the PAC in recent years may also be gauged from the fact that recoveries made from various Government Organization, which were Rs. 5.12 billion in 2000-2001 and only Rs.3.93 billion in 2006-07, have gone up to Rs.19.43 billion in the year 2008-09 and Rs. 24.967 billion in 2009-2010. For the 1st & 2nd quarters, 2010-11 recovery is Rs. 17.723 billion and for the month of January, 2011 only it is Rs. 6.06 billion. Approximately, **Rs.115 Billion** have been recovered so far as a result of PAC directives. **(DETAILS OF RECOVERIES ARE PLACED AT ANNEXURE-I)**

28. **MAJOR AREAS OF RECOVERIES DIRECTED BY PAC**

i) Loss due to investment in Stock Exchange in violation of Prime Minister's instructions – Rs 4.14 Billion (M/o Planning and Development)

ii) Un-necessary purchase of LPG plant by OGDCL- Rs. 576 million (M/o Petroleum and Natural Resources)

iii) Misappropriation of PC poles - Rs. 39.685 million (M/o Water and Power)

iv) Undue advantage of US $. 1244 million allowed to a contractor (M/o Water and Power)

v) Non-recovery of standard rent from un-authorized occupants Rs. 83.3 million (M/o Housing and Works)

vi) Expenditure on account of pay and allowances of work charged establishment of Pak-PWD in excess of the permissible limit Rs. 160.1 million. (M/o Housing and Works)

vii) Non-recovery of water charges from the residents Rs. 158.4 million (M/o Housing and Works)

viii) Non-retrieval of 20,000 acres of land costing – Rs. 100 billion (M/o Housing and Works)

ix) Loss of Rs. 12.742 million on account of short recovery of Railway's dues owing to irregular adjustment of school fund (M/o Railways)

x) Un-justified procurement of imported vehicles Rs. 16 million (M/o Communications)

xi) Non-taxation of commission/interest income under normal law Rs. 9.543 million (Federal Board of Revenues)

xii) Loss of revenue due to non-initiation of timely proceedings Rs. 1,063.543 million (Federal Board of Revenues)

xiii) fraudulent drawl of sales tax refund Rs. 20.00 billion (Federal Board of Revenues)

xiv) Non/short-realization of sales tax, additional tax and penalty Rs. 1352.088 million (Federal Board of Revenues)

xv) Inadmissible refund of sales tax Rs. 140.002 million (Federal Board of Revenues)

xvi) Loss of potential earning of Rs. 1,889 million due to unnecessary detention of a Wagon in Heavy Mechanical Complex, Taxila (M/o Railways)

AUDIT OF PUBLIC SECTOR ORGANIZATIONS/CORPORATIONS

29. The increasing tendency to exclude the audit of public sector bodies, such as Corporations, from the purview of the Auditor General, dilutes the concept of sustainable accountability through legislative oversight. Reports of the private Auditors appointed by the Management of Public Sector Corporations/Enterprises are not presented to the legislature. The Committee felt a need to ascertain whether some provisions of Power and Functions of Auditor General of Pakistan Ordinance No. XXIII of 2001, the Company's Act and other Acts/provisions of the rules, regulating the audit of accounts of Public Sector Corporations cited in PAC meetings, have a restrictive effect on the jurisdiction of the Auditor General and thereby encouraging other newly created Authorities and Autonomous Bodies to avoid audit by the Auditor General. This impacts the legislative oversight of public funds. The 18th Amendment of the Constitution of the Islamic Republic of Pakistan, under Article 170(2) now authorises the Auditor-General to audit accounts of "any authority or body established by, or under control of, the federal or Provincial Governments still, this constitutional requirement has to be realized and met in full".

30. Further, in some cases it was contested that the decisions of the Board of Directors of different Public Sector Enterprises (PSEs) in which representative of Finance Division also participated, over ride the normal Financial Rules of the Federal Government.

31. In order to ensure the legislative oversight of public funds and to identify such Organizations/Public Bodies and anomalies in their statues, the PAC constituted a Special Legal Committee under the Convenership of Mr. Zahid Hamid MNA to formulate a comprehensive report, indicating necessary measures/amendments required in the relevant laws in such cases.

CONVENERS OF SUB/SPECIAL COMMITTEES

32. The Conveners of the Sub/Special Committees, namely **Mrs. Yasmeen Rehman, Mr. Zahid Hamid and Mian Riaz Hussain Pirzada,** alongwith their respective Honourable Members put in untiring efforts to complete the gigantic task of examining huge backlog entrusted to them and their efforts are highly appreciated.

OFFICE OF THE AUDITOR GENERAL OF PAKISTAN

33. The PAC generally appreciates the hard work put in by the Auditor-General of Pakistan and his Officers especially Mr. Tahir Saeed, Deputy Auditor-General, Dr. Asif-ur-Rehman, Director General (Works) Mrs. Rubina Faisal, Director General Audit (WAPDA) and all the concerned Directors Generals in preparing the Audit Reports. However, there is a need for the audit staff to be more professional considering the present day challenges. The Auditors also have an obligation to constantly update and improve their skills in discharging their professional responsibilities. They must know and apply auditing, accounting and financial management standards, procedures and practices. They should also possess a good understanding of the constitutional, legal and institutional principles and standards, governing the operations of the audited entities. This will ensure the fairness, impartiality and competence of the Auditors.

NATIONAL ASSEMBLY SECRETARIAT

34. The PAC would like to acknowledge hard work of PAC wing work team including, Mr. Moosa Raza Effendi, Additional Secretary (PAC), Ms. Najma Siddiqi, Joint Secretary (PAC), Mr. Tariq Bhatti, Ms Roomana Gul Kakar, Mr. Khaleeq Ahmed, Mr. Sharafat Ali, Section Officer (PAC), Mr. Salamat Ali, Private Secretary (PAC) and Staff of PAC Wing, National Assembly Secretariat for their focused efforts for providing efficient support to the Committee and Sub/Special Committees in conducting its deliberations within shortest span of time.

CONCLUDING REMARKS

35. While submitting this Report to the National Assembly of Pakistan, the Committee finally recommends that:-

a) Suggestions, directives and recommendations made by the Committee in this Report and the Actionable Points be accepted for implementation by respective Ministries/Divisions/Departments in the Federal Government; and

b) Excess budget statements for the year 2007-2008 are regularized in accordance with the provisions of the Constitution.

CH. NISAR ALI KHAN
Chairman
Public Accounts Committee

KARAMAT HUSSAIN NIAZI
Secretary
National Assembly Secretariat

Islamabad, the September ___, 2011

DETAILS OF EXCESS EXPENDITURE

FOR THE YEAR 2008-2009

EXCESS BUDGET STATEMENT FOR THE YEAR 2007-2008

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplemen-tary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
01.	Cabinet Division 29-04-2010	3- Emergency Relief & Repatriation (OTC)	65,961,000	1,539,684,000	1,605,645,000	1,755,419,295	149,774,295	The Committee recommended the excess for regularization.
02.	M/O Communications 16-03-2010	16 – Communications Division (OTC)	2,033,648,000	58,000	2,033,706,000	2,106,220,520	72,514,520	The Committee recommended the excess for regularization.
		17 – Other Expenditure of Communications Division (OTC)	1,891,913,000	------	1,891,913,000	2,370,644,840	478,731,840	The Committee recommended the excess for regularization.
03.	M/O Culture 28-06-2010	132- Development Expenditure of Culture Division (OTC)	378,131,000	58,000	378,189,000	486,578,159	108,389,159	The Committee recommended the excess for regularization.
04.	M/O Defence 17-06-2010	21 - Defence Division (OTC)	1,931,694,000	4,643,000	1,936,337,000	2,038,531,855	102,194,855	The Committee recommended the excess for regularization.
		23 - Survey of Pakistan (OTC)	368,775,000	------	368,775,000	377,435,026	8,660,026	The Committee recommended the excess for regularization.
		24- Federal Govt. Educational Institutions in Cantonments & Garrisons (OTC)	1,462,295,000	10,000,000	1,472,295,000	1,529,259,098	56,964,098	The Committee recommended the excess for regularization.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		25 - Defence Services	273,982.796,000	2,606,136,000	276,588,932,000	286,911,496,376	10,322,564,376	The Committee recommended the excess for regularization.
05.	Economic Affairs Division 08-12-2010	169- External Development Loans & Advances by the Fed. Govt. (Charged)	24,127,305,000	27,300,000	24,154,605,000	37,819,650,904	13,665,045,904	The Committee recommended the excess subject to findings of IDC & their verification by Auditor General Office
		--- Servicing of Foreign Debt (Charged)	56,408,612,000	2,944,851,000	59,353,463,000	61,385,167,653	2,031,704,653	The Committee recommended the excess subject to implementation of Finance Division's instructions.
		--- Foreign Loans Repayment (Charged)	62,886,294,000	-----	62,886,294,000	71,123,841,298	8,237,547,298	The Committee recommended the excess subject to implementation of Finance Division's instructions.
06.	M/O Education 09-06-2010	32 – Federal Govt. Educational Institutions in the Capital and Federal Areas (OTC)	1,800,248,000	------	1,800,248,000	2,123,001,909	322,753,909	The Committee recommended the excess for regularization.
07.	Establishment Division 15-06-2010	07- Federal Public Service Commission (OTC)	164,691,000	500,000	165,191,000	176,254,595	11,063,595	The Committee recommended the excess for regularization

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplemen-tary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		128-Development Expenditure of Establishment Division (OTC)	263,257,000	166,695,000	429,952,000	623,729,525	193,777,525	The Committee recommended the excess for regularization subject to verification of recovery/record by audit.
08.	FATA Secretariat 14-06-2011	112- Federally Administered Tribal Areas (OTC)	5,185,840,000	168,694,000	5,354,534,000	6,329,348,219	974,814,219	The Committee settled the grant subject to verification of record by audit.
09.	Federal Board of Revenue (FBR) 17-03-2010	45– Central Board of Revenue (OTC)	1,087,744,000	76,141,000	1,163,885,000`	1,265,613,439	101,728,439	The Committee recommended the excess for regularization.
		48– Taxes on Income & Corporation Tax (OTC)	3,075,700,000	83,320,000	3,159,020,000	3,224,726,224	65,706,224	The Committee recommended the excess for regularization.
10.	Federal Tax Ombudsman Secretariat 18-06-2010	--- Federal Tax Ombudsman (Charged)	49,051,000	2,507,000	51,558,000	53,289,627	1,731,627	The Committee recommended the excess for regularization.
11.	Finance Division 21-09-2010	37- Controller General of Accounts (OTC)	1,311,167,000	-----	1,311,167,000	1,477,824,717,	166,657,717	The Committee recommended the excess for regularization.
		41- Superannuation Allowances and Pension (Charged)	524,609,000	22,034,000	546,643,000	706,041,004	159,398,004	The Committee recommended the excess for regularization.
		--- Other Than Charged	45,605,732,000	1,915,410,000	47,521,142,000	63,098,859,195	15,577,717,195	The Committee recommended the excess for regularization.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		42- Grants-In-Aid and Miscellaneous Adjustments between the Federal & Provincial Governments. (OTC)	500,000,000	475,453,000	975,453,000	1,465,100,000	489,647,000	The Committee recommended the excess for regularization.
		43- Subsidies & Miscellaneous Expenditure (OTC)	135,530,482,000	162,528,731,000	298,059,213,000	458,600,024,349	160,540,811,349	The Committee recommended the excess for regularization.
12.	M/O Food & Agriculture 26-05-2010	49- Food, Agriculture & Livestock Division (OTC)	180,424,000	505,672,000	686,096,000	829,161,082	143,065,082	The Committee recommended the excess for regularization subject to verification of record by Audit.
		122- Capital Outlay on Purchase of Fertilizer (OTC)	8,137,000	------	8,137,000	10,693,562	2,556,562	The Committee recommended the excess for regularization subject to verification of record by Audit
13.	M/O Foreign Affairs 12-03-2010	53- Foreign Affairs (Pak. Missions Abroad)	5,527,593,000	46,311,000	5,573,904,000	5,717,078,088	143,174,088	The Committee recommended the excess for regularization
14.	M/O Industries & Production 28-04-2010	62- Industries, Production & Special Initiatives Division (OTC)	99,314,000	700,000	100,014,000	105,837,836	5,823,836	The Committee recommended the excess for regularization

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		63- Department of Investment Promotion and Supplies (OTC)	7,738,000	---	7,738,000	8,080,832	342,832	The Committee recommended the excess for regularization
15.	M/O Information and Broadcasting 01-06-2010	66- Directorate of Publications Newsreels and Documentaries (OTC)	77,155,000	-----	77,155,000	78,087,964	932,964	The Committee recommended the excess for regularization
		67- Press Information Department (OTC)	178,212,000	2,501,000	180,713,000	184,528,606	3,815,606	The Committee recommended the excess for regularization
		68- Information Services Abroad (OTC)	263,711,000	1,000,000	264,711,000	308,047,560	43,336,560	The Committee recommended the excess for regularization
		147- Development Expenditure of Information & Broadcasting Division (OTC)	79,676,000	2,587,000	82,263,000	409,514,705	327,251,705	The Committee recommended the excess for regularization
16.	M/O Interior 02-06-2010	73- Passport Organization (OTC)	322,646,000	2,804,000	325,450,000	332,027,253	6,577,253	The Committee recommended the excess for regularization
		74-Civil Armed Forces (OTC)	9,548,726,000	1,437,013,000	10,985,739,000	12,056,998,089	1,071,259,089	The Committee recommended the excess for regularization

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplemen-tary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		75- Frontier Constabulary (OTC)	1,932,947,000	112,000,000	2,044,947,000	2,241,772,878	196,825,878	The Committee recommended the excess for regularization
		76- Pakistan Coast Guards (OTC)	392,335,000	5,000,000	397,335,000	479,059,409	81,724,409	The Committee recommended the excess for regularization
		77- Pakistan Rangers (OTC)	4,899,312,000	100,000,000	4,999,312,000	5,539,032,232	539,720,232	The Committee recommended the excess for regularization
17.	M/O Kashmir Affairs and Northern Areas 14-10-2010	79- Kashmir Affairs & Northern Areas Division (OTC)	177,651,000	35,000,000	212,651,000	213,429,849	778,849	The Committee recommended the excess for regularization
		80- Other Expenditure of Kashmir Affairs & Northern Areas Division (OTC)	8,609,350,000	326,027,000	8,935,377,000	9,164,638,384	229,261,384	The Committee recommended the excess for regularization
		81- Northern Areas (OTC)	2,647,386,000	9,373,000	2,656,759,000	3,011,090,494	354,331,494	The Committee recommended the excess for regularization
18.	M/O Labour and Manpower 31-05-2010	83- Other Expenditure of Labour and Manpower Division (OTC)	6,030,296,000	------	6,030,296,000	6,031,751,429	1,455,429	The Committee recommended the excess for regularization
19.	M/O Petroleum and Natural Resources 13-03-2010	156- Development Expenditure of Petroleum and Natural Resources Division (OTC)	226,722,000	2,151,627,000	2,378,349,000	3,475,908,262	1,097,559,262	The Committee recommended the excess for regularization

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
20.	Planning and Development Division 14-06-2010	96- Planning & Development Division (OTC)	322,849,000	12,151,000	335,000,000	362,479,694	27,479,694	The Committee recommended the excess for regularization
21.	M/O Postal Services 24-05-2010	18- Pakistan Post Office Department (OTC)	5,813,000,000	----	5,813,000,000	6,110,665,801	297,665,801	The PAC directed the PAO to hold and inquiry for purchase of two houses, fix responsibility, take action against the persons and report to PAC within 30 days.
22.	M/O Railways 12-02-2010	101- Pakistan Railways Revenue (Charged)	9,121,516,000	367,141,000	9,488,657,000	9,600,623,522	111,966,522	The Committee recommended the excess for regularization
		(O.T.C)	27,224,721,000	132,859,000	27,357,580,000	27,540,972,514	183,392,514	The Committee recommended the excess for regularization
		177- Capital Outlay on Pakistan Railways (OTC)	11,642,200,000	54,455,000	11,696,655,000	13,811,113,096	2,114,458,096	The Committee recommended the excess for regularization
23.	M/O Science and Technology 29-06-2010	106- Other Expenditure of Scientific Technological Research Division (OTC)	1,970,465,000	4,833,000	1,975,298,000	1,983,147,658	7,849,658	The Committee recommended the excess for regularization

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplemen-tary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
24.	M/O Social Welfare and Special Education 28-06-2010	107- Social Welfare and Special Education Division (OTC)	5,433,872,000	2,389,069,000	7,822,941,000	8,244,766,389	421,825,389	The Committee recommended the excess subject to verification of approval of re-appropriation by Finance Division
25.	M/O States and Frontier Regions 29-06-2010	111- Frontier Regions (OTC)	1,807,475,000	-----	1,807,475,000	2,022,934,708	215,459,708	The Committee recommended the excess for regularization
26.	Statistics Division 28-06-2010	28- Statistics Division (OTC)	573,574,000	7,536,000	581,110,000	619,881,289	38,771,289	The Committee recommended the excess for regularization
27.	M/O Textile Industry 09-06-2010	115- Textile Industry Division (OTC)	44,368,000	30,001,000	74,369,000	83,621,236	9,252,236	The Committee recommended the excess for regularization
28.	Wafaqi Mohtasib Secretariat 18-06-2010	Wafaqi Mohtasib (Charged)	125,503,000	24,600,000	150,103,000	153,400,270	3,297,270	The Committee recommended the excess for regularization
29	Prime Minister's Secretariat 10-06-2010	09 - Prime Minister's Secretariat (OTC)	329,804,000	59,518,000	389,322,000	463,394,120	74,072,120	The Committee recommended the excess for regularization
30	Pakistan Atomic Energy Commission 14-06-2010	168- Capital Outlay on Development of Atomic Energy (OTC)	12,631,332,000	69,486,000	12,700,818,000	14,250,945,000	1,550,127,000	The Committee recommended the excess for regularization
31	National Accountability Bureau 16-06-2010	10- National Accountability Bureau (OTC)	897,241,000	47,957,000	945,198,000	953,403,369	8,205,369	The Committee recommended the excess for regularization

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplemen-tary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
32	Ministry of Overseas Pakistanis 28-06-2010	84- Overseas Pakistanis Division (OTC)	208,187,000	25,000,000	233,187,000	235,083,231	1,896,231	The Committee recommended the excess for regularization
		152- Development Expenditure of Overseas Pakistanis Division (OTC)	5,000,000	------	5,000,000	5,000,075	75	The Committee recommended the excess for regularization

REPORTS

CABINET DIVISION

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Public Sector Enterprises, Audit Report on the Accounts of Federal Government (Civil) and Audit Report on the Accounts of Telecommunication Sector for the year 2008-09, pertaining to the Cabinet Division were taken up for examination by the Public Accounts Committee (PAC) **on 29th April, 20th September, 7th December, 2010, 17th January, 16th June, 2011 and 25th June 2011.**

1.1 The PAC having considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO) and made its recommendations.

1.2 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 43 paras and 7 Grants reported by the Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of PAC. 11 paras were recommended for settlement by the PAC either on the basis of clarifications given by the PAO or the corrective measures taken by the Division. On 11 paras, the PAC directed the PAO to implement the DAC's decision. The Committee gave direction on 28 paras. PAC directed recovery amounting to Rs ---------- out of which a sum of Rs ---------- has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of implementation of the PAC directives would be reviewed in the future sessions.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 29th April, 2010, on the Appropriation Accounts 2007-2008 & Audit Report 2008-2009, pertaining to Cabinet Division are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-1-2007-08)

1. **GRANT NO. 1- CABINET (PAGE 35-AA)**
(SAVING OF RS.52, 018,646)

Audit pointed out that the grant closed with a saving of Rs.52, 018,646 which worked out to 33.63% of the total grant. An amount of Rs.46, 383,459 (29.99%) was surrendered decreasing net saving to Rs.5, 635,187 (3.64%).

The PAO explained that the saving was due to less expenditure than anticipated for May and June 2008.

PAC DIRECTIVE

The PAC regularized the saving of the grant. The Committee directed the Ministry to be careful and there should be zero saving/excess in future.

2. **GRANT NO. 2- CABINET DIVISON (PAGE 36-AA)**
(SAVING OF RS.13,312,724)

Audit pointed out that grant closed with a saving of Rs.13, 312,724 which worked out to 0.74% of the total grant. A supplementary grant of Rs.12, 627,600 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account the saving shall be increased to Rs.25, 940,324 (1.42%).

The PAO explained that the saving was due to vacant post, less expenditure incurred during the month of June, 2008 etc. He also explained that an amount of Rs.400, 000,000 was granted to IB to meet the operational requirement of intelligence bureau.

PAC DIRECTIVE

The PAC deferred the grant due to absence of DG, IB and directed that grant will be discussed in the presence of the DG, IB.

3. **GRANT NO. 3- EMERGENCY RELIEF AND REPATRIATION (PAGE 42-AA) (EXCESS OF RS.149, 774,295)**

Audit pointed out that grant closed with an excess of Rs.149, 774,295 which worked out to 9.32% of the total grant. A supplementary grant of Rs.154, 706,394 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account the excess shall be converted into a saving of Rs.4, 932,099 (0.285).

The PAO explained that the grant was not closed with an excess, there is saving. The saving was due to non receipt of bills of various relief goods and maintenance work of ware house was not taken up by the concerned agency. The grant was also given for purchase of Helicopters for 6 Aviation Squadron (ERC).

PAC DIRECTIVE

The Secretary Cabinet Division is required to submit a report within one week with full justification for the purchase and also give an account of the Helicopters deployment and use. However, the Committee regularized the excess of the grant.

4. **GRANT NO. 4-OTHER EXPENDITURE OF CABINET DIVISION (PAGE 44-AA) (SAVING OF RS.39,077,926)**

Audit pointed out that grant closed with a saving of Rs.39, 077,926 which worked out to 2.06% of the total grant. An amount of Rs.76, 970,000 (4.065) was surrendered resulting into an excess of Rs.37, 892,074 (2.00%) A supplementary grant of Rs.40, 000,000 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account the excess shall be converted into a saving of Rs.2, 107,926 (0.11%).

The PAO explained that amount was kept in account for payment of salaries to the Chairman and DG of NCGR, but both positions remained vacant till June, 2008. The saving was surrendered in time.

PAC DIRECTIVE

The members of the PAC raised different questions regarding maintenance, cleanness, security and privacy of the parliament lodges, the Chairman PAC decided to hold a meeting with Deputy Speaker National Assembly, Deputy Chairman Senate, Secretary Cabinet, Chairman CDA, along with two members of PAC who are residing in parliament lodges to discuss the whole issues.

5. i) **GRANT NO. 14-STATIONARY AND PRINTING (PAGE 56-AA) (SAVING OF RS.18,474,540)**

Audit pointed out that grant closed with a saving of Rs.18, 474,540 which worked out to 34.78 percent of the total grant. An amount of Rs.19,217,993 (36.18%) was surrendered resulting into an excess of Rs.743,453 (1.39%) which was due to booking of Pay and Allowances for the month of June, 2008 (disbursed on 1st July, 2008 in the financial year 2007-08 vide DGPR, Karachi letter No.C.C/KHI/pay roll Expenditure/2007-08, dated 17-06-2008.

ii) **GRANT NO.124-CAPITAL OUTLAY ON LAND REFORMS (PAGE 58-AA) EXCESS/SAVING NIL)**

The entire budget provision was utilized in full.

PAC DIRECTIVE

On presentation of above two grants by the Audit, the PAC regularized the excess/saving of the grants.

6. **GRANT NO. 127- DEVELOPMENT EXPENDITURE OF CABINET DIVISION (PAGE 59-AA) (SAVING OF RS.19, 982,530,007)**

Audit pointed out that the grant closed with a saving of Rs.19, 982,530,007 which worked out to 56.28 % of the total grant. An amount of Rs.18, 932,972,000 (53/32%) was surrendered leaving net saving of Rs.1, 049,558,007(2.96%). A Supplementary grant of Rs.522, 000,000 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account the saving shall be increased to Rs.1, 571,558,007 (4.36%).

The PAO explained that an amount of Rs.79, 000,000/- was surrendered on 17-04-2008 but not included in the Appropriation Accounts. The entire saving relates to foreign aid component of ERRA budget.

PAC DIRECTIVE

The PAC showed its displeasure for mismanagement and non monitoring the accounting system of the Division by the PAO, it showed lack of focus, poor reflection in the appropriation accounts and regularized the grant. The PAC also directed the PAC Wing to write a letter to Cabinet Division and Prime Minster Secretariat regarding performance of the Cabinet Division.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-2009

7. **PARA 1.1 (PAGE 9-AR)**
IRREGULAR RETENTION AND INVESTMENT OF RS. 969.38 MILLION BY NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

Audit pointed out that according to section-13 of NEPRA "Regulation of Generation, Transmission and Distribution of Electric Power (Amendment-1997) Ordinance 2001" the funds required for the operation of the Authority comprised grants from Federal Government and fees/fines collected by it as prescribed from time to time. NEPRA had surplus revenue, amounting to Rs.969.36 million which, instead of depositing into

Federal consolidated Fund or Public Account in Terms of Article-78 of Constitution of Islamic Republic of Pakistan, were invested in the commercial banks. NEPRA Act also does not allow investment in the commercial banks. Same issue was highlighted during audit for the financial year 2006-07 and in the DAC meeting on June 12, 2008, it was decided that the surplus amount would be deposited into Government treasury. However, Audit noted that NEPRA did not comply with that decision and instead made additional investment of Rs.169.38 million in the year 2007-08.

The PAO informed the Committee that the surplus funds cannot be surrendered to the Government due to the following reasons:-

i) The Act does not provide for recourse to the Government in case of deficit nor for surrendering the surplus. The surplus has been retained under the rules for meeting the financial obligations of NEPRA and the funds are invested by following the guidelines of Finance Division in a transparent manner.

v) The construction of NEPRA Tower has started on the plot, allotted by CDA in Sector G-5. The estimated cost of the building having covered area of 136,612 sq ft is Rs.800 million which is likely to increase due to inflation.

iii) NEPRA also owes a liability of World Bank loan amounting to Rs.123 Million.

The NEPRA has approved reduction of 40% in its fees w.e.f. July, 2009 and the same has been notified in the official gazette. Therefore NEPRA income has also reduced by 40%.

PAC DIRECTIVE

The PAC directed the PAO to regularize the amount with the consultation of the Audit and Finance Division before the end of the Financial Year 2010. If NEPRA wants to change the existing Rules, come with amendment before 30th June 2010. In case of failure, the amount should be deposited in Federal Consolidated Fund.

8. **PARA 1.2 (PAGE 9-AR)**
LOSS OF RS. 18 MILLION DUE TO NON-ISSUANCE OF TRANSMISSION LICENSE TO KARACHI ELECTRIC SUPPLY COMPANY (KESCO)

Audit pointed out that in terms of Section-16 of the National Electric Power Regulatory Authority (NEPRA) "Regulation of Generation, Transmission and Distribution of Electric Power (Amendment-1997) Ordinance 2001" no person shall, except under the authority of a license issued by NEPRA engage in the transmission of electric power. Karachi Electric Supply Company (KESCO) and National Transmission and Dispatch Company (NTDC) applied for transmission license on 22-03-2001 and 22-03-2002 respectively. The transmission license was issued to NTDC on 01-01-2003 while transmission license to KESCO was not issued until April 2009 despite the fact that the management in a DAC meeting on June 12, 2008, informed that the case was at final stage and that a license would be issued to KESCO immediately.

As per Fee & Fine Rules, 2002 under the NEPRA act, 1997, the annual transmission license fee of NTDC was fixed at Rs.3 million, which NTDC was paying regularly. The annual fee for any other transmission company, like KESCO, would be based on the total number of kilowatt hour of energy transmitted.

The Chairman NEPRA explained that case for issuance of license to KESCO should be finalized within one week.

PAC DIRECTIVE

The PAC directed the Chairman NEPRA to finalize the entire process of the issuance of License to KESCO within a week and report to PAC.

9. **PARA 1.3 (PAGE 10-AR)**
LOSS OF RS 5.81 MILLION DUE TO UNACCOUNTED ELECTRICITY SOLD IN TRIBAL AREA ELECTRICITY SUPPLY COMPANY (TESCO)

Audit pointed out that according to Rule-3 of National Electric Power Regulatory Authority (NEPRA) (Fees pertaining to Tariff Standards and Procedure) Regulation,

2002 a licensee of distribution of electricity has to pay fee at the rate of rupee 0.00125 per kilowatt hours of units of electricity sold by the licensee in a given year.

Tribal Area Electric Supply Company (TESCO) was working under PESCO and was distributing electricity purchased from Peshawar Electric supply Company (PESCO) within the Tribal Areas. Audit observed that neither TESCO nor PESCO was paying the distribution fee for the electricity distributed in Tribal Areas.

TESCO is distributing electricity without obtaining a license as required under Section 20 of the NEPRA Act 1997.

Audit recommended that TESCO be issued a license or the Authority may take action against it for distributing electric power without any legal Authority.

The Chairman NEPRA informed the Committee that it was a wrong decision. However, the matter of recovery of license fees from PESCO/TESCO has been taken up with the M/O Water & Power through Cabinet Division. It was also informed that the recovery of amount was not possible in view of the security situation providing in the Tribal Area during the last few years.

PAC DIRECTIVE

The PAC directed the PAO to reconcile the issue with M/O Water & Power and come with a proposal for resolving the issue before the PAC within one month.

10. **PARA 1.4 (PAGE 11-AR)**
IRREGULAR RETENTION AND INVESTMENT OF RS. 100 MILLION BY THE INTELLECTUAL PROPERTY ORGANIZATION OF PAKISTAN.

Audit pointed out that in terms of Section 19 of Intellectual Property Organization of Pakistan (IPO) Ordinance, 2007, the organization was required to submit budget estimates of receipts and expenditure for each financial year to the Federal Government. It implies that there should not be any surplus.

Audit observed that in addition to Grants-in-Aid from Federal Government, the IPO earned from the levy of various charges and fees on account of copy rights, patents and trademarks and generated surplus fund. Instead of surrendering the savings/surplus into Govt. Account, the management invested Rs.100 million in commercial banks without the approval of Finance Division. As per its Ordinance, the IPO cannot invest surplus funds in Commercial Banks.

The department explained that section 5 (3) of the Ordinance empower IPO policy Board "formulate procedure and necessary frame work for utilization of funds generated or acquired through Services, donations or grants etc. According to Section 18 of IPO Ordinance, organization shall create Fund for its utilization.

PAC DIRECTIVE

The PAC directed the PAO to regularize the amount with the consultation of Audit and Finance Division before the end of Financial Year 2010, if IPO wants to change the existing Rules, come with amendment before 30th June, 2010. In case of failure, the amount should be deposited in Govt. Treasury.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PRINTING CORPORATION OF PAKISTAN (PVT) LIMITED

11. **PARA 1.1 (PAGE 5-ARPSE)**

Audit presented the working results of the Corporation for the year 2007-08 and stated that Corporation earned net profit of Rs.34.054 million during the year 2007-08 against net loss of Rs.154.877 million in 2006-07. The main reason for profit as compared to loss in the previous year was increase in sales by 194.79% from Rs.143.850 million in 2006-07 to Rs.424.054 million in 2007-08. The accumulated losses were Rs.1,124.289 million on June 30, 2008. This needs to be improved further to make the Corporation a going concern. Current liabilities exceeded current assets by Rs.470.240 million (2007: restated Rs.609.898 million) resulting in an adverse current ratio of 0.054:1 against required 2:1.

The PAO informed the Committee that the process of privatization is not finalized due to huge staff and non availability of sufficient funds.

PAC DIRECTIVE

The PAC directed the PAO that the progress regarding privatization of Corporation should be intimated in its next meeting and also expedite the process of privatization.

AUDIT REPORT ON THE ACCOUNTS OF TELECOMMUNICATION SECTOR FOR THE YEAR 2008-09

PAKISTAN TELECOMMUNICATION AUTHORITY

12. **PARA 1.2 (PAGE 5-AR)**
NON-DEPOSIT OF SURPLUS IN TO FEDERAL CONSOLIDATED FUND AMOUNTING TO RS. 702.177 MILLION

Audit pointed out that as per section 12 Sub Section (3) of Pakistan Telecommunication (Re-Organization) Act, 1996, any surplus of receipts over the actual expenditure in a year shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government. Annual Audited Accounts for the year 2007-08 reveals that commercial Auditors of PTA calculated surplus amounting to Rs.702.177 million (Note-12). PTA did not deposit the requisite amount into Federal Consolidated Fund in contravention to the above provisions.

PAC DIRECTIVE

The PAC directed the PAO that the issue should be referred to M/o Finance for clarification of the existing Rules with a report to PAC.

13. **PARA 1.3 (PAGE 6-AR)**
EMBEZZLEMENT OF RS. 80.174 MILLION BY EX-DIRECTOR GENERAL (FINANCE)

Audit pointed out that that according to Rule 20 (1) of GFR Vol-I, any loss of public money, departmental revenue or receipts etc. should be immediately reported by the

officer concerned to the Authority as well as audit. These reports must be submitted as soon as suspicious arises that there has been a loss; they must not be delayed while detailed enquiries are made. Rule 23 of GFR further stipulates that every officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will be held responsible for any loss arising from fraud or negligence.

While examining the file bearing No. 14-164/L&R/PTA/2008, audit observed the following:

i) PTA has been maintaining its collection account NIDA-11 at NBP Marriot Hotel Branch, Islamabad where all the cheques/pay orders received on account of receipts from telecom operators were to be deposited by the Finance Wing of PTA.

ii) Ex-D.G (Finance) and DG (Commercial Affairs) opened and operated a fake bank account No. 1327-8 as co-signatories in the name of PTA with National Bank of Pakistan, Blue Area Branch, Islamabad, without approval of the Authority. Resultantly, an amount of Rs.80, 174,569 was embezzled by depositing the pay orders into fake account rather than in NIDA-11. The ex-DD (Finance and Director (WLL & Mobile) also assisted in the embezzlement.

iii) No report of embezzlement was made to audit. It was replied that the case was reported by the Director (Finance to the Authority as soon as it was discovered on pointing out by M/s DANCOME which deposited the Pay Orders which were not cleared by PTA collection account. A report was sent by PTA, to NAB on 5th August, 2008 under Section 18 of the NAB Ordinance. The matter was not reported directly to Audit because as per Cabinet Division's letter No. 5/7/2004-RAI/PTA, dated November 2008 and Finance Division's (Investment & Capital Issues Wing) letter No. F.3 (1)-Inv.iii/80-406, dated 25th March, 1981, PTA is required to send all its cases to the administrative Ministry, being the Cabinet Division, which was done.

The PAO informed the Committee that a report was sent by PTA to NAB on 5th August, 2008 under section 18 of the NAB Ordinance. Now PTA requested Chief of Staff, NAB to inform PTA whether inquiry has been converted into an investigation. The Chief of Staff, NAB informed on 20-08-09 that investigation in the subject case has already been authorized, which is likely to be completed in short time. It was further informed by the NAB on 19-02-2010 that reference has been filed with the Registrar of Accountability Court, Rawalpindi.

PAC DIRECTIVE

The PAC directed the PAO to inquire the matter, fix responsibility and take action against other person(s) who are involved in the case. The particulars of rest of accused may also be reported to NAB for further necessary action at their end. The Committee also directed the PAO to follow the case in the court of law vigorously.

NOTE:-

The remaining paras of Audit Report on the Accounts of Telecommunication Sector for the year 2008-09 were deferred for the next meeting.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

14. i) **PARA 1.5 (PAGE 12-AR)**
NON FRAMING OF RULES, REGULATIONS AND PROCEDURES BY INTELLECTUAL PROPERTY ORGANIZATION (IPO)

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERISES FOR THE YEAR 2008-09

PRINTING CORPORATON OF PAKISTAN (PVT) LIMITED

ii) **PARA 1 (PAGE 5-ARPSE)**
AUDIT COMMENTS

iii) **PARA 1.2 (PAGE 6-ARPSE)**
AUDIT COMMENTS

iv) **PARA 1.3 (PAGE 6-ARPSE)**
AUDIT COMMENTS

OIL & GAS REGULATORY AUTHORITY (OGRA)

v) **NON SUBMISSION OF ACCOUNTS**
FORTHE YEARS 2007-08 & 2008-09

PAC DIRECTIVE

The PAC directed the PAO to implement the decision of the DAC and report to PAC/Audit.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 20th September, 2010 pertaining to Cabinet Division for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I -2007-08)

1. **GRANT NO.02-CABINET DIVISION (PAGE 36-AA)**
(Saving of Rs 13,312,724)

The Audit pointed out that the grant was closed with a saving of Rs.13, 312,724 which worked out to 0.74 percent of the total grant. A supplementary grant of Rs.12, 627,600 was sanctioned but not included in supplementary schedule of authorized expenditure.
The PAO explained the reasons of saving as under:-

i) Due to non acceptance of Honoraria bills of officers and staff of the Cabinet Division in the last week of June, 2008.

ii) A case for purchase of vehicles was not approved by the Prime Minister's Secretariat which was initiated in the month of June. A sum of Rs.932,

065/- was surrendered on 10th June, 2008 which was not included in the Appropriation Account.

iii) Due to non completion of process of recruitments on vacant posts.

iv) Funds were kept on account of financial assistance to the families of deceased staff which could not be utilized by Cabinet Division in May, June, 2008-09.

PAC DIRECTIVE

The Grant was settled with the direction that the Public Accounts Committee can ask for accounting of secret/discretionary funds to be presented before it. The Budget for such funds may be prepared with due care as every paisa of public money requires to be duly recorded.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PRINTING CORPORATION OF PAKISTAN(PVT) LIMITED

2. **PARA 1.1 (PAGE 05-06-ARPSE)**
WORKING RESULTS

The Audit pointed out that the PCP earned net profit of Rs.34.054 Million during the year 2007-08 against net loss of Rs.154.877 Million in 2006-07. The main reason for profit as compared to loss in the previous year was increase in sales by 194.74% from Rs.143.850 Million in 2006-07 to Rs.424.054 Million in 2007-08. The accumulated losses were Rs.1, 124,289 Million on June 30, 2008. This needs to be improved further to make the Corporation a going concern. Current liabilities exceeded current assets by Rs.470.240 Million (2007: restated Rs.609.898 Million) resulting in an adverse current ratio of 0.054:1 against required 2:1.

The PAO explained that the PCP earned net profit of Rs.34.054 Million during the year 2007-08. The main reason for profit in this year was due to General Election Work

valuing Rs.303 Million done by PCP. Efforts are, however, being made to bring more printing work from new clients to improve the working results of P.C.P.

PAC DIRECTIVE

Discussing the working results of the Corporation for the year 2007-08, the Secretary informed that a Summary for the Prime Minister has been sent to close the Karachi and Lahore Offices of the Corporation. The Public Accounts Committee settled the para subject to a briefing to the PAC as soon as approval from the Prime Minister/Cabinet is received.

AUDIT REPORT ON THE ACCOUNTS OF TELECOMUNICATION SECTOR FOR THE YEAR 2008-09

PAKISTAN TELECOMUNICATION AUTHORITY

3. **PARA 1.1 (a) (b) (PAGE 1-AR)**
PARA 1.1(c) to (h)(PAGE 1-5-AR)
AUDIT COMMENTS

Audit pointed out that under Section 14 of the Pakistan Telecommunication (Re-organization) Act 1996, it was required that "the accounts of the authority shall be maintained in such form and in such manner as the Federal Government may determine in consultation with the Auditor General of Pakistan". However, no such approval has been obtained so far.

Authority unduly retained Rs.1,653,261 Million and Rs49.918 Million pertaining to USF and R&D respectively which were required to be remitted into the Public Account of Federal Government and Government of AJK & NA as per standing instructions of the Finance Division.

The PAO explained that accounting procedure has already been vetted by the Auditor General of Pakistan and notified by the Cabinet Division on 10th October, 2006.

PAC DIRECTIVE

The para was remanded back to the DAC with the direction that if the matter is resolved with Audit, it need not come back to PAC.

4. a) **PARA 1.4 (PAGE 7-8-AR)**
IRREGULAR EXPENDITURE ON PURCHASE OF VEHICLES RS 10.139 MILLION

Audit pointed out that as per Cabinet Division's letters No.6-7(I)02-M-II dated 22nd July, 2005 and No.6-7(I)02-M-II dated 7th January, 2006, a Vehicle Purchase Committee has been constituted to evaluate all proposals for additional vehicles and the said Committee would examine the rationale for authorization of additional vehicles and accord its approval. Further, the purchase of additional vehicles necessitated due to increase in establishment/workload etc, the Ministry/Division/Department / Affiliated Autonomous/Semi Autonomous Bodies and Corporations concerned will take up a case with Finance Division for enhancement in the authorized strength of their vehicles. The PTA incurred an expenditure of Rs 10,139,000 on purchase of vehicles in violation to the above instructions during 2007-08.

The PAO explained that the Pakistan Telecommunication (Re-organization) Act, 1996, under section 5(2) (n) empowers PTA to "acquire, lease, encumber, dispose of, exchange, vest or otherwise deal with any moveable or immoveable property or any interest therein". The case of purchase of vehicles was sent to Prime Minister through Cabinet Division as asked by audit for Ex-post facto approval. The Cabinet Division conveyed that the Prime Minister has desired that the expenditure on purchase of vehicles during financial year 2004-05, 2005-06, 2006-07 & 2007-08 may, in first instance be placed before PAC.

b) **PARA 1.5 (PAGE 8-9-AR)**
IRREGULAR EXPENDITURE ON ACCOUNT OF FOREIGN TA/DA RS.5.043 MILLION

Audit pointed out that according to the Cabinet Division Circular No.F-9-148/2002-Min, dated 19th February, 2003 and letter No.7-25/2006-RA-I/PTA dated 18th January, 2007, the visits abroad by Officers/officials up to and including BPS-20 and their equivalent working in Autonomous/Semi Autonomous Bodies and where no Government Funding is involved, Secretary/Additional Secretary Incharge of Ministry/Division concerned will be competent to accord permission for foreign tours. PTA Headquarter continued the practice of irregular payment on account of foreign TA/DA. An amount of Rs. 5,043,396 was paid to the officers of various categories on this account during 2007-08 in violation to the standing order of the cabinet Division and DAC decisions on previous reports.

The PAO explained that the case for regularization was submitted on which Cabinet Division conveyed the comments of Prime Minister Secretariat that "it would have been appropriate for the Cabinet Division to ask for the explanation of former Chairman, PTA before submitting the proposal to regularize/obtain Ex-post facto approval of the expenditure mentioned in the Summary". In the light of Prime Minister Directives, Ex-Chairman PTA was requested twice to explain his position but no response received. However, the foreign tours were approved by PTA Authority in accordance powers given under Section 3(8) and Section 12 of PAK Telecom (Re-org) Act, 1996 (amended 2006). Since PTA budget is informed to Federal Government and this expenditure were part of the budget, no irregularity has taken place.

PAC DIRECTIVE

It was explained by the Secretary that clarification is required on various aspect of the rules and regulations of Pakistan Telecommunication Authority and the matter has been

referred to the Attorney General of Pakistan M/O Law and Justice. It was directed that the Secretary Cabinet will expedite ruling from Attorney General of Pakistan M/O Law & Justice in two weeks time and conduct fresh DAC.

5. **PARA 1.6 (PAGE 9-11-AR)**
MISUSE OF PUBLIC MONEY AMOUNTING TO RS 2.133 MILLION

Audit pointed out that according to Para 8 of DDO Handbook of Autonomous Bodies, the funds provided, acquired or generated by the Autonomous/Semi-Autonomous bodies and Corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific order of the Government.

IT inventory record shows that luxury items like Camera, Exercise Machine, Cell Phones, Diesel Generator, Lap tops and telephone sets worth Rs 2,132,629 were purchased and issued to the Ex-Chairman at the cost of public money. The officer had been retired from PTA but the items were not received back.

The PAO explained that the issuance of these items was not for a person but for the Camp Office at the residence of the Ex-Chairman. All items issued have been either received back or their value has been adjusted against end of service benefits of the Ex Chairman and the proof has been provided to Audit.

PAC DIRECTIVE

The Chairman, Public Accounts Committee directed that the Secretary may submit an inquiry report, fixing responsibility and recoveries to be made **within two weeks**. It was further directed that the name of the Ex-Chairman be placed on ECL. The detail of assets of the officer may also be provided to PAC.

6. **PARA 1.7 (PAGE 11-12-AR)**
NON-RECOVERY ON ACCOUNT OF PAY & ALLOWANCES AND HOUSE BUILDING ADVANCE RS.2.825 MILLION

Audit pointed out that as per terms and conditions of appointment; the deputationists and the contractual employees are not entitled for House Building Advance. Personal file of the Director General (Technical Services) was examined and found that the officer was working as Executive Director (FAB) on deputation basis and was repatriated to Army on 20-07-2003. He was struck off from duty w.e.f 31-08-2003 from Army and granted LPR. During LPR period, he was appointed as Consultant in PTA w.e.f 01-11-2003 to 01-04-2004 without NOC from Army. He was appointed as Director General in PTA on contract basis for a period of 3 years form 02-04-2004 onwards. An overpayment of Rs 1,588,762 was made to the officer due to wrong fixation of pay. He was granted HBA without his entitlement being employed on contract basis. An amount of Rs 1,136,398 outstanding balance of HBA was not recovered prior to acceptance of his resignation.

The PAO explained that the officer's contract was till superannuation. In accordance with DAC directive, his pay fixation has been made according to approved pay package and his outstanding HBA is being deducted from the same.

PAC DIRECTIVE

It was directed that Additional Secretary, Cabinet and representative of Audit may carry out an inquiry to fix responsibility for irregular appointment during LPR without NOC from M/O Defence, wrong fixation of pay and allowances, grant of House Building Advance to a contract employee, acceptance of resignation before recovery of over payments made to the officer and non-finalization of end of service benefits as per approved package of 2007. It was also directed that the case pending in the Lahore High Court, may be followed vigorously by employing a competent lawyer.

7. **AUDIT PARA 1.8 (PAGE 12-13-AR)**
EXCESS PAYMENT ON ACCOUNT OF PAY & ALLOWANCE RS.1.556 MILLION

Audit pointed out that according to Section 3(7) of the Pakistan Telecommunication (Re-organization) Act, 1996, and amended Act, 2006 the member of the Authority shall be paid the salary and be entitled to the privileges of an officer in MP-II and the Chairman shall be paid the salary and be entitled to the privileges of an officer in MP-I. According to the MP Scales circulated by the Finance Division (Regulation Wing) vide No.F.3(7)-R.4/98, dated 18th August, 1998 and No.F.3(7)R.4/98-Vol-II/07(A), dated 11th April, 2007 the officers are entitled for salary of MP Scales, utilities 5% of pay, one car, petrol, TA/DA, medical re-imbursement & hospitalization charges for self, spouse and children. The pay bills revealed that Chairman and Members were drawing salary in MP-I and MP-II scales respectively but the allowances were drawn according to the PTA's approved pay package. According to para 2(i) of approved pay package, the utility allowance & medical allowance of SEG-3 were fixed at the minimum of the pay scale but the officers were drawing the same on running basic pay which is violation of the Finance Division's instructions. An amount of Rs. 1,555,680 was calculated on this account as excess payment for the year 2007-08.

The PAO explained that in accordance with Section 3(3) of the Pakistan Telecommunication (Re-organization) Act, 1996 (amended 2006), Chairman and Members have not been placed in MP-I & II Scales but in the equivalent grades of SEG-3 & 2 by Finance Division as given in the approved pay package. They are also drawing allowances according to same scales as approved by Finance Division.

PAC DIRECTIVE

It was observed that while officers were drawing salary in MP grades, they were drawing allowances according to the PTA's approved pay package. This is a clear violation of all financial rules and needs to be rectified in consultation with M/O Finance by the Secretary Cabinet and over paid amount be recovered. It was also directed that the Audit may be satisfied, if not the para will come back to PAC.

8. **AUDIT PARA 1.9 (PAGE 13-14-AR)**
UNAUTHORIZED RETENTION OF OFFICIAL VEHICLES HAVING VALUE OF RS.2.479 MILLION

Audit pointed out that according to the approval of the then Administrative Ministry (Ministry of Communications), the officers of Grade 20 and above on normal retirement is entitled for vehicles on book value on the pattern of PTCL. The officers on deputation, move-over or contract are ineligible for vehicles on book value. As per draft transport policy, the vehicle under the official use of officer was required to be handed over on book value whereas the Chairman PTA approved the transfer of vehicle No.GK-969 to Ex-chairman which was a protocol vehicle. The vehicle was handed over to the officer without recovery of book value and finalization of end service benefits. Ex-Director General resigned from PTA w.e.f 01-12-08 who was appointed on contract basis. A vehicle No.GA-963 was handed over to the officer on book value for which he was not entitled being a contractual employee. Moreover, the end service benefits had not been so far finalized whereas the vehicle was handed over to the officer without recovery of book value.

The PAO explained that the vehicles have been allocated according to the PTA transport policy approved by the PTA in accordance with the powers vested under section 5(2)(n) and 10(1) of the Act besides a specific approval of Ministry of Communications for allocation of vehicles to departing officers. IDC constituted by DAC has agreed with the transfer of car to Ex-Chairman and the case of Ex-DG car is subjudice.

PAC DIRECTIVE

The Secretary Cabinet was directed to fix responsibility for handing over of vehicles against the policy, get the car retrieved from the officer and register an FIR for the same. Report may be submitted to the PAC Secretariat **in one week**.

9. a) **PARA 1.12 (PAGE 16-17-AR)**
NON RECOVERY OF RS 240.196 MILLION FROM MOBILE & TELECOM OPERATORS

Audit pointed out that para 4.4.1 of General conditions of license, the licensee shall pay all annual fees to the Authority within 120 days of the end of the financial year to which such fees relate. Furthermore, according to Section 30 of Pakistan Telecommunication (Re-organization) Act, 1996, all fees, fines or other amounts due or payable to the Authority may be recovered as arrears of land revenue. Further Rule 28 of GFR Vol-I, states that no amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority of their adjustment must be sought.PTA management failed to recover an amount of Rs. 240,195,537 on account of Spectrum Administrative Fee (SAF), Annual Spectrum Fee (ASF) and Annual License Fee (ALF) upto 30th June, 2008 in contravention to the above provisions.

The PAO explained that out of Rs. 240.196 Million an amount of Rs. 95.082 Million has been recovered and the remaining amount Rs.145.513 Million is recoverable from Instaphone, U-fone and Telecard which is all subjudice in the Supreme Court of Pakistan. **Audit may verify the recovered amount.**

b) **AUDIT PARA 1.13 (PAGE 18-AR)**
NON-RECOVERY OF OUTSTANDING DUES FROM RADIO BASE SERVICES AMOUNTING TO RS 34.021 MILLION

Audit pointed out that according to Rule 26 of GFR Vo1-I, it is the duty of Controlling Officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account. Section 30 of Pakistan Telecommunication(Re-organization), Act, 1996 requires that all fees, fines or other amounts due or payable to the Authority may recovered as arrears of land revenue. Pakistan Telecommunication Authority did not recover an amount of Rs 34,020,565 from RBS operators during the year 2007-08. The

record/files provided indicated that Authority did not take any action for prompt recovery from the RBS operators.

The PAO explained that out of recoverable amount of Rs. 34.021 Million an amount of Rs. 9.481 Million has been recovered leaving a balance recoverable of Rs. 24.533 Million. These recoverable amounts pertain to Government Departments.

PAC DIRECTIVE

These paras were settled subject to verification of full recovery by Audit.

10. a) **AUDIT PARA 1.18 (PAGE 23-24-AR)**
IRREGULAR PAYMENT ON ACCOUNT OF HONORARIUM (PROFICIENCY INCENTIVE) RS 4.079 MILLION

Audit pointed out that according to the Economic Committee's decision circulated by the Finance Division vide O.M No.F-2(2)R-4/95, dated 22nd June, 1995 duly confirmed vide U.O NO.O.M No. 4(2)/R-99, dated 12th January, 2005, the honorarium is admissible up to the level of Section Officer and equivalent. The Cabinet Division Letter No.3/3/2006-RA-I/PTA ,dated the 30th December, 2008 stipulates that all Corporations, Autonomous Bodies etc. are bound to follow Government Policies Guidelines issued form time to time. Further, the Consultants Management Trainees are not entitled to receive honorarium/proficiency incentive according to the terms and conditions of their appointments and there is no provision in the Rules for the grant of proficiency incentive/honorarium to daily wagers. DAC in its meeting held on 1st December, 2008 had already directed to recover the amount paid on this account to Consultants Management Trainees and Daily Wagers. Contrary to the above, PTA Headquarter paid an amount of Rs. 4,079,584 on account of proficiency incentive/honorarium to officers of BPS-19 and above including Consultants Management Trainees and Daily Wagers during 2007-08.

The PAO explained that Section 10 of the Act empowers PTA to frame Regulations for employees. Regulation 82 of Employee Service Regulation 2007 allows payment of such honorarium. The amount paid was provided for in the approved budget of the respective year.

b) **PARA 1.20 (PAGE 27-AR)**
UNDUE PAYMENT ON ACCOUNT OF CASH REWARD RS 7.257 MILLION

Audit pointed out that according to the Finance Division O.M No.F-8(5)R-12/80(R-14)/2002-154, dated 18th March, 2002, the payment of cash reward/bonus to the employees by the Corporations, Autonomous/Semi Autonomous Bodies could not be made as customary but it would be on the basis of profit earned and as reflected in the annual audited accounts of the organization. Further, the minutes of meeting of the Inter Ministerial Committee held on 27-11-2008 issued by the Cabinet Division clearly states that all Corporations, Autonomous Bodies etc. are bound to follow Government policies/guidelines issued from time to time.

The PAO explained that Section 10 of the Act empowers PTA to frame Regulations for employees. Regulations 82 of Employee Service Regulations 2007 allow payment of such cash reward. The amount paid was provided for in the approved budget for the respective year.

c) **PARA 1.21 (PAGE 27-28-AR)**
IRREGULAR EXPENDITURE ON ACCOUNT OF EXTRA ALLOWANCES AND FINANCIAL BENEFITS RS 6.890 MILLION

Audit pointed out that according to Finance Division (Regulation Wing) O.M No.F.4(15)R-4/04, dated the 17th January, 2007, all the existing allowances shall be merged with the new Basic Pay, hence would cease to be admissible upon introduction new scales except those allowances, which have been shown in the New Pay Scales, or any other allowance, which the competent authority may approve from time to time, with the concurrence of Finance Division. Contrary to

the above, PTA Headquarter, Islamabad paid an amount of Rs 6,890,055 on account of Recreation Leave Salary and Cost of Living Allowance during 2007-08. Therefore, the payment made on this account stands irregular.

The PAO explained that the payment was made in accordance with powers vested in PTA under Section 10 of the Act and Regulation 36 of Employee Service Regulations 2008. However, Cost of Living Allowance (CLA) has been discontinued in view of the same having been provided in the approved pay package by Finance Division.

PAC DIRECTIVE

The paras were clubbed and given one month's time to the Secretary for getting a final response from the Attorney General of Pakistan and M/O Law & Justice regarding the service rules, regulations etc.

11. **PARA 1.26(PAGE 34,35 & 36-AR)**
IRREGULAR PROMOTION/APPOINTMENTS IN CONTRAVENTION OF SERVICE REGULATIONS

Audit pointed out that PTA Headquarter, Islamabad sent its Service Regulation 2000 vide No. 13-1/98(Admn)/ PTA, dated 23-08-1999 to Establishment Division for approval through its Administrative Ministry i.e. "Ministry of Communication". The Establishment Division had approved the PTA employees Service Regulations 2000 with certain modification/ amendments vide letter No.6/5/98-R-3, dated 7th February, 2000 duly circulated by the Ministry of Communication vide letter No.1 (6)/98-PTC.1, dated 9th February, 2000. Neither the concurrence of the Finance Division was sought nor the Regulations 2000, were notified in the Gazette by the PTA. It was 2004 when PTA incorporated radical changes in the Service Regulations 2000 and notified the same as "PTA Employees Service Regulations 2004" without approval of the Establishment Division and Finance Division.

The PAO explained that section (10) 3 of the Act revealed that "The Authority may make regulations for appointment, promotion, termination and other terms and conditions of employment of its employees". PTA Employee Service Regulations 2004 were revised in the year 2007 and PTA Employee Service Regulations 2007 were duly gazette notified. Promotions were made in accordance with the provisions of Regulation 17(2) of the said Regulations. The Regulation 5(2) of the PTA Employees Service Regulations 2004 (prevalent at that time), empowered the Chairman PTA to create/sanctioned. The post of DEPO was advertised on 22.01.2004 and the process of recruitment was completed in April 2004. Meanwhile the said post DEPO was renamed as Assistant Director Software with the approval of Chairman PTA. The provisions of regulations 16(3) of the PTA employees Service Regulations 2004 empowered the Chairman PTA to modify the qualification criteria of a post.

PAC DIRECTIVE

The Chairman PAC directed the Secretary to fix responsibility for deviation from its own laid down criteria for appointment and promotion and get the employees service regulations approved from the relevant forum with in one month.

12. **AUDIT PARA 1.19 (PAGE 25-AR)**
EXCESS PAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE AMOUNTING TO RS 17.354 MILLION

Audit pointed out that the Finance Division has approved the pay package of PTA vide O.M No.F.4(15)R-4/04, dated 17th January, 2007 but the House Rent Allowance @60% on the running Basic Pay was not approved and mentioned that it will be dealt separately. Hence, as per rule House Rent Allowance @ 45% of the initial Basic Pay of the scale is admissible to Officers/Officials till the approval of Finance Division. Since HRA rates were not settled in the approved pay package, PTA Headquarter was required to follow the instructions of Federal Government when the decision was pending with Finance Division for payment of HRA at enhanced rates. In the absence of clear instructions, the management continued the practice of paying House Rent Allowance at excessive rates

(i.e @ 60% of running basic pay) which resulted in an over payment of Rs 17,354,493 during 2007-08.

The PAO explained that the House Rent Allowance, as approved by Finance Division in September 2009 has been implemented. Previously it was paid at the rate approved by the Authority, empowered to do so under Section 10 of the Act. Further, the principle of "no recovery no arrear" remains applicable as approved by Finance Division and no recovery in the case is involved.

PAC DIRECTIVE

The Secretary was directed to fix responsibility and recover the amount involved in the light of DAC directive dated 29th May, 2009 and 6th March, 2010. Report to be submitted in one month.

13. **PARA 1.24 (PAGE 30,31 & 32-AR)**
IRREGULAR APPOINTMENT OF DIRECTOR (ECONOMIC STUDIES)

Audit pointed out that as per advertisement the service men required to forward the applications through proper channel from their respective officer and required qualification for the post of Director Economic Studies was First Class Master's Degree in Economics, or MBA with specialization in Economic Studies. According to the Establishment Division O.M No.1/21/76-AR-II dated 18-06-1980 and amended vide O.M of even number dated 10-04-1981, the current charge arrangement should not be made for a period of less than one month and should not exceed three months. However, it may be extended by another three months with the approval of the next higher authority.

The PAO explained that the there was no need of the proper channel in the case of a private sector employee, His selection against the post was made by a board fully competent to do against any of the advertise post. The officer has already left PTA. Furthermore, in the presence of power given in PTA Act approval of Employees Service Regulations is not required as it stands approved by the Authority.

PAC DIRECTIVE

The PAC settled the para.

14. **PARA 1.25 (PAGE 32,33 & 34-AR)**
IRREGULAR PROMOTION AND GRANT OF ACTING CHARGE AS D.G LAW & INADMISSIBLE PAYMENT ON ACCOUNT OF CURRENT CHARGE

Audit pointed out that according to the advertisement and PTA Service Regulations 2004, the requisite qualification for the post of Director Law was Post Graduate in Law (LLM) or Barrister at Law with seven years experience in commercial law and litigation as an Advocate of High Court. Moreover, according to the Establishment Division O.M NO. 1/21/76-AR-II, dated 18-06-1980 and amended vide OM of even number, dated 10-04-1981, the current charge arrangement should not be made for a period of less than one month and should not exceed three months. However, it may be extended by another three months with the approval of the next higher authority. One post of Director Law was advertised and out of 32 short listed candidates, two were appointed as Director (Law-I & II), two as Deputy Directors (Law) and three were reserved. The advertisement was given only for one post of Director Law whereas one Director and two Deputy Directors (Law) were selected without advertising the post. The officer was granted current charge of DG (Law) w.e.f 30-04-2003 just after his joining as Director. The officer remained on current charge up to 30-06-2004 in violation to the above provision and an unauthorized payment of Rs. 24,000 was made. The officer was appointed as D.G (Law) on acting charge basis w.e.f 01-07-2004 without holding of DPC. The officer was further promoted as D.G (Law) on regular basis vide No.1-1/04-Estt: (Admn)/PTA dated 26-10-2004 without DPC. Moreover, the prescribed length of service for promotion was not observed.

The PAO explained that the promotion and grant of current charge was given by the competent board fully empowered under the Act as well as Regulations to do so. According to the Act no further approval of PTA Employee Service Regulations is required as it stands approved by the PTA.

PAC DIRECTIVE

The Chairman, Public Accounts Committee directed the Secretary to fix responsibility for deviation from its own laid down criteria for appointment and promotion and get the Employees Service Regulations approved from the relevant forum within one month. It was also directed that recovery may be made on account of current charge payment and further if any due to wrong promotion.

Further, while examining the Audit Paras relating to PTA, the PAC took serious notice for violation of rules & regulations and directed the Secretary/PAO, Cabinet Division **to take action for placing the name of the Ex-Chairman, Pakistan Telecommunication Authority on Exit Control List,** have an assessment of his assets carried out and indicate gratuity/pension, which he is drawing as retired General. The Cabinet Secretary may also indicate how the Public Accounts Committee can take effective action against the Ex-Chairman.

FREQUENCY ALLOCATION BOARD (FAB)

15. a) **PARA 2,2.1, PARA 2.2(PAGE 37 & 38-AR)**
IRREGULAR EXPENDITURE OF RS. 1.628 MILLION OF VEHICLES

Audit pointed out that according to Cabinet Division letter NO. 6-7 (1)/02-M-II, dated 22.07.2005 read with letter No.6-7(1)/ 02-M-II, dated 07.01.06, the powers to sanction purchase of vehicle(s) in replacement of the condemned vehicles are restricted to the Secretary of the concerned Ministry/Division only. The Subordinate Offices/Attached Departments will obtain approval of the Secretary Incharge of their respective Ministry/Division and approval of the "Vehicle Committee" comprising of Additional Secretary (Exp), Finance Division, (Chairman), Joint Secretary, Military Wing, (Member) and Joint Secretary (Admn) concerned Ministry will be obtained for all additional vehicles whether authorized or otherwise.

The PAO explained that the case of purchase of vehicles was sent to PTA and PTA being Administrated Organization of the Frequency Allocation Board conveyed approval of the Chairman PTA. However, in compliance to the DAC directives, the Cabinet Division asked the PTA to fix responsibility for violating the Government instructions. Cabinet Division after going through the case and comments of PTA decided to place the para before PAC.

b) **AUDIT PARA 2.3 (PAGE 38 & 39-AR)**
IRREGULAR EXPENDITURE OF RS. 2.537 MILLION ON ACCOUNT OF TA/DA ON FOREIGN TOURS

Audit pointed out that according to Cabinet Division Circular No F-9-148/2002-Min, dated 19.02.2003 and No. 7/25/2006-RA-I/PTA, dated 18.01.2007, foreign tours are only allowed to officers/officials with prior approval of the Cabinet Division. Frequency Allocation Board, Islamabad incurred an expenditure of Rs 2,536,508 on account of TA/DA on foreign tours without the approval of the Cabinet Division in violation of the above circulars.

The PAO explained that all Summaries of foreign visits in respect of FAB employees were submitted to PTA being Administrative Organization of the Frequency Allocation Board who conveyed approval of the Chairman PTA. However, in compliance to the DAC directives the Cabinet Division asked the PTA to fix responsibility for violating the Government instructions. Cabinet Division after going through the case and comments of PTA decided to place the para before PAC.

PAC DIRECTIVE

These paras were clubbed together as they are similar in nature to the paras relating to service rules, regulations etc. of the Pakistan Telecommunication Authority and the same decision would apply to them as given by the Ministry of Law and Justice for PTA.

16. **AUDIT PARA 2.6 (PAGE 41 & 42-AR)**
EXCESS PAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE AND SUBSIDY THEREON AMOUNTING TO RS 12.104 MILLION

Audit pointed out that House Rent Allowance @ 45% on the running basic pay was not approved by the Finance Division vide O.M No. F.4 (15) R-4/2004 (Vol-II), dated 26.08.2008 and Cabinet Division's Notification No.3/5/2004-RA-1/PTA, dated 25th July, 2007. However, according to Finance Division letter No. F.1 (1) Imp/2005, dated 1st July, 2005, House Rent Allowance @ 45% of the minimum of Pay Scale is admissible to the Officers/Officials of the Federal Government and Corporation etc.

Frequency Allocation Board continued the practice of paying House Rent Allowance @ 45% of running Basic Pay and subsidy on House Rent Allowance @ 15% amounting to Rs 12,104,010 during 2007-2008.

The PAO explained that 45% House Rent Allowance on running Basic Pay and subsidy thereon were extended in line with PTA and any revision of pay package by PTA is applicable to the employees of Frequency Allocation Board.

PAC DIRECTIVE

The Secretary was directed to fix responsibility and recover the amount involved in the light of DAC directives dated 29th May, 2009 and 6th March, 2010. Report to be submitted in one month.

PAKISTAN TELECOMUNICATION AUTHORITY

17. i) **AUDIT PARA 1.10 (PAGE 15-AR)**
DIFFERENCE OF FIGURES IN BILLING AND RECEIVABLE LEDGER – RS 404.123 MILLION

ii) **AUDIT PARA 1.11(PAGE 16-AR)**
LOSS OF REVENUE DUE TO ILLEGAL TERMINATION OF INTERNATIONAL TRAFFIC & DSL USING VOIP – RS 58.400 MILLION

iii) **AUDIT PARA 1.14 (PAGE 19-AR)**
OUTSTANDING DUES OF – RS 6.558 MILLION AGAINST CPPS, ISPS AND OTHERS

iv) **AUDIT PARA 1.15(PAGE 19-20-AR)**
NON RECOVERY OF OUTSTANDING DUES AMOUNTING TO RS 692.346 MILLION ON ACCOUNTS OF APC FOR USF AND R&D

v) **AUDIT PARA 1.23(PAGE 29,30-AR)**
INADMISSIBLE/EXCESS PAYMENT ON ACCOUNT OF FOREIGN TOURS – RS 187,414

FREQUENCY ALLOCATION BOARD

vi) **AUDIT PARA 2.4(PAGE 39,40-AR)**
IN-ADMISSIBLE PAYMENT OF – RS 3.507 MILLION ON ACCOUNT OF SPECIAL RELIEF ALLOWANCE/COST OF LIVING ALLOWANCE

PAC DIRECTIVE

On the presentation of above paras, the PAC directed the PAO to implement the DAC decision

PAKISTAN TELECOMUNICATION AUTHORITY

18. i) **AUDIT PARA 1.16 (PAGE 21-AR)**
NON-RECOVERY OF – RS 34.747 MILLION FROM M/S INSTAPHONE

ii) **AUDIT PARA 1.17 (PAGE 21,22, & 23-AR)**
IRREGULAR EXPENDITURE ON ACCOUNT OF PURCHASE OF LAPTOPS – RS 3.657 MILLION AND NON-IMPOSITION/ RECOVERY OF PENALTY – RS 182,867

iii) **AUDIT PARA 1.22(PAGE 28,29-AR)**
INADMISSIBLE PAYMENT ON ACCOUNT OF LEAVE ENCASHMENT RS 29.045 MILLION

FREQUENCY ALLOCATION BOARD

iv) **AUDIT PARA 2.5(PAGE 40,41-AR)**
INADMISSIBLE EXPENDITURE OF – RS 7.448 MILLION ON ACCOUNT OF LEAVE ENCASHMENT

PAC DIRECTIVE

On the presentation of above paras, the PAC settled the above paras.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 07-12-2010 to examine the CDA land scams.

i) **CDA LAND SCAMS**

The PAC decided to constitute a Special Committee under Chairmanship of Mrs. Yasmeen Rehman, MNA and including Mr. Saeed Ahmed Zafar, MNA and Mr. Ayaz Sadiq, MNA. Concerned media persons, a senior representative of CDA and Additional Secretary, Cabinet may be associated with the committee which will give a report on news reports regarding CDA land scams **in one month time.**

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 17-01-2011 to examine the Audit Report for the year 2008-09.

CDA LAND SCAMS (Item 1)

Regarding report appearing in section of the press about issuance of 900 letters of allotment in two days by the CDA to the affectees of Kurri town in model village Kurri, the Committee observed that their was a lapse in the system and CDA generally had a laid back approach, taking lukewarm action against those found responsible. The CDA has also denied all media reports regarding various Land Scams in Islamabad. It was also

noted that the Cabinet Division, being the controlling authority for CDA, does not take any notice of such happenings in the CDA.

The Chairman, CDA informed that an inquiry committee was immediately setup and the officer was suspended and sent back to the Establishment Division. The allotments were cancelled, new procedures have been evolved and allottees have been informed, through press, to come to CDA with their documents for verification, etc. He assured that no land has yet been transferred.

The Chairman, PAC directed the Secretary, Establishment Division to inform the Committee about the constitution of the Inquiry Committee **within one week.** He was also directed that Inquiry Committee may be given a time schedule for completion of inquiry.

Issues regarding Nursery Plots and Malpur Land Scams were not discussed in detail as a Special Committee is already dealing with these issues.

AUDIT REPORT ON THE ACCOUNTS OF TELECOMUNICATION SECTOR FOR THE YEAR 2008-09

PAKISTAN TELECOMUNICATION AUTHORITY (Item 2)

1. i) **PARA 1.4 (PAGE 7-8-AR)**
IRREGULAR EXPENDITURE ON PURCHASE OF VEHICLES RS 10.139 MILLION

Audit pointed out that the PTA incurred an expenditure of Rs 10,139,000 on purchase of vehicles in violation of Cabinet Division's letter No. 6-7(1)02-M-IIO dated 22nd July, 2005 & 7th January, 2006.

The Ex-Chairman, PTA stated that the PTA Act 2006, authorized him as Chairman to acquire any moveable or immovable property and therefore he required no further permission.

ii) **PARA 1.5 (PAGE 8-9-AR)**
IRREGULAR EXPENDITURE ON ACCOUNT OF FOREIGN TA/DA RS.5.043 MILLION

Audit pointed out that according to the Cabinet Division Circular No.F-9-148/2002-Min, dated 19th February, 2003 and letter No.7-25/2006-RA-I/PTA dated 18th January, 2007, the visits abroad by Officers/officials up to and including BPS-20 and their equivalent working in Autonomous/Semi Autonomous Bodies and where no Government Funding is involved, Secretary/Additional Secretary In-charge of Ministry/Division concerned will be competent to accord permission for foreign tours. PTA Headquarter continued the practice of irregular payment on account of foreign TA/DA. An amount of Rs.5, 043,396 was paid to the officers of various categories on this account during 2007-08 in violation to the standing order of the cabinet Division and DAC decisions on previous reports.

The PAO informed the PAC that the PTA has again requested M/o Law, Justice & Parliamentary Affairs for Ruling from Attorney General of Pakistan.

PAC DIRECTIVE

The PAC directed the PAO to implement the PAC directive given in its meeting held on 20th September, 2010. The PAC further directed that the PTA Act needs to be revisited in order to stream line its functions as per Government Rules and Regulations. PAC pended the para with the directive to Ex-Chairman to appear before PAC again in the next meeting.

2. **PARA 1.6 (PAGE 9-11-AR)**
MISUSE OF PUBLIC MONEY AMOUNTING TO RS 2.133 MILLION

Audit pointed out that IT inventory record shows that luxury items like Camera, Exercise Machine, Cell Phones, Diesel Generator, Lap tops and telephone sets worth Rs 2,132,629 were purchased and issued to the Ex-Chairman at the cost of public money. The officer had been retired from PTA but the items were not received back.

The Ex-Chairman, PTA explained that al the items listed by the Audit Office were not in his personal possession and only admitted his mistake regarding purchase of exercise machine.

PAC DIRECTIVE

The PAC directed to inform the PAC Secretariat as to who was using the lap tops and telephones, whether they were authorized to do so and how and under whose authority these items were released to them. The information may be submitted **within three days**. It was further directed that those officer/officials who were in possession of the above items may be called in the next meeting of the PAC.

3. **PARA 1.7 (PAGE 11-12-AR)**
NON-RECOVERY ON ACCOUNT OF PAY & ALLOWANCES AND HOUSE BUILDING ADVANCE RS.2.825 MILLION

Audit pointed out that personal file of the Director General (Technical Services) was examined and found that the officer was working as Executive Director (FAB) on deputation basis and was repatriated to Army on 20-07-2003. He was struck off from duty w.e.f 31-08-2003 from Army and granted LPR. During LPR period, he was appointed as Consultant in PTA w.e.f 01-11-2003 to 01-04-2004 without NOC from Army. He was appointed as Director General in PTA on contract basis for a period of 3 years form 02-04-2004 onwards. An overpayment of Rs 1,588,762 was made to the officer due to wrong fixation of pay. He was granted HBA without his entitlement being employed on contract basis. An amount of Rs 1,136,398 outstanding balance of HBA was not recovered prior to acceptance of his resignation.

The PAO informed that case is being pursued vigorously by PTA in the Lahore High Court. Case was fixed for hearing on 10-11-2010 and 22-11-2010 but adjourned for 8-12-2010 due to non availability of petitioners counsel.

PAC DIRECTIVE

PAC took serious note regarding non-implementation of PAC directives and directed the PAO to fix responsibility for acceptance of resignation before recovery of outstanding loan. Further the terms and conditions of employment of Ex-Army Officer be looked into and end of service benefits if available to the officer be casted according to the approved pay package of 2007 and finalize the case **within two weeks time.** Further the recovery may be ensured.

4. **AUDIT PARA 1.8 (PAGE 12-13-AR)**
EXCESS PAYMENT ON ACCOUNT OF PAY & ALLOWANCE RS.1.556 MILLION

Audit pointed out that the pay bills revealed that Chairman and Members were drawing salary in MP-I and MP-II scales respectively but the allowances were drawn according to the PTA's approved pay package. According to para 2(i) of approved pay package, the utility allowance & medical allowance of SEG-3 were fixed at the minimum of the pay scale but the officers were drawing the same on running basic pay which is violation of the Finance Division's instructions. An amount of Rs. 1,555,680 was calculated on this account as excess payment for the year 2007-08.

The PAO informed the PAC that brief on pay & allowances of the Chairman/Members of PTA has been sent to Cabinet Division for onward submission of the same to standing Committee of Finance Division on Pay & Allowances.

PAC DIRECTIVE

The para is related to violation of PTAs own Rules and Regulations. In fact, it was observed that PTA management was not following any Government Rules and was

making its own decisions, some of them in violations of their own rules, to suit individual convenience. It was directed that the Cabinet Secretary may ensure that under the Act, Regulatory Authorities, Organizations should be asked to follow financial propriety and implementation of Rules and Regulations, which should apply across the board and should be same for all such Organizations. It was also directed that the PTA may submit the details of its last budget to the PAC Secretariat. The PAC further directed to implement the decisions of the PAC taken in its meeting held on 20th September, 2010 ensuring recovery of overpaid amount within two weeks.

5. **AUDIT PARA 1.9 (PAGE 13-14-AR)**
UNAUTHORIZED RETENTION OF OFFICIAL VEHICLES HAVING VALUE OF RS.2.479 MILLION

Audit pointed out that according to the approval of the then Administrative Ministry (Ministry of Communications), the officers of Grade 20 and above on normal retirement is entitled for vehicles on book value on the pattern of PTCL. The officers on deputation, move-over or contract are ineligible for vehicles on book value. Vehicle No.GK-969 and GA-963 amounting to Rs. 2.479 million were handed over to Ex-chairman PTA and Ex-DG in violation of PTA rules.

The PAO explained that Ex-DG was directed to return the official vehicle on 11th October, 2010 so that an FIR can be lodged, if the vehicle is not returned. The officer filed an appeal in the Lahore High Court at Rawalpindi Bench. The Court has suspended the operations regarding retention of PTA vehicles. In view of the above FIR can not be lodged.

PAC DIRECTIVE

The PAC observed that no serious efforts were made by the PTA to retrieve the vehicle, unauthorizedly given to Ex-Director General Brig. (R) Mazhar Qayyum, and, in fact he was given a chance to safe guard himself. It was also observed that in the first place, the Officer was not entitled to a car on resignation. The PAC directed that the PAO may ensure recovery of the car within two weeks and also initiate an inquiry as to under what

policy the officers were given cars in the first place. The terms and conditions of service of PTA employees were asked to be sent to the PAC Secretariat for circulation to all Members. It was also directed that the Board members will be asked to appear before the next PAC.

5. i) **PARA 1.1 (a) (b) (PAGE 1-AR)**
COMMENTS ON ACCOUNTS

ii) **PARA 1.2 (PAGE 5-6-AR)**
NON-DEPOSIT OF SURPLUS IN TO FEDERAL CONSOLIDATED FUND AMOUNTING TO RS 702.177 MILLION

iii) **PARA 1.3 (PAGE 6-7-AR)**
EMBEZZLEMENT OF RS 80.174 MILLION BY EX-DIRECTOR GENERAL (FINANCE)

iv) **PARA 1.5 (PAGE 8-9-AR)**
IRREGULAR EXPENDITURE ON ACCOUNT OF FOREIGN TA/DA RS.5.043 MILLION

v) **PARA 1.12 (PAGE 16-17 & 18-AR)**
NON RECOVERY OF RS 240.196 MILLION FROM MOBILE & TELECOM OPERATORS

vi) **PARA 1.13 (PAGE 18-AR)**
NON-RECOVERY OF OUTSTANDING DUES FROM RADIO BASE SERVICES AMOUNTING TO RS 34.021 MILLION

vii) **PARA 1.18 (PAGE 23-24-AR)**
IRREGULAR PAYMENT ON ACCOUNT OF HONORARIUM (PROFICIENCY INCENTIVE) RS 4.079 MILLION

viii) **PARA 1.19 (PAGE 25-AR)**
EXCESS PAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE AMOUNTING TO RS 17.354 MILLION

ix) **PARA 1.20 (PAGE 27-AR)**
UNDUE PAYMENT ON ACCOUNT OF CASH REWARD RS 7.257 MILLION

x) **PARA 1.21 (PAGE 27-28-AR)**
IRREGULAR EXPENDITURE ON ACCOUNT OF EXTRA ALLOWANCES AND FINANCIAL BENEFITS RS 6.890 MILLION

xi) **PARA 1.25 (PAGE 32, 33 & 34-AR)**
IRREGULAR PROMOTION AND GRANT OF ACTING CHARGE AS D.G LAW & INADMISSIBLE PAYMENT ON ACCOUNT OF CURRENT CHARGE

xii) **PARA 1.26(PAGE 34,35 & 36-AR)**
IRREGULAR PROMOTION/APPOINTMENTS IN CONTRAVENTION OF SERVICE REGULATIONS

PAC DIRECTIVE

The Public Accounts Committee pended all the above paras and directed the PAO to implement the directives of the PAC given in its meetings held on 29th April & 20th September, 2010. The Special Committee of PAC on implementation and Monitoring will review the implementation status of PAC directives.

ACTIONABLE POINTS

Actionable Points arising from the discussions of the PAC meeting held on 16-06-2011 to examine the Audit Report for the year 2008-09.

AUDIT REPORT ON THE ACCOUNTS OF TELECOMUNICATION SECTOR FOR THE YEAR 2008-09

PAKISTAN TELECOMUNICATION AUTHORITY

1. i) **PARA 1.4 (PAGE 7-8-AR)**
IRREGULAR EXPENDITURE ON PURCHASE OF VEHICLES RS 10.139 MILLION

Audit pointed out that the PTA incurred an expenditure of Rs 10,139,000 on purchase of vehicles in violation of Cabinet Division's letter No. 6-7(1)02-M-IIO dated 22nd July, 2005 & 7th January, 2006.

The PTA management informed the PAC that the response/advice from M/o Law and Justice is still awaited.

ii) **PARA 1.5 (PAGE 8-9-AR)**
IRREGULAR EXPENDITURE ON ACCOUNT OF FOREIGN TA/DA RS.5.043 MILLION

Audit pointed out that according to the Cabinet Division Circular No.F-9-148/2002-Min, dated 19th February, 2003 and letter No.7-25/2006-RA-I/PTA dated 18th January, 2007, the visits abroad by Officers/officials up to and including BPS-20 and their equivalent working in Autonomous/Semi Autonomous Bodies and where no Government Funding is involved, Secretary/Additional Secretary In-charge of Ministry/Division concerned will be competent to accord permission for foreign tours. PTA Headquarter continued the practice of irregular payment on account of foreign TA/DA. An amount of Rs.5, 043,396 was paid to the officers of various categories on this account during 2007-08 in violation to the standing order of the cabinet Division and DAC decisions on previous reports.

The PAO informed the PAC that the PTA has again requested M/o Law, Justice & Parliamentary Affairs for Ruling/Advice from Attorney General of Pakistan.

PAC DIRECTIVE

The committee noted that the advice from the M/o Law and Justice is still awaited, and, therefore the paras were kept pending till the receipt of this advice.

2. **PARA 1.6 (PAGE 9-11-AR)**
MISUSE OF PUBLIC MONEY AMOUNTING TO RS 2.133 MILLION

Audit pointed out that IT inventory record shows that luxury items like Camera, Exercise Machine, Cell Phones, Diesel Generator, Lap tops and telephone sets worth Rs 2,132,629 were purchased and issued to the Ex-Chairman at the cost of public money. The officer had been retired from PTA but the items were not received back. The PTA management apprised the PAC that most of the equipments have been received back and recoveries against non returned items have been made from the Ex-Chairman PTA.

PAC DIRECTIVE

The para was settled, subject to verification of recoveries made by Audit and the direction that in future clear entitlement of officers of PTA may be laid down and due prudence may be observed in making purchases for the Department.

3. **PARA 1.7 (PAGE 11-12-AR)**
NON-RECOVERY ON ACCOUNT OF PAY & ALLOWANCES AND HOUSE BUILDING ADVANCE RS.2.825 MILLION

Audit pointed out that personal file of the Director General (Technical Services) was examined and found that the officer was working as Executive Director (FAB) on deputation basis and was repatriated to Army on 20-07-2003. He was struck off from duty w.e.f 31-08-2003 from Army and granted LPR. During LPR period, he was appointed as Consultant in PTA w.e.f 01-11-2003 to 01-04-2004 without NOC from Army. He was appointed as Director General in PTA on contract basis for a period of 3 years from 02-04-2004 onwards. An overpayment of Rs 1,588,762 was made to the officer due to wrong fixation of pay. He was granted HBA without his entitlement, being employed on contract basis. An amount of Rs 1,136,398 outstanding balance of HBA was not recovered prior to acceptance of his resignation.

PAC DIRECTIVE

The Public Accounts Committee noted with serious concern the non implementation of PAC directives and again directed the PAO to fix responsibility for acceptance of resignation of concerned officer, before recovery of outstanding loans given to him. The terms and conditions of employment of ex-army officer and end of service benefits may also be looked into and recovery may be ensured. A report in this respect may be submitted to the PAC Secretariat and Audit **within 07 days** failing which sterner action will be taken by the PAC.

4. **PARA 1.8 (PAGE 12-13-AR)**
EXCESS PAYMENT ON ACCOUNT OF PAY & ALLOWANCE RS.1.556 MILLION

Audit pointed out that the pay bills revealed that Chairman and Members were drawing salary in MP-I and MP-II scales respectively but the allowances were drawn according to the PTA's approved pay package. According to para 2(i) of approved pay package, the utility allowance & medical allowance of SEG-3 were fixed at the minimum of the pay scale but the officers were drawing the same on running basic pay which is violation of the Finance Division's instructions. An amount of Rs. 1,555,680 was calculated on this account as excess payment for the year 2007-08.

The PAO informed the PAC that some recoveries have been made in pursuance of PAC directives dated 17-01-2011.

PAC DIRECTIVE

The para was settled to the extent of recovery made and verified by Audit.

5. **PARA 1.9 (PAGE 13-14-AR)**
UN-AUTHORIZED RETENTION OF OFFICIAL VEHICLES HAVING VALUE OF RS.2.479 MILLION

Audit pointed out that according to the approval of the then Administrative Ministry (Ministry of Communications), the officers of Grade 20 and above on normal retirement is entitled for vehicles on book value on the pattern of PTCL. The officers on deputation, move-over or contract are ineligible for vehicles on book value. Vehicle No.GK-969 and GA-963 amounting to Rs. 2.479 million were handed over to Ex-chairman PTA and Ex-DG in violation of PTA rules.

The PAO explained that Ex-DG was directed to return the official vehicle on 11th October, 2010 so that an FIR can be lodged, if the vehicle is not returned. The officer filed an appeal in the Lahore High Court at Rawalpindi Bench. The Court has suspended

the operations regarding retention of PTA vehicles. In view of the above FIR can not be lodged and thus no recovery has been made so far.

PAC DIRECTIVE

The PAC showed its displeasure in non compliance of earlier directives and directed the PAO to fix responsibility on officers who have not followed the PAC directives in letter and spirit and have used delaying tactics. A final report may be sent to the PAC Secretariat **within 07 days positively.**

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 25-06-2011 to examine the Audit Report for the year 2008-09.

PAKISTAN TELECOMMUNICATION AUTHORITY

1. i) **PARA 1.7 (PAGE 11-12-AR)**
NON-RECOVERY ON ACCOUNT OF PAY & ALLOWANCES AND HOUSE BUILDING ADVANCE RS.2.825 MILLION

Audit pointed out that personal file of the Director General (Technical Services) was examined and found that the officer was working as Executive Director (FAB) on deputation basis and was repatriated to Army on 20-07-2003. He was struck off from duty w.e.f 31-08-2003 from Army and granted LPR. During LPR period, he was appointed as Consultant in PTA w.e.f 01-11-2003 to 01-04-2004 without NOC from Army. He was appointed as Director General in PTA on contract basis for a period of 3 years from 02-04-2004 onwards. An overpayment of Rs 1,588,762 was made to the officer due to wrong fixation of pay. He was granted HBA without his entitlement, being employed on contract basis. An amount of Rs 1,136,398 outstanding balance of HBA was not recovered prior to acceptance of his resignation.

ii) **PARA 1.9 (PAGE 13-14-AR)**
UN-AUTHORIZED RETENTION OF OFFICIAL VEHICLES HAVING VALUE OF RS.2.479 MILLION

Audit pointed out that according to the approval of the then Administrative Ministry (Ministry of Communications), the officers of Grade 20 and above on normal retirement is entitled for vehicles on book value on the pattern of PTCL. The officers on deputation, move-over or contract are ineligible for vehicles on book value. Vehicle No.GK-969 and GA-963 amounting to Rs. 2.479 million were handed over to Ex-chairman PTA and Ex-DG in violation of PTA rules.

The PAO informed that the cases are being pursued vigorously in the court of law. The PTA is filing appeal again the decision of Islamabad High Court.

PAC DIRECTIVE

The above two paras were clubbed together. The PAO/PTA was directed to go into appeal against the decision of Islamabad High Court and hold back all the payments to the persons concerned. It was directed that a report stating that this action has been completed may be provided to the PAC Secretariat by **Monday, 27th June, 2011.** It was also directed that, the directives of the PAC given on 20th September, 2010, 17th January and 16th June, 2011 for holding an inquiry for fixation of responsibility of irregular appointment during LPR of the Ex-Army Officer, and acceptance of resignation without recovery of House Building Advance, may be carried out immediately and a report may be submitted **within one week** to the Audit and PAC Secretariat.

The Chairman also directed that a special meeting of the PAC, on affairs of the Pakistan Telecommunication Authority, will be called by end of July, 2011, where the Cabinet Division, Establishment Division, M/O Finance and M/O Law & Justice will also be called to thrash out the Rules and Regulations of the Authority, to bring them in line with Government Rules.

2. **BESIDES ABOVE PARAS, THE PAC ALSO DISCUSSED FOLLOWING ISSUES PERTAINING TO CAPITAL DEVELOPMENT AUTHORITY, ISLAMABAD AND ISSUED CERTAIN DIRECTIONS:-**

i) **Capital Development Authority pending issues of Bani Gala**

The Acting Chairman, CDA informed the Committee, that all measures pointed out by the Special Committee have been taken by the CDA including holding of monthly meetings and visits for addressing Bani Gala issues by Member (Planning & Development) for addressing the grievances of Bani Gala residents. The progress was appreciated but it was pointed out that the information provided will be cross checked by the Implementation and Monitoring Committee.

Further, the total land in Lukhwal was taken as 359 Acres as informed to the House.

ii) **Nursery Plots**

The Chairman directed that a Special Committee under Mr. Nadeem Afzal Chan, MNA as Convener, Mr. Muhammad Pervaiz Malik, MNA and Mr. Noor-ul-Haq Qadri, MNA as members will examine all issues related to Nursery Plots, including the decisions of the Implementation and Monitoring Committee and their impl.ementation, in this issue. The said Committee will report back **in one month's time.** The Committee will also see the issue of 30 years lease or any manipulation in lease.

iii) **Leasing of Hoardings**

The Principal Accounting Officer tendered an unconditional apology to the Chairman and informed that the policy regarding leasing of hoardings which is governed under the Islamabad (Control of Advertisement) Regulations, 1977 will be examined afresh to include immediate removal of improper hoardings immediately and disciplinary action against the responsible (which is 7 days in the present policy) and also ensure that offensive/maligning bill-boards are not put up

in the first place. It was directed that a report of actions taken in this regard may be submitted to the PAC Secretariat and Audit **within one month.**

iv) **Award of Tenders for Toll Collection**

This issue will be discussed in the next meeting.

MINISTRY OF COMMERCE

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil) and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to Ministry of Commerce were taken up for examination by Public Accounts Committee on **25th May and 31st August, 2010.**

1.1 There were 35 paras and 2 grants reported by Audit. These were initially examined by the Departmental Accounts Committee (DAC) and then discussed in the meeting of the PAC. Grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry and on 20 paras the Committee directed the PAO to implement DAC recommendations while on 15 audit paras, the Committee gave directives. The PAC ordered recoverable sums amounting to **Rs. ----------** ---------- out of which a sum of **Rs. ----------** has been realized. The Committee directed the Ministry to affect the recovery within the stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives would be reviewed in future PAC sessions.

ACTIONABLE POINTS

Actionable Points arising out of the discussion of the PAC meeting held on 25th May, 2010 pertaining to the M/O Commerce on the Appropriation Accounts 2007-08 and Audit Report 2008-09 are as under:-

APPROPRITAION ACCOUNTS (CIVIL) VOL-I-2007-08

1. GRANT NO.15-COMMERCE DIVISION (PAGE 95-AA)

(Saving of Rs.14, 385,452)

Audit pointed out that the grant closed with a saving of Rs.14, 385,452 which worked out to 0.37 percent of the total grant.

The PAO explained the reasons of saving/excess as under:

i) Due to increase announced by the Government in pay of officers/officials.
ii) Due to non filling of vacant posts.
iii) Due to increase in the prices of commodities/POL etc.
iv) Due to non-payment of encashment to the retired staff members of this Ministry. Saving is also due to non-payment of arrears of pay bill of the various staff members, as the bill had been un-passed by the AGPR, Islamabad.

PAC DIRECTIVE

The PAC settled the grant with the direction to monitor the budgetary position of all the subordinate Deportments under the M/O Commerce in future to ensure zero excess zero saving.

2. **GRANT NO. 130-DEVELOPMENT EXPENDITURE OF COMMERCE DIVISION (PAGE 98-AA)**
(Saving of Rs.7, 189,094)

Audit pointed out that the grant closed with a saving of Rs. 7,189,094 which worked out to 0.45 percent of the total grant. An amount of Rs. 373,020,000 (23.62%) was surrendered resulting into net excess of Rs. 365,830,906 (23.16%).

The PAO explained saving/excess as under:-

i) Due to non filling of vacant posts.
ii) Due to increase in the prices of the commodities POLetc.
iii) Due to less expenditure incurred on postage and telegraph gas, water and electricity charges etc.
iv) Amount was to be paid as "Mobilization Advance" to a contracting firm M/S MIA Corporation (Pvt) Ltd. Karachi) for HVAC works, but could not be utilized due to backing out of the firm for doing the said work at later stage and non-approval to award the contract to the second lowest firm at that stage when surrender was not possible.

PAC DIRECTIVE

The PAC settled the grant.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

3. i) **PARA 2.1 (PAGE 17-AR)**
NON-AVAILABILITY OF RECORD OF TWO BANK ACCOUNTS WITH CREDIT BALANCE OF RS.664.437 MILLION

ii) **PARA 2.2 (PAGE 18-AR)**
EXPENDITURE RS. 162,760 MILLION NOT COVERED UNDER THE EXPORT DEVELOPMENT FUND ACT, 1999

iii) **PARA 2.3 (PAGE 19-AR)**
IRREGULAR/WASTEFUL EXPENDITURE OF RS.50 MILLION ON STUDIES ON DOMESTIC COMMERCE LESS DEDUCTION OF INCOME TAX RS. 0.25 MILLION

iv) **PARA 2.4 (PAGE 21-AR)**
IRREGULAR PURCHASE OF VEHICLES OUT OF EXPORT MARKET DEVELOPMENT FUND RS. 24.386 MILLION

v) **PARA 2.5 (PAGE 22-AR)**
NON-ACHIEVEMENT OF DESIRED RESULT FROM MASS AWARENESS CAMPAIGN ABOUT WTO REGIME RS. 9 MILLION

vi) **PARA 2.6 (PAGE 23-AR)**
UNAUTHORIZED EXPENDITURE OF RS. 1.477 MILLION ON ENTERTAINMEN

vii) **PARA 2.7 (PAGE 23-AR)**
IRREGULAR PAYMENT OF UK POUND 6,000 (RS.742,380) FOR MEMBERSHIP OF GOLF CLUB

viii) **PARA 2.8 (PAGE 24-AR)**
UNAUTHORIZED EXPENDITURE OF RS. 2.406 MILLION ON MOBILE PHONES

PAC DIRECTIVE

The PAC deferred the paras without discussion due to absences of Chairman, TDAP and taking a serious notice of his non-presence before the PAC, directed him to appear before the PAC on the very next day and explain the reasons for his absence. The Chairman TDAP appeared before the PAC on the next day and explained his position that he was not informed about the PAC meeting. The PAC directed him to discuss the paras in the DAC meeting in the first instance and prepare himself for responding the paras in the next PAC meeting.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN TABACCO BOARD

4. **NON-SUBMISSION OF ACCOUNTS**

PAC DIRECTIVE

The PAC deferred the para and directed to place the same on the day when the paras related to TDAP will be examined in the next meeting of the PAC.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

5. **PARA 5 (PAGE 14-ARPSE)**
NON-RECOVERY FROM SUNDRY DEBTORS RS. 9.563 MILLION

Audit pointed out that as per Para 38 of GFR Volume-I, it is the primary responsibility of the departmental authorities to see that all debts due to government, which have to be brought to accounts, are correctly and promptly assessed, realized and credited to public accounts.

The accounts of State Life Insurance Corporation of Pakistan (SLIC), show that dues amounting to Rs 9.563 million was outstanding against the Privatization Commission(PC) (since Department) w.e.f. December 31, 1999 and December 31, 2000.

The details are given below:-

S No.	Date	J.v No.	Particular	Due Amount
1	31-12-1999	6661	Amount receivable from Privatization Commission	5.502
2	31-12-2000	6659	Amount receivable from Privatization Commission shares of Burma Oil Mills Ltd. Delivered to Privatization Commission	4.061
			Total	**9.563**

(**Rs in million)**

The non-recovery of dues for a considerable period indicated loose internal controls within the organization.

The PAO explained that in 1992, Government of Pakistan had decided to privatize the following units, and, as a consequence State Life Insurance Corporation handed over its holdings in these companies to Privatization Commission on the bid price mentioned against each.

Name of Company	No. of Shares	Bid Price
Wazir Ali Industries	283,575	Rs 65.00 per share
National Motors	251,032	Rs 45.00 per share
Kakakhel Industries	58,930	Rs 112.00 per share
Metropolitan steel	1546,943	Rs 40.50 per share

Till July 1997, against bid value of Rs. 98,980,166. State Life received Rs.28,742,339. However, according to the statement of accounts provided by the Privatization Commission, after adjusting the bid prices due to the joint audit, Rs.7,714,469 were receivable from Privatization Commission. Rs. 1,672,421 were paid by PC vide cheque No.A-0 170577 dated 19th November, 2002 on account of State Life Insurance Corporation's share against Kakakhel Industries, Faisalabad. Further Rs.5,502,048 is receivable as State Lifes share on account of outstanding balance of PC from privatized unites, whereas Privatization Commission statements shows no amount payable to State Life vide their letter No.ACII/PC/SI.IC/300 dated March 5,2003.

State Life followed up the matter with Privatization Commission asking for sale proceeds of the privatized units. In April, 2001 Privatization Commission replied to State life that 994,048 shares of Burma Oil Mills were sold at the price of Rs.20,123,782 whereas Rs.158,939,980 have been paid on account of Golden Hand Shake to the ex-employees of the Company. Since Privatization Commission has over spent in this transaction, nothing is payable to State Life against the sale of this unit.

PAC DIRECTIVE

The PAC directed the PAO to resolve the matter, after negotiation between both the Privatization Commission and Audit, and report to the PAC within 15 days.

6. **PARA 6(PARA 15-ARPSE)**
NON-RECOVERY OF RENT FROM A TENANT RS.9.240 MILLION

Audit pointed out that as per escalation clause--2(a) of the Lease Agreement, finalized between State life Insurance Corporation (SLIC) and M/s Pakistan Telecommunication Corporation PTCL, the rent was to be increased to the extent of 25% after first 03 years and then 30% after every three years.

SLIC rented out a space of 10,000 sq.ft. situated at 4th floor, State Life Building No.05, Karachi to M/s PTCL on January 01, 1999 @ Rs 10 per sq.ft, with escalation, under terms clause 2(a) as mentioned above. Subsequently the Lease Agreement expired on December 31, 2001 and next renewal of Lease Agreement was due for the period from January 01, 2002 to December 31, 2004 with 25% increase which comes to Rs 125,000 per month and further renewal was due from January 01, 2005 to December 31, 2007 with increase of 30% which comes to Rs 162,500 per month.

The last payment was made from April, 2002 to March, 2003 with old rates i.e. Rs 100,000 per month, whereas no further payment was made by tenant onward as per above stated escalations clause. Hence the rent was required to be recovered amounting to Rs 9.240 million, with enhancement, as the tenant occupied the premises till Dec 2006. No effective steps were taken to recover the outstanding amount which showed favoring the tenant at the cost of the Corporation.

The matter was reported to Management in May 2009 and to the Ministry on June 06, 2006 but no reply was received.

The PAO explained that M/s. PTCL were occupying an area of 10,000 sft. On 4th Floor, State Life Building No.5, Karachi. As per their lease, their first term expired in 2002 and the rent had to be increased by 25% for the period 1-11-2002 to 31-12-2004 and at the rate of 30% increase thereafter for the period 1-1-2005 to 31-12-2005. M/s. PTCL did not increase the rent rate and kept on paying it at the original rate of Rs 100,000/- per month, that too they stopped after March, 2003, thus accumulating the outstanding rent. State Life has been in Constant touch with M/s. PTCL on this issue.

Recently, State Life, vide letter dated May 6, 2009, has once again launched its claim with PTCL. PTCL informed that they did not have any record of the tenancy as the same was lost during the process of privatization and, therefore, requested State life to submit them the required documentary proof of the last payment made by them. As this document pertains to 2003, State Life is in the process of searching the same form its dead files. Once the document is recovered it will be sent to PTCL for necessary action. It seems that PTCL may have to honour the claim of State Life in the near future

PAC DIRECTIVE

The PAC deferred the para with the direction to settle the matter with Audit and report within 15 days to the PAC.

7. **PARA 7 (PAGE 16-ARPSE)**
NON-RECOVERY OF OUTSTANDING RENT FORM TENANTS ABONORMAL DELAY IN EJECTMENT- RS. 1.795 MILLION.

Audit pointed out that as a matter of prudent estate management, the property whose tenants are not paying their dues should be got vacated and outstanding dues recovered promptly after receipt of Court orders in favour of property owner.

State Life Insurance Corporation (SLIC) succeeded to get orders form Court on July 15, 2004 regarding 3rd Floor State Life Building No.2 Karachi measuring 1247 sq feet in

favour of Corporation to vacate the property within 90 days of order and recovery of total outstanding rent of Rs 1,798,680 since date of possession. The ejectment application was sent by the Law Division of SLIC, to Real Estate Division (SLIC), on October 18, 2004, for grant of approval for filing the ejectment application and taking the possession of the owned property, but the approval was delayed abnormally as the former took 14 months for allowing the Law Division to file execution application in the court of law. Finally the Corporation got the premises vacated on November 20, 2007 but failed to recover the outstanding dues.

The PAO explained that M/S ANS Trading were a tenant of SLB-2, Karachi. They had left the office without clearing their dues of handing over the premises/Intimation to Real Estate. State Life had filed Ejectment case for possession and recovery of the said premises from M/s. ANS Trading. In light of the Order by the court, the tenant had to give the possession within 90 days which they failed to do and thus the possession of the premises was taken through Court Bailiff on 20-11-2007, however, as M/s. ANS Trading had already left the premise and their whereabouts were unknown, therefore, the recovery could not be done. State Life is making all efforts to locate M/s. ANS Trading or any of its properties so that the recovery may be done through Court by attachment of the assets.

PAC DIRECTIVE

The PAC deferred the para and directed to recover the remaining amount, hold inquiry, for fixing of responsibility and report within one month. The Ministry should have DAC meetings twice in a month as well as with Audit

TRADING CORPORTION OF PAKISTAN (PVT) LIMITED

8. **PARA 8.3(PAGE 18-ARPSE)**
AUDIT COMMENTS

The Audit pointed as that the External Auditor have pointed out in their report that as a result of merger for RECP (defunct) and CEC (defunct), a number of properties

(Godowns, Land etc.) have been taken over by TCP but the title of these assets had not been transferred in favour of TCP which needs to be done without further delay.

The PAO explained that TCP is trying its best to transfer the titles of properties (Godowns, land etc.) of defunct CEC & RECP which were taken over by TCP by virtue of merger of these corporations but due to some legal complications. i.e. in cases of RECP, the title of RECP's properties was also not in the name of RECP. Due to these complications, TCP has not succeeded as yet to transfer the title in its own favor. However, strenuous efforts are being made to remove these legal complications and it is hoped that they will soon succeed in transferring the title of these properties in the name of TCP.

PAC DIRECTIVE

The PAC deferred the para with the direction to let the Committee know about the detail of property in possession /not-in possession and up-date all the record, as pointed out by Mr. Aftab Shahban Mirani, MNA and report within one month to the PAC. Also consult Advocate General to assist in the matter.

9. **PARA 9 (PAGE 18-ARPSE)**
NON-RECOVERY OF INSURANCE CLAIM FORM NICL – RS. 120.245 MILLION.

The Audit pointed out that, as a matter of prudent business decision, any insured loss needs to be fully recovered and realized. Trading Corporation of Pakistan (TCP) stored 42,800 cotton bales at Rahim Yar Khan, RC Godown. Two fire incidents occurred in the Godown in April 2005, where 39,029 cotton bales were burnt. TCP lodged a claim with National Insurance Corporation Limted (NIC) for an amount of Rs 141.796 million in April 2005. the claim was not settled up to December 2006. TCP raised its claim of Rs 483.065 million by including markup and held number of meeting with senior official of NICL in this regard. However after lapse of tow and half year NICL offered Rs. 294.551 million against basic claim of TCP amounting to Rs 414.796 million, after imposing 25% penalty on the plea that TCP did not take precautionary measures to save the remaining

20,047 sound cotton bales which could have been be saved after first fire incident. Further the policy was obtained only for property damaged fire insurance and not for "consequential loss policy" hence NICL did not entertain TCP claim on account of markup etc.

However TCP received an amount of Rs. 294.551 million against their claim of Rs 414.796 million as a settlement in August 2008. Resultantly the Corporation sustained of Rs 120.240 million due to less recovery of insurance claim.

The matter was reported to the Management on January 16, 2009 and to the Ministry on June 5, 2009 but no reply was received.

The PAO replied that the NICL had earlier settled one fire claim of TCP on Sum Insured Value. In this particular case, NICL did not adopt same procedure as applied in other similar cases with private parties. in this matter TCP had already informed higher authorities (MOC) to intervene for settlement of their claim on Sum Insured Value.

The claim was settled after about two and half years with the approval of Executive Committee of the Board (CEB) of TCP conditionally (under protest). Such correspondence was sent to NICL which they (NICL) did not accept. This matter was again brought before the ECB that less amount may be accepted as NICL had already delayed this claim for years and TCP was continuously losing interest on principal amount.

It is apparent that NICL processed reduced claim due to its inherent difficulties of reinsurance policies etc and not due to any fault on part of TCP, which has been keeping adequate care of commodities kept in custody. As evident from the foregoing TCP left no stone unturned to firstly employ suitable measures for storage and secondly tried its level best to get insurance claim at sum insured value, but due to financial and reinsurance difficulties of NICL they did not fulfill their obligations and passed reduced claim.

PAC DIRECTIVE

The PAC directed the representatives of both companies to sit together hold enquiry, and fix responsibility and report within one month to the PAC.

10. **PARA 10 (PAGE 19-ARPSE)**
LOSS DUE TO NON-RECOVERY OF COST OF DAMAGE BAGS/SHORTAGES OF SUGAR FROM A HANDLING AGENT- RS.20.612 MILLION.

Audit pointed out that as per agreement with the handling agent under clause (i) of stevedoring "that handling agent shall arrange joint surveyor ship and cargo in presence of all attending surveyors including that of Trading Corporation of Pakistan (TCP) in order to assessing the quantity and quality of cargo before commencement and after completion of discharge".

TCP awarded a contract for supply of 50,000 M/Ton sugar to a firm, M/s India Exim Corporation in June 2006 through the local agent M/s Meshe International. The M.V. Adrekni Vessel was nominated for loading 14,000 M/Ton sugar. TCP nominated M/s International, Equipment Ltd as handling agent handling of 13, 825 M/Ton sugar (276,500 bags) in July, 2006 from the vessel. In the report of Surveyors of TCP 11,000 bags out of 276,505 bags equal to 550 M/Ton valuing Rs.20,612,900 @ Rs 37,436 per M/Ton were found damaged/rain affected which were removed from Port Qasim and shifted to Godowns by the handling agent without carrying out joint survey with the surveyor of TCP at the Port for assessment of losses/damaged bags. Thus, the corporation sustained a loss of Rs.20.612 million.

The matter was reported to the Management on January 16, 2009 and to the Ministry in June 11, 2009 but no reply was received.

The PAO replied that the matter was discussed in DAC meeting dated 28-07-2009, which recommended the para for settlement subject to verification by Audit of the recovery of Rs.19 million from the relevant agent's bills.

Regarding loss due to non recovery of cost of damaged bags/shortage of sugar from handling agent amounting to Rs.20.612 million, following steps have been taken.

(i) POD has forwarded the bill to Account Division of M.V ADREKNI of shortage 383.388.

(ii) POD has forwarded the bill to Account Division MN Young Xiang-9 Voyage-2 of 15% stevedoring charges of Rs.896,370 for adjustment/recovery on account of 383.388 MT shortage of MN Adrakni.

(iii) It is stated that MV Far East Star, the consignment account of 15% balance payment of Rs.1,169,252, has not been received from Godwon division so far.

(iv) In this of MV Warood Naree, the 15% balance payment of bill Rs.16,36,961 has not received form the party.

(v) As and when both the bills will be received, the same will be forwarded to Account Division for adjustment/recovery on account of M.V Adrakni for shortage of 383.388 MT of sugar, Rs.20.612 million.

PAC DIRECTIVE

The PAC deferred the para with the direction that it will be settled subject to verification from the Audit after 45 days.

11. **PARA 11 (PAGE 20-ARPSE)**
LOSS DUE TO SHORTAGES AND DAMAGE OF SUGAR BAGS- RS.10.140 MILLION.

The Audit pointed out that as per clause 19(a) of contract that " in case of any damage to cargo or any shortage found at the discharge port during joint survey the claim shall be lodged by the buyer on the ship-owner".

Trading Corporation of Pakistan (TCP) awarded contract to M/s Indian Sugar Exim Corporation for supply of 50,000 MT sugar US$ 550 PMT on May 07, 2006. a vessel was nominated by the Supplier and another contract for supply of 40,000 MT sugar was also awarded to the same supplier through local agent M/s Meshe International, Karachi.

The discharging was completed on August 24, 2006. During survey 479.535 M/tons valuing US$ 548,268.55 (equivalent to Rs 32,896,133) was reported short landed which was to be recovered from ship owner/carrier.

The Management of TCP en-cashed two bank guarantees amounting to Rs.22.755 million against the recoverable loss amounting to Rs.32.896 million. Despite encashment of bank guarantee, there was shortfall amounting to Rs 10,140,832 which was recoverable from the ship-owners.

The matter was reported to the Management on January 16, 2009 and to the Ministry on June 05, 2009. The management, in its reply of May 07, 2009, stated that TCP served legal notices through their Law Division against the ship-owner along with other shipping agent. The case was last fixed on March 23, 2008 in High Court of Sindh. The reply of the management was not tenable as no disciplinary action against responsible persons was taken. The management explained that the case of recovery of the balance amount of Rs.10.140 million was pending in the Honorable High Court of Sindh.

The PAO replied that the para was discussed in DAC dated 28-07-2009, which directed the Management to pursue the court case and to provide copy of reply of Defense Counsel.

It was stated that TCP has filed affidavit-in-objections and the matter is under objection before Honorable High Court of Sindh. The written statement by defendant will be filed after disposal of application by Court.

The latest position is that the matter is subjudice in court of law vide suit No.1083/07 filed by the TCP in September, 2007 through legal Affairs Division against ship owner M/s. Universal Navigation Singapore and others for recovery of the amount in question.

PAC DIRECTIVE

The PAC deferred the para with the direction to let the PAC know about the pending cases during the last one year, fix responsibility and report within 30 days to the PAC. It

was also desired to examine the possibility of establishment of a Legal Wing in each Ministry to expedite such cases. It was also directed to consult Advocate General, Sindh High Court to make a mechanism for its early disposal.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

12 i) **PARA 02(PAGE 09-ARPSE) AUDIT COMMENTS.**

ii) **PARA 02.1 & 2.2 (PAGE 09-ARPSE) AUDIT COMMENTS.**

iii) **PARA 02.3 (PAGE 10-ARPSE) AUDIT COMMENTS.**

iv) **PARA 02.4 (PAGE 10-ARPSE) AUDIT COMMENTS.**

v) **PARA 03(PAGE 11-ARPSE) AUDIT COMMENTS.**

vi) **PARA 03.1 (PAGE 11-ARPSE) AUDIT COMMENTS.**

vii) **PARA 03.2(PAGE 12-ARPSE) AUDIT COMMENTS.**

viii) **PARA 03.3 (PAGE 12-ARPSE) AUDIT COMMENTS.**

ix) **PARA 04(PAGE 13-ARPSE) AUDIT COMMENTS.**

x) **PARA 04.1(PAGE 13-ARPSE) AUDIT COMMENTS.**

xi) **PARA 04.2(PAGE 14-ARPSE) AUDIT COMMENTS.**

xii) **PARA 04.3(PAGE 14-ARPSE) AUDIT COMMENTS.**

xiii) **PARA 08(PAGE 17-ARPSE) AUDIT COMMENTS.**

xiv) **PARA 08.1(PAGE 17-ARPSE)**
AUDIT COMMENTS.

xv) **PARA 08.2(PAGE 18-ARPSE)**
AUDIT COMMENTS.

xvi) **PARA 08.4(PAGE 18-ARPSE)**
AUDIT COMMENTS.

xvii) **PARA 08.5(PAGE 18-ARPSE)**
AUDIT COMMENTS.

xviii) **PARA 12(PAGE 21-ARPSE)**
NON-RECOVERY OF DEMURRAGE CHARGES FROM HANDLING AGENT – U.S $ 40,589(RS. 2.435 MILLION)

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 31st August, 2010 pertaining to the M/O Commerce on the Audit Report 2008-09 are as under:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN, KARACHI

1. **PARA 2.1 (PAGE 17-AR)**
NON-AVAILABILITY OF RECORD OF TWO BANK ACCOUNTS WITH CREDIT BALNCE OF RS 664.437 MILLION

Audit pointed out that an amount of Rs 664,374,710 was lying in the following two (2) inoperative bank accounts which was contrary to para 309 of the GFR Vol I that all accounts of payments made/expenditure incurred should be so kept and details, so fully recorded that it could be produced where necessary as satisfactory evidence of facts.

i) National Bank of Pakistan, FTC Karachi Branch (Account # 407-2) Rs. 654,183,122

ii) Habib Bank Limited, FTC Karachi Branch Rs 10,191,588

The management was requested to provide following information/record for audit purpose;

i) Bank account numbers;
ii) Approval/permission of competent authority to open the bank accounts;
iii) Date of opening and title of accounts;
iv) Date of deposit of Rs 664,437 million therein; and
v) Cash book, vouchers, bank statements.

The PAO explained that the amount of Rs 664.437 million, mentioned in the Audit para was realized from sale proceed of auction of Textile Quota up to 31-12-2004, the same had been deposited/kept reserved by the then EPB (TDAP) management in the Bank account maintained with NBP & HBL. The auction of Textile Quota was discontinued by the Federal Government with effect from 01-01-2005. Some parties filed legal suits against EPB (TDAP). In such cases, Honorable Sindh High Court decreed against EPB for US $ 11.572571 million with mark up @ 12%. EPB (TDAP) challenged the said order/decree before the Supreme Court of Pakistan. The honorable Supreme Court vide order dated 27th June 2009, has remanded the case to the Sindh High Court for deciding it a fresh on merit. If case is decided against TDAP, then decreed amount along with mark up, will have to be paid. It is estimated that the total decrial amount in different cases on TDAP comes to Rs 2.6 billion. Recently, out of total amount, Rs. 633 million has been invested (under Section 28 of TDAP Ordinance 2007) in short term deposit, to earn some profit which can be used in case of any uncertain position.

PAC DIRECTIVE

It was decided that the Principal Accounting Officer will conduct an inquiry into the mater and report to the Audit and the PAC Secretariat **within two weeks.**

EXPORT DEVELOPMENT FUND, KARACHI

2. **PARA 2.2 (PAGE 18-AR)**
EXPENDITURE RS 162.760 MILLION NOT COVERD UNDER THE EXPORT DEVELOPMENT FUND ACT, 1999

Audit pointed out that contrary to the provisions in terms of Section-4 of Export Development Fund Act, 1999, the management released Rs.162.760 million out of the

Fund to following new organizations under the administrative control of Ministry of Commerce during the years 2002-07:-

The PAO explained as below:-

Sr.	Name of Organization	Amount (Rs million)	Purspose
i	Pakistan Horticulture Development & Export Board (PHDEB)	142.960	Budget for the years 2002-07
ii	Trade Development Authority of Pakistan (TDAP) Islamabad	13.000	To establish Directorate General of Trade Organization.
iii	National Tariff Commission (NTC), Islamabad	6.800	To make stopgap arrangement for strengthening of NTC, Islamabad.
	Total	162.760	

FUND RELEASED IN PAKISTAN HORTICULTURE DEVELOPMENT & EXPORT BOARD.

PHDEP was created by the Ministry of Commerce under a Resolution which provides that financing to PHDEB will be made from the Export Development Surcharge (EDS) collections on horticulture exports. As the source of Export Development Fund (EDF) is the Export Development Surcharge (EDS), the funds from EDF were rightly released to PHDEB. Moreover the funds were released to PHDEB after approval of the EDF Board which is fully competent under the EDF Act, 1999.

FUND RELEASED TO DIRECTORATE GENERAL OF TRADE ORGANIZATIONS- ISLAMABAD

With the promulgation of the Trade Organizations Ordinance 2006 on 28-12-2006 the Ministry of Commerce (MOC) was required to set up the Directorate General of Trade

Organizations and ask the EDF to meet DGTO's amounting to Rs 13 million for six months pending provision of regular budget by the Finance Division which were agreed to. Subsequently, M/o Commerce requested for budget for DGTO for the year 2007-08 which was agreed by the Finance Division and the Prime Minister on 14-07-2007. as such the funds released to DGTO had the consent of Finance Division and approval of the Prime Minister of Pakistan.

FUNDS RELEASED TO NATIONAL TARIFF COMMISSION, ISLAMABAD

The Cabinet in its meeting held on 21-07-2005, while approving the Trade Policy for 2005-06, interalia decided to strengthen the National Tariff Commission (NTC) by re-energizing the Commission with more focus on trade defence measures. For the purpose the Commission may engage professionals on market based salaries. The EDF Board in its meeting held on 06-10-2006 sanctioned an amount of Rs 6.8 million to NTC out of which Rs 4.509 million were utilized and balance was refunded. Thus the funds were rightly sanctioned by the EDF Board to implement Cabinet's decision.

PAC DIRECTIVE

The Chairman, Public Accounts Committee directed the Principal Accounting Officer to constitute a Committee headed by at least an Additional Secretary and consisting of representatives from Auditor-General's Office, M/o Finance, CGA and the Public Accounts Committee Secretariat's to formulate a system for expenditure from the EDF/EMDF according to Rules. It was further directed that the same Committee may also look into the affairs of Pakistan Agriculture Development and Export Board. The Secretary was also directed to get remaining amount regularized from the M/o Finance. The above may be completed in one month's time and a report be submitted to the PAC Secretariat.

EXPORT MARKET DEVELOPMENT FUND, KARACHI

3. **PARA 2.3 (PAGE 19-AR)**
IRREGULAR / WASTEFUL EXPENDITURE OF RS 50 MILLIN ON STUDIES ON DOMESTIC COMMERCE – LESS DEDUCTION OF INCOME TAX RS 0.25 MILLION

Audit pointed out that during audit, it was noted that the Advisor, Ministry of Commerce presented proposal of the following ten studies on internal markets in the 5th meeting of the Board of Administrators of EMDF held on September 07, 2005 in Ministry of Commerce, Islamabad under the chairmanship of Ministry for Commerce:-

i) Competitiveness
ii) Protection
iii) Subsidies and incentive regimes
iv) Retail markets
v) Wholesale markets
vi) Storage and Warehousing
vii) Real Estate
viii) Transport
ix) Domestic Commerce Survey
x) The state of market regulation in Pakistan

According to the minutes of the above meeting, the Board approved the proposal for above-mentioned studies against an estimated cost of Rs 71.9 million. Record further indicated that the proposal of M/s Innovative Development Strategies (IDS), Islamabad for these studies involving a cost of Rs 50 million was discussed in the meeting of Selection Board on Feb 15, 2006 under the Chairmanship of Secretary, Ministry of Commerce, However, no decision was taken regarding the selection of M/s IDS as per the minutes of the Selection Board meeting. Later on, Ministry of Commerce gave M/s IDS, Islamabad on April 4, 2006 contract for these studies at a price of Rs 50 million.

The Payment was made from the EMDF in four installments as under:-

Cheque No.	Date	Amount
A-644784	26.04.2006	15,000,000
B-269707	15.02.2007	`10,000,000
B-269774	08.06.2007	15,000,000
1163412	29.01.2008	10,000,000
Total		**50,000,000**

Following audit observation were made:-

i) EMDF Secretariat/Ministry did not formulate TORs of the assignments depicting specific activities, outputs, and timelines;

ii) Competitive process as prescribed under Rule 12 of PPRA was not used;

iii) Secretary, Ministry of Commerce sanctioned the above payment against his financial power of Rs 2 million only as per Rules 22 (b) of Export Market Development Fund Rules, 1993.

iv) Payments were made without evaluating the contributions that the report could make toward promoting exports as envisaged in the proposal in line with best practice;

v) An amount of Rs 2,600,000 was dedicated as income tax instead of Rs 2,850,000. Thus causing a loss of Rs 250,000 to public exchequer.

vi) EMDF/Ministry could not provide any evidence showing that the reports were used to inform trade or economic policy.

Hence, Audit held the expenditure of Rs 50 million as wasteful and irregular.

The PAO stated that as the matter relates to Domestic Wing of Ministry of Commerce, DAC directed the Domestic Wing to provide all the procedures and TORs, regarding short listing of consultant according to PPRA Rules, utilization report based on TOR and status of short deduction of Income Tax.

PAC DIRECTIVE

The Public Account Committee directed that the recommendations of the DAC held on 26th August, 2010 may be followed and recovery made as decided. The Secretary was also directed to provide all relevant documents to the Auditor-General's Office and report compliance to PAC Secretariat **within 15 days**.

4. **PARA 2.4 (PAGE 21-AR)**
IRREGULAR PURCHASE OF VEHICLES OUT OF EXPORT MARKET DEVELOPMENT FUND- Rs 24.386 MILLION

Audit pointed out that in terms of Section 24 of Trade Development Authority of Pakistan (TDAP) Ordinance, annual budget of the Authority for the performance of its functions is separately approved by the Federal Government. The Export Market Development Fund (EMDF) was established merely to finance the projects/activities related to export promotions.

Audit observed that contrary to above, TDAP, the former Export Promotion Bureau (EPB) purchased 27 vehicles during the period 2006-08 despite the fact that it did not have any approved allocation in their annual budgets

for this purpose. The payments were made irregularly out of EMDF as detailed below:-

S.#	Cheque # & Date	No. of Vehicles	Particulars	Amount Rs
01	8941209 dt. 10.11.06	01	Toyota Corolla 1300 c.c.	969,000
02	B-269738 dt. 21.03.07	08	Toyota Corolla 1300.c.c.	7,212,000
03	B-269762 dt. 30.04.07	02	Mitsubishi Vans	2,998,000
04	B-323824 dt 10.07.07	13	Toyota Corolla GLI, Toyota Corolla XLI 1300 c.c.	11,660,000
05	B-323823 dt 10.07.07	03	Cultus VXR. CNG 1000.c.c Ravi-STD-CNG 800.c.c	1,547,339
	Total	27		24,386,339

Audit held that the expenditure was not covered under the EMDF Rules, 1993. Further, proper procedure for procurement of vehicles, approval of Prime Minister, Cabinet Division and Finance Division was also not obtained.

The PAO explained that according to Cabinet Secretariat letter No 6-(1) 02-M-11 dated 22nd July, 2005, the Secretaries In charge Ministries/Divisions and the sub-ordinate offices/ attached department under their administrative control are empowered to sanction purchase of the new vehicles, in replacement of the condemned vehicles, if the budget is available. It was further clarified that sufficient budget was available and EMDF Board vide its meeting held on 8th Feb,2006 approved the purchase of 36 vehicles for Export Marketing and trade promotional activities in replacement of 36 old vehicles which were condemned. As per instruction of DAC meeting and in the light of Cabinet Division letter referred above, case summary has been forwarded to MoC for regularization /Ex-post facto sanction.

PAC DIRECTIVE

The para was settled subject to regularization from the M/o Finance and with strict direction that this type of irregularity will not be repeated in future.

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN, KARACHI

5. **PARA 2.5 (PAGE 22-AR)**
NON-ACHIEVEMENT OF DESIRED RESULT FROM MASS AWARENESS CAMPAIGN ABOUT WTO REGIME – Rs 9 MILLION

Audit pointed out that Para 10 of the GFR (Vol-1), which entails high standards of financial propriety that requires that the public officer should exercise the same vigilance for public expenditure which a person of ordinary prudence would exercise in respect of expenditure of his own money. TDAP executed an agreement with a firm on July 08, 2004 to undertake/conduct a mass awareness campaign on the World Trade Organization (WTO) Regime as per predetermined specification against payment of Rs 200,000 per month for a period of one year (July 2004- June 2005). The agreement was extended on

the same terms and conditions from July 2005 to June 2008 at a monthly payment of Rs 200,000 per month resulting in a total payment of Rs 9.6 million. Audit noted that contract did not include clauses enabling the EMDF to get full value for money spent through continuous performance evaluation. Moreover, the EMDF management did not evaluate the performance of the firm while extending the service contract with the firm. It was on May 24, 08 that a four-member committee, after detailed scrutiny, found the firm's performance poor and unsatisfactory following which the contract was terminated on July 01, 08. Audit considers this expenditure of Rs 9 million on awareness campaign as irregular and waste of funds.

The PAO pointed out that the EMDF Board and M/o Commerce approved the proposal for conducting a mass awareness campaign about WTO regime. EPB (TDAP) executed a retainer ship agreement with M/s Magnates Communication Solution Pvt. Ltd. Islamabad for mass awareness campaign as per specification and detail given in the Terms of Reference for the period of one year to be renewed every year due to satisfactory performance of the firm. Initially, the firm performed very well due to which retainers ship agreement was continuously renewed. However, their performance started deteriorating and consequently, on the recommendation of Officers of TDAP, the Authority cancelled the said agreement and the TDAP had already penalized the firm by deducting amounts from their claim.

PAC DIRECTIVE

The Public Accounts Committee decided to refer the para back to the DAC with the direction that relevant record may be provided to the Audit for verification and if not settled at DAC level, the para may come back to Public Accounts Committee.

6. **PARA 2.6 (PAGE 23-AR)**
UN-AUTHORIZED EXPENDITURE OF Rs 1.477 MILLION OF ENTERTAINEMENT

Audit pointed out that in terms of Section 37 (u) of Trade Development Authority of Pakistan Ordinance, 2007 the Government Rules applicable to erstwhile Export

Promotion Bureau (EPB) shall remain applicable in the TDAP till the Authority's financial rules are notified. TDAP did not notify its financial rules till June 2008. As per Finance Division vide O.M. No F.3(2) Exp. III/06, dated September 13, 2006, the EPB/TDAP having the powers of attached department were not empowered to sanction expenditure on entertainment charges except for light refreshment @ Rs 30 per head. Audit observed that TDAP incurred an expenditure of Rs 1,477,612 on account of entertainment charges over and above the prescribed ceiling without the approval of the Finance Division and irrespective of the nature of occasion.

The PAO informed that as per instruction of DAC meeting held on 11.5.10, Ministry of Commerce vide letter no. 5 (14)DAC/08-09/10 FAW dated 11.5.10 had forwarded case summary to Finance Division for regularization of the expenditure pointed out by Audit. Committee directed to regularize the expenditure from Finance Division and provide the list of guests to audit.

PAC DIRECTIVE

The Public Accounts Committee settled the para subject to action as recommended by the DAC held on 26th August, 2010 to get the expenditure regularized from the M/o Finance and get it verified by Audit.

7. **PARA 2.7 (PAGE 23-AR)**
IRREGULAR PAYMENT OF UK 6,000 (Rs 742,380) FOR MEMBERSHIP OF GOLF CLUB

Audit pointed out that the Ministry, at the request of Commercial Secretary, Manchester, released a sum of 6,000 Rs 742,380 in favor of the Commercial Secretary out of EMDF to pay for his membership fee of a Golf Club. The objective of this transaction was stated to be strengthening networking with business circles in Manchester. The amount was sanctioned by the TDAP vide letter no TDAP- 17 (23)/07-EMDF dated 9.2.08. Audit held that payment of membership fee of a diplomat was not a valid charge on the EMDF and that if such a precedent were to be allowed, it would encourage other diplomats/trade officers to lobby for similar concessions with the Ministry, thus diluting the effectiveness

of EMDF, Moreover, it was observed that the fees of Golf Club was 2,000/ year but a sum of UK 6,000 was transferred for which was sufficient for three years without surely of continuous posting of Commercial Secretary for three years.

The PAO informed that the Ministry of Commerce has requested to recover the amount from concerned officer as per instruction of DAC.

PAC DIRECTIVE

The Public Accounts Committee endorsed the decision of the DAC meeting held on 26th August, 2010 for recovery of the amount from the concerned Commercial Secretary and report progress in one month's time to the PAC Secretariat and Audit.

EXPORT MARKET DEVELOPMENT FUND, KARACHI

8. **PARA 2.8 (PAGE 24-AR)**
UNAUTHORIZED EXPENDITURE OF Rs 2.406 MILLION ON MOBILES PHONES

Audit pointed out that as per annual budget statements of the period 2005-08, expenditure on account of pay and allowances and other expenses related to the Federal Ministers/Ministers of State are to be charged to Grant No. 001- Cabinet.

Audit observed that contrary to above an expenditure of Rs 950,131 was incurred out of EMDF during the period 05-08 on payment of mobile phone charges of the Federal Minister for Commerce. The remuneration of Chief Executive Trade Development Authority of Pakistan (TDAP) were required to be prescribed by the Federal Government in terms of Section 5 (5) of the Trade Development Authority of Pakistan Ordinance, 2007. Audit was not provided with any evidence regarding approval of mobile phone facility to the Chief Executive. However minutes of 5th meeting of the year 2006 of the Board of Administrators of EMDF held on October 6, 06 revealed that Chairman of the erstwhile Export Promotion Bureau was given the status of Minister of State. Accordingly the Chairman EPB/ Chief Executive TDAP were entitled to avail the facility of mobile phone with a monthly ceiling of Rs. 7,000 (admissible to Ministers) vide Cabinet Division letter no. 2/6/02- GC dated January 20, 2003 Audit observed that

contrary to above an amount Rs. 448,288 was paid to the Chairman EPB/ Chief Executive TDAP over and above the prescribed ceiling. An expenditure of Rs 1,007,533 was incurred on purchase of pre-paid cards of mobile phones for officers of BPS 20 and below who were not entitled to the facility. Audit recommended that the above payments of Rs 2,405,952 may be recovered from the concerned responsible officers and be refunded into EMDF.

PAC DIRECTIVE

The Public Accounts Committee decided to club this para with para 2.7 with the direction to effect recoveries as per Government Rules and report progress in one month's time to the PAC Secretariat and Audit.

MINISTRY OF COMMUNICATIONS

1. OVERVIEW

Appropriation Accounts 2007-08, Special Audit Report of National Highway Authority for the year 2008-09 (Financial Year 2005-06 to 2007-08) and briefing by NHA on miscellaneous issues pertaining to M/o Communications were taken up for examination by Public Accounts Committee on **16th March, 07th December, 2010 and 25th January, 2011.**

1.1 During the course of discussion in the meeting, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.2 There were 10 paras & 3 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then discussed in the meetings of PAC. 3 paras/grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directions on 10 paras. PAC ordered recovery amounting to Rs ---------- out of which a sum of Rs. ---------- has been realized. The Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting on the Appropriation Accounts for the year 2007-08, pertaining to the M/o Communications held on 16th March, 2010 are as under:-

APPROPRIATION OF ACCOUNTS (CIVIL) VOLUME -1-2007-2008

2. **GRANT NO. 16- COMMUNICATION DIVISION (PAGE 105-AA)**
(Excess of Rs.72,514,520).

The AGPR pointed out that the grant was closed with an excess of Rs. 72,514,520 which worked out to 3.56% of the total grant. An amount of Rs 10,287,989 (0.50%) was surrendered which increased the net excess of Rs. 82,802,509 (4.07%).

The PAO explained that the excess was due to the following reasons:-

- There was a cut of 10%, 5% and 7% imposed by the M/O Finance after allocation of Budget of Motor Way Police in various heads of accounts as well as revision of Pay Scale @ 15% increase with effect from 1-7-2007.

PAC DIRECTIVE

The PAC regularized the excess of the grant.

3. **GRANT NO 17- OTHER EXPENDITURE OF COMMUNICATION DIVISION (PAGE 107-AA) (EXCESS OF RS.478,731,840)**

The AGPR pointed out that the grant was closed with an excess of Rs. 478,731,840 which worked out to 25.30% of the total grant. An amount of Rs. 3574,400 (0.19%) was surrendered increasing net excess to Rs. 482,306,240 (25.49%). A supplementary grant of Rs. 1,000,000,000 was sanctioned but was not included in supplementary schedule of authorized expenditure. After taking it into consideration the excess shall be converted into net saving of Rs. 517,693,760 (17.90%).

PAC DIRECTIVE

After hearing the explanation by the PAO the PAC observed that the Budgetary/monitoring system in Ministry of Communications is not in place. The Committee also observed that the Supplementary grants were sanctioned/ released by the Ministry of Finance in the month of June, after the Book of Supplementary Grants was published. These, therefore, remain outside the Supplementary Schedule of Authorized Expenditure which distorts the Appropriation Accounts which are placed before the PAC. A number of cases were pointed out in which Supplementary Grants and surrenders within the same grant take place at the same time. Had re-appropriation within the grant been done, Supplementary Grant could have been avoided. In the view of above, the Public Accounts Committee has desired for views of the Ministry of Finance with in ten working days on the above points and regularized the excess of the grant.

4. **GRANT NO.131-DEVELOPMENT EXPENDITURE OF COMMUNICATION DIVISION (PAGE 109-AA)**
(SAVING OF RS.402,972,133)

The AGPR pointed out that the grant was closed with a saving of Rs. 402,972,133 which worked out to 65.75% of the total grant. An amount of Rs. 123,693,415 (20.18%) was surrendered leaving net saving of Rs,279,278.718 (45.57%). A supplementary grant of Rs. 1,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. Hence the saving shall increase in Rs. 279,279,718 (45.57%).

The PAO explained that the saving was due to the following reasons:-

(a) Foreign Grant-in-Aid amounting to Rs.226.490 million was not saving but has been expended on project directly by the Government of Japan through JICA. The expenditure could not be intimated to the Office of AGPR in time as no expenditure statement was received from JICA/Government of Japan.

(b) Delay on the part of Provincial Governments in making the land available. So far the land for CMTC Projects have been made available at Barsalla (AJK) & Quetta (Baluchistan). Provincial Government of NWFP has earmarked the land at Swabi

for which award has been issued, however possession of land is awaited. Provision of land at Bhawalpur and Hyderabad is awaited.

(c) Due to delay in Provision of land, the design of CMTC complexes could not be finalized.

PAC DIRECTIVE

The PAC observed that Third Party Payment is a very serious issue and directive has already been issued in this regard to all the Ministries/Divisions/Departments by the PAC Wing, N.A Secretariat vide its OM No.F.10 (1)/2005-2006/2008,-dated the 30th March, 2009. The PAC has directed the AGPR to look into it whether it is implemented in its letter & sprit or not. However, the PAC regularized the saving of the grant.

BRIEFING BY NHA ON MISCELLANEOUS ISSUES

Briefing on Actionable Points relating to NHA arising out from the briefing by the M/o Communications in the PAC meeting held on 22nd October 2009.

There were 20 points upon which the M/O Communication (NHA) gave presentation. The points are given below.

1- Contracts awarded by NHA exceeding Rs 500 M (2001-08)
2- Contracts awarded by NHA without open tenders/competition
3- Contracts awarded to FWO
4- Sites given to different owners on leasing basis
5- Sites given on rental basis on both sides of M-1 including future plan
6- General Policy on leasing
7- Leases given to public on both sides of Tarnol-Taxila- Hasanabdal
8- Complete data regarding establishment of Naran Rest House
9- Employees appointed on daily wages, previous & present position
10- Consultants appointed in NHA, previous & present position
11- Efforts made by NHA for insurance to protect its assets
12- Maintenance procedure/system on M-2

13- Roads inherited from provincial government along with RoW

14- Position of Faizu Laro Bridge between Shikarpur-Kandhkot (N-55)

15- Explanation regarding road curve of Khanpur Bhypass (N-55)

16- Toll collection/toll tax vehicle wise & its utilization, etc

17- Latest report on Lahore-Gujranwala (N-5)

18- Latest report on Taxila-Hasanabdal (N-5)

19- Camp offices in Islamabad & names of officers/persons using the same

20- NHA vehicles under use of MoC & other departments

PAC DIRECTIVE

During the presentation, the PAC took serious notice on various points and directed as fallows:-

- Hold inquiry upon all leases signed and how awarded and furnish a detailed report to the PAC within three days.
- It may be inquired that who allowed the construction of Rest House at Naran, and who designated it as Rest House and if this was necessary, why was this not included in PC-I .The PAC further directed in this regard.
- To provide detail/total number of rooms and their distribution
- To explain why construction work remained continue in spite of intervention by the PAC?
- To fix responsibility against those person(s) who were responsible for the illegal construction work that also damaged the environment with a report to PAC within 15 days.
- What transparent system has applied on recruitment of 432 employees on daily wages and furnish a report from which date they were employed. (From the very first date irrespective of break)?
- Remove all Specialists appointed without advertisement/merit and make all appointments after advertisement.
- Repair of guard rails, dykes, cleaning of chutes should be done expeditiously.

- There should be automated cleaners system. Issue directions to the manual cleanness workers to be careful while cleaning. Bring this issue in the next meeting of the PAC.

- Provide the detail of unauthorized use of vehicles by the Ministry.

- On what criteria the contracts are awarded to FWO?

- The level of repair work is not up to the mark. There should be a sign before one kilometer of repair work. There should be Re lane after every three/four years.

- Provide detail of 22 bidding contracts awarded without competition.

- Provide a detail report on the conflict between MNA and FWO at Sheikhupura.

- Proposals for safeguard of assets/guarantees, duly vetted by Legal Wing be prepared and submitted for consideration of Government.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 7th December, 2010 pertaining to **Ministry of Communications** Special Audit Report of National Highway Authority are given below:

SPECIAL AUDIT REPORT OF NATIONAL HIGHWAY AUTHORITY FOR THE YEAR 2008-09 (FINANCIAL YEAR 2005-06 TO 2007-08)

1. **PARA 1.1.1.2 (PAGE 12-13-SAR)**
OVERPAYMENT DUE TO PRICE ESCALATION ON NON-SPECIFIED MATERIAL IN APPENDIX-C – RS. 129.793 MILLION.

Audit pointed out that as provided in Clause 70.1-ii (a) of Conditions of Contract Part-II, the contract price shall only be adjusted for change in the basic price of the specified material listed in Appendix-C to Bid as officially published by the specified supplier and manufacturer, from time to time. General Manager, Islamabad-Peshawar Motorway Project (M-1) allowed escalation on the non-specified material, i.e. chain link fencing, guard rail, M.S liners and G.I pipe sheets in contravention of the provisions of contract. This resulted in overpayment of Rs. 129.793 million.

The PAO explained that escalation in the contract only covered the reinforcing bars and not other items such as pipes, G.I. sheets, and sections etc. The escalation on steel products was paid to the contractor as per Planning & Development Division Government of Pakistan letter No. 26(183) Plan-Cord-4/PC/2004 dated 9th June, 2004 and as per contents of the letter, the decision was implemented on M-1 Project.

PAC DIRECTIVE

The PAC pended the para for the next meeting.

2. **PARA 1.1.3.1 (PAGE 16-SAR)**
OVERPAYMENT DUE TO ENHANCEMENT OF FACTOR "C" – RS. 171.799 MILLION.

Audit pointed out that Project Director (TMP-BWP Project) paid amount of Rs. 171.799 million to contractors due to unjustified increase in Factor-C of High Speed Diesel (HSD) from 0.10 to 0.18. This resulted in overpayment of Rs. 171.799 million.

The PAO explained that case of change of Factor "C" was under consideration and text course of action would be followed as per decision of the Executive Board.

PAC DIRECTIVE

The PAC pended the para for the next meeting.

3. **PARA 1.12.2 (PAGE 40-SAR)**
UNSECURED WORK DUE TO NON-OBTAINING OF INSURANCE COVERAGE – RS. 432 MILLION.

Audit pointed out that Project Director (Lyari Expressway Project), Karachi could not obtain the required insurance policies from the contractor, whereas an amount of Rs. 216 million was inbuilt in the quoted rates of works items as per appendix-B. The scope of work was also enhanced up to 100% non-obtaining of insurance policies resulted in non-recovery of Rs. 432 million.

The PAO explained that the contractor was advised time and again to fulfill his contractual obligations regarding provision of insurance but failed to comply with. On failure of contractor to provide insurance cover, the employer may effect and keep in force any such insurance any pay any premium as may be necessary for the purpose and from time to time deduct the amount so paid from any money due or to become due to the contractor or recover the same as a debit due from the contractor.

PAC DIRECTIVE

The PAC pended the para for the next meeting.

4. **PARA 1.14 (PAGE 43-44-SAR)**
NON-RECOVERY OF LOSS DUE TO COLLAPSE OF KARACHI NORTHERN BYPASS DURING DEFECT LIABILITY PERIOD – RS. 294.934 MILLION

Audit pointed out that as per Clause 21.3 of the contract, any amounts not insured or not recovered from the insurers shall be borne by the employer or the contractor in accordance with their responsibilities under Clause 20. Project Director (Karachi Northern Bypass Project) did not recover an amount of Rs. 294.937 million from the contractor because Karachi Northern Bypass, Sher Shah Bridge collapsed during defect liability period for which the contractor was responsible for the care thereof from any cause whatsoever. The contractor could claim the loss under insurance policies according to the contract clauses, whereas no evidence/documents were produced during Audit. This resulted in non-recovery of Rs. 294.934 million.

The PAO explained that ratio of recovery, i.e. Rs. 183 million from final bill and Rs.111.394 million from any other ongoing work has been forwarded to Member (Construction-South) for approval. After getting necessary instructions from the competent authority regarding the ratio for recovery, the recovery will be made accordingly while processing the final bill.

PAC DIRECTIVE

The PAO was directed to conduct a fresh DAC meeting on the issue. It was also directed that the PAC Secretariat to summon the Ex-Chairman, NHA (Gen. Farrukh Javed), the Consultant, the Design Cell Incharge and the then Secretary, M/O Communication in the next meeting and Chairman, Pakistan Engineering Council may also be invited in the same meeting.

5. **PARA 2.3 (PAGE 61-62-SAR)**
NON-DEDUCTION/ADJUSTMENT OF COST FOR CONSTRUCTION OF MEDIAN DRAINAGE – RS. 45.203 MILLION.

Audit pointed out that Deputy Project Coordinator (National Highway Improvement Programme), could not construct proper drain and pip e median slope with rip rap work according to drawing as cost of the same was built in the bill of quantity prices as evident from take over certificate and punch list. Therefore, the same was required to be deducted which was not done. Non-adherence to provision of drawing/design resulted in non-deduction/adjustment of Rs. 45.203 million.

The PAO explained that the contractor had submitted detailed design and profile for median drainage whereas World Bank Mission during their visit analyzed the median drainage strategy and instructed for raised median, to protect both carriageways from rain water.

PAC DIRECTIVE

The PAC pended the para for the next meeting.

6. **PARA 3.1.1 (PAGE 65-66-SAR)**
AWARD OF WORKS WITHOUT TENDERING – RS. 538.473 MILLION

Audit pointed out that Deputy Project Coordinator, National Highway Improvement Programme, C-11 B awarded an additional work for the construction of four bypasses at

the cost of Rs. 538.473 million whereas contractor's performance remained poor for carrying out original contract wherein only 10% of work was executed during currency of the contract of 24 months. Due to this dismal performance, the contractor was liable to be penalized in pursuance of provision of contract but instead of this action, the Authority awarded additional works for construction of four bypasses at the cost of Rs. 538.473 million which was 72.50% of current value of contract without arrangement of competitive bidding and assurance of transparency in contravention of provision of Public Procurement Rules and NHA Code. This resulted in unauthorized award of work worth Rs. 538.473 million.

The PAO explained that Clause, 52.1 & 52.2 of Conditions of Contract Part- I&II empowered the Engineer for issuing of instructions, valuations and fixation of rates for variations. Accordingly, Variation Order No. 4 was prepared by the Engineer and submitted for approval by the competent authority.

PAC DIRECTIVE

The PAC directed the PAO to reconcile factual position with Audit **within three days.**

7. **PARA 3.1.2 (PAGE 66 & 67-SAR)**
IRREGULAR AWARD AND EXECUTION OF WORKS WITHOUT APPROVAL OF PC-1 – RS. 512.807 MILLION

Audit pointed out that Project Director (Makran Coastal Highway Project) awarded the work "Additional Rehabilitation Remedial Works, Liari-ormara Section P-I and Ormara – pasni Section P-II" without approval of PC-I. Award of work without obtaining administrative approval resulted in unauthorized expenditure of Rs. 512.827 million.

The PAO explained that the additional/rehabilitation work in Liari-Ormara section P-I and Ormara-Pasni section P-II were proposed by respective consultants in the post flood (February 2005) scenario. The proposed works were reviewed by experts NHA in the office as well as at site before codal formalities.

PAC DIRECTIVE

The PAC pended the para for the next meeting

8. **PARA 3.4 (PAGE 71-72-SAR)**
IRREGULAR PAYMENT ON ACCOUNT OF PROJECT ALLOWANCE– RS.337.089 MILLION

Audit pointed out that the Chairman NHA approved the grant of Project Allowance to all employees of NHA w.e.f 1st July, 2008. In compliance of the Chairman's order,Finance Wing, NHA Paid an amount of the Rs. 62.322 million to all NHA employees other than project staff and Rs. 274.767 million to the project staff during financial year 2008-09. Project allowance was unjustified on the following grounds and resulted in irregular payment of Rs. 337.089 million.

i) Amount was paid without provision in PC-I.
ii) Amount was paid without provision in the Budget 2008-09.
iii) Project allowance was admissible to project staff only as prescribed in PC-1.
iv) Approval was neither obtained from the Principal Accounting Officer nor from National Highway Council.
v) Financial sanction was not endorsed to Audit.

The Chairman NHA explained that the pay and allowances of NHA employees were charged against the posts given in PC-I of the projects and 1% Establishment Charges. Therefore, the provisions of Finance Division o.M. dated 12.08.2008 were applicable to all NHA employees. Further the case was cleared by NHA Executive Board as per provision of NHA Act.

PAC DIRECTIVE

The PAO was directed to effect recoveries from all concerned employees by end of December, 2010 and submit a report to the PAC Secretariat. It was also directed that responsibility should be fixed on the officer who authorized this expenditure.

9. **PARA 5.2 (PAGE 82-83-SAR)**
RECURRING LOSS DUE TO AWARD OF TOLL CONTRACTS ON NEGOTIATION BASIS – RS. 3,042 MILLION

Audit pointed out that NHA Executive Board in its 122nd meeting on 14th October, 2004 approved award of contracts for operation management and maintenance of toll plazas on N-5 in five packages of two toll plazas each to the highest bidders @ 8.19%, 15.83%, 17.65%, 34.48% and 41.93% above the estimated revenue for a period of two years. Later on, these beneficial bids of private contractors were cancelled and Chairman NHA allotted contracts of toll collection to contractor w.e.f 14th February, 2005 on negotiation basis. This resulted in recurring loss of Rs. 3,042 million to the Authority.

The PAO explained that at the time of approval of bids, NHA Executive board mentioned that if considered appropriate, after a period of one years NHA might go for services contract instead of guaranteed revenue. The contractor's average services priced bid with respect to highest guaranteed revenue bid was 12.54%. The average percentage relation between lowest service priced bid with relation to its own revenue bid was 13.72%. Therefore, with the approval of Chairman NHA, all ten toll plazas which were tendered out were handed over to the contractor at a share of 13%.

PAC DIRECTIVE

It was directed that the concerned officers for awarding the toll contracts may be called in the next meeting in consultation with Audit.

10. **PARA 7.5 (PAGE 106-107-SAR)**
PAYMENT OF COMMITMENT CHARGES ON LOAN WITHOUT ITS UTILIZATION – US $ 454,866 (RS. 31.840 MILLION)

Audit pointed out that Project Management (National Highway Improvement Programme) sent first withdrawal application for initial allowance of US $ 6.5 million on 23rd December, 2006 (134 days after effective date) and 2nd withdrawal for US $ 2.12 million claimed on 26th June, 2007 (185 days after first withdrawal). This abnormal delay

on the part of Authority resulted in ineffective utilization of the loan resulting in extra charging for US $ 454,866.

The PAO explained that withdrawal application for reimbursement of contractor's claims are sent to World Bank as and when the claims are received as per loan agreement/World Bank's guidelines.

PAC DIRECTIVE

The PAC pended the para for the next meeting

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting on the National Highway Authority (Project Allowance) held on 25th January, 2011 are as under:-

i) **NATIONAL HIGHWAY AUTHORITY; PROJECT ALLOWANCE**

The Secretary, M/O Communications, Secretary, M/O Finance, Acting Chairman, NHA along with other officers, were present before the Public Accounts Committee to discus the issue of admissibility of Project Allowance to all employees of the NHA. The Secretary, Finance explained in depth the financial Rules and Regulations required to be met by the NHA and also briefed about the financial health of the Authority.

The Chairman, PAC observed that Financial Rules and Regulations have to be implemented in letter and spirit and M/O Finance should stop giving ex-post facto sanctions to expenditures incurred beyond budgets and also those incurred wrongly. He observed that the Financial Advisers are not doing their jobs and need to be updated on their job description. Autonomous bodies are doing what ever they will, with their pay and allowances etc., in the garb of "Autonomy" when it is perfectly clear that they are Public Funded Bodies.

The Secretary, Finance was directed by the Chairman, PAC to act as ombudsman on the budget, expenditure and revenue; work out systemic change which should apply to all

Autonomous/Semi Autonomous and Attached Departments etc. (in this regard decisions which were taken in the meeting held with the Prime Minister by the Auditor-General and Chairman, PAC need to be reviewed); policy may be formulated for use of A-1 land and other land by Armed Forces.

It was also directed that the NHA will give presentation to the PAC on 31st January, 2011.

COUNCIL OF ISLAMIC IDEOLOGY

1. **OVERVIEW**

Appropriation Accounts 2007-2008, pertaining to the Council of Islamic Ideology were taken up for examination by Special Committee-I of Public Accounts Committee on **18th June, 2010.**

1.1 The Special Committee having considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made its recommendations in number of cases. During the course of discussion in the meeting, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate action.

1.2 There was only 1 grant reported by the Audit. The Special Committee-I settled the grant with direction to bring visible financial improvement.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on Council of Islamic Ideology held on 18th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO.103-COUNCIL OF ISLAMIC IDEOLOGY (PAGE 716-AA)**
(Saving of Rs. 8,785,419)

AGPR pointed out that the grant closed with a saving of Rs.8, 785,419 which works out to 20.09% of the total grant. An amount of Rs.5, 992,000 was surrendered leaving net saving of Rs.2, 793,419.

The PAO informed the Committee that the saving in the grant occurred due to vacant posts of some members of the Council, non utilization of the amount kept for leave salary and adoption of economy measures.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed that the PAO to ensure that if there is no manpower in the Department, then the amount should not be taken in the Annual Budget. The Committee recommended the grant for settlement with the direction that in future there should be zero saving and zero excess in the grant.

MINISTRY OF CULTURE

1. **OVERVIEW**

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil) and Audit Report on the Accounts of Government of Pakistan Civil Works (Archaeology) for the year 2008-09, pertaining to the Ministry of Culture were taken up for examination by the Special Committee-I of Public Accounts Committee on **28th June and 14th October, 2010**.

1.1 The Special Committee having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases.

1.2 There were 3 grants presented by the AGPR and 4 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the Special Committee-I of PAC. 5 paras/grants were recommended for settlement by the Special Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directive on 2 Audit paras.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Culture held on 28th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I - 2007-08)

1. **GRANT NO.19-CULTURE DIVISION (PAGE 115-AA)**
(Saving of Rs.3, 796,682)

AGPR pointed out that the grant closed with the saving of Rs.3, 796,682 which works out to 1.79% of the total grant. An amount of Rs.3, 207,000 (1.51%) was surrendered leaving net saving of Rs.589, 682 (0.28%).

The PAO informed the Committee that the saving in the grant was due to non-receipt of utility bills till close of financial year and also due to non completion of repair work by certain contractors and therefore non receipt of relevant bills.

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee settled the grant.

2. **GRANT NO. 20-OTHER EXPENDITURE OF CULTURE DIVISION (PAGE 118-AA) (Saving of Rs.2, 940,649)**

AGPR pointed out that the grant closed with the saving of Rs. 2, 940,649 which works out to 1.41% of the total grant.

The PAO informed the Committee that the saving in the grant was due to the reason that this amount was kept for the meeting of UNESCO which could not be held and this amount could not be utilized.

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee settled the grant.

3. **GRANT NO.132-DEVELOPMENTAL EXPENDITURE OF CULTURE DIVISION (PAGE 119-AA)**
(Excess of Rs.108, 389,159)

AGPR pointed out that the grant closed with an excess of Rs.108, 389,159 which works out to 28.66% of the total grant. An amount of Rs.58, 053,000 (15.35%) was surrendered increasing net excess of Rs.166, 442,159 (44.01%). A supplementary grant of Rs.193, 000,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO informed the Committee that according to departmental figure, there is saving in the grant.

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee settled the grant with the direction that in future, there should be zero saving and zero excess.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT(CIVIL) FOR THE YEAR 2008-09

PAKISTAN NATIONAL COUNCIL OF ARTS (ISLAMABAD)

4. **PARA 3.1 (PAGE 30-AR)**
NON-DEPOSIT OF SALE PROCEEDS OF OLD VEHICLES RS.1.019 MILLION INTO GOVT. ACCOUNT

Audit pointed out that according to Section-8 of Pakistan National Council of Arts (PNCA) Act, 1973, the sources of funds of PNCA were as under:

i. Govt. Grants.
ii. Contribution and donations from Corporation, local bodies, etc.

All types of receipts from other than above mentioned sources were required to be deposited into Govt. account in terms of rule 7 of Federal Treasury Rules. During the audit of PNCA for the financial year 2007-08, it was observed that sale proceeds of following four vehicles amounting to Rs.1,018,866 were not deposited into Govt. Accounts.

Sl.#	Vehicle No.	Model	Amount Rs
1	IDD-3591 Suzuki Van Bank Charges Rs 134	1990	220,866
2		1995	293,000
3		1990	135,000
4		1994	370,000
	Total amount		1,018,866

The PAO informed the Committee that four condemned vehicles of PNCA were auctioned for the amount as shown in the Audit Para. The department requested the then PAO for permission to purchase new vehicles in lieu of auctioned vehicles. The then PAO who was the competent authority, permitted department to purchase new vehicles. However, this permission did not mean to purchase with the sale proceeds. However,

without getting further clarification, the Department utilized this amount. Ministry has taken up a case with the Finance Division for obtaining ex-post permission for utilization of funds.

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure on the issue and directed the PAO get the Ex-post facto approval from M/o Finance and report to the Committee within two weeks. The Committee however pended the para till its next meeting.

5. **PARA 3.2 (PAGE 30-AR)**
UNAUTHORIZED EXPENDITURE OF RS.1.137 MILLION ON A DINNER

Audit pointed out that in terms of Sr.No.9 (38) of financial powers delegated to Ministries/Divisions/Departments under the System of Financial Control and Budgeting (September 2006), the Pakistan National Council of Arts. Islamabad was authorized to incur expenditure on receptions, lunches and dinners up to Rs. 40,000 in each case subject to the condition that per head expenditure including taxes, and soft drinks etc should not exceed Rs.1, 200 per head in any case.

Contrary to the above, the PNCA incurred an expenditure of Rs.1,137,781 on serving a dinner to 375 persons during the inauguration of National Art Gallery on August 25, 2007 without obtaining the approval of the Finance Division.

The PAO informed the Committee that the inaugural of National Art Gallery was performed by the then President of Pakistan which was attended by high level dignitaries and diplomats. The expenditures besides catering included allied services this exceeding the prescribed limit.

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to further inquire into the matter, fix responsibility against those who violated the rules and report to the Committee within two weeks. The Committee however pended the para till its next meeting on the Ministry.

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PAKISTAN CIVIL WORKS (ARCHAEOLOGY) FOR THE YEAR 2008-09

ARCHAEOLOGY DEPARTMENT

6. **PARA 4.1.1 (PAGE 57-AR)**

OVERPAYMENT ON THE BASIS OF FICTITIOUS RECORD ENTRIES-RS 312,170

As per work order No.8-D/57/07NCA dated 20th February, 2008, boring of 600 feet deep for installation of tube well was provided as per survey/estimate for which proper agreement was signed and accordingly payment of actual work done was admissible to the contractor. As per clause 8 of the agreement, boring will be completed up to 600 feet below ground level and will not be reduced in any case.

The Director, Northern Circle of Archaeology, Lahore measured and paid boring of tube well for 600 feet whereas, bore hole was executed only for 410 feet as reported by the Project Director vide letter No.8-D/57/07 –HM/T/9601-3 dated 17th June, 2008. Further, M.S blind pipe was also measured for 500sft instead of 310 feet length as brass strainer was also measured for 100sft. This resulted in overpayment of Rs.312,170.

The PAO informed the Committee that tube-well was plugged at the depth of 410 feet in view of technical reasons. It was further informed that technical advice was sought from WASA/LDA.

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to take action in the light of Fact Finding Enquiry already conducted by M/o Culture in compliance to DAC decision, fix responsibility and report to the Committee within two weeks. The Committee however, pended this para till its next meeting on the Ministry.

7. **PARA 4.1.2 (PAGE 58-AR)**
OVERPAYMENT DUE TO NON-ADJUSTMENT/RECOVERY OF AVAILABLE STONE AT SITE-RS.123,000

Audit pointed out that clause 15 (additional terms & conditions) of the contract agreement provides that all material (e.g. stone and other materials) obtained in the work of dismantling, excavation, etc. will be considered government property and issued to the contractor if someone required for the work at rate approved by the Superintending Engineer .If the materials, are not required by them they will be disposed off in the interest of government.

The Project Director, Rohtas Fort measured and paid full cost i.e. material for the items, providing/laying un-coursed rubble stone masonry with (2:3) line mortar" and providing /laying coursed rubble stone masonry without adjusting the cost of available stone obtaining from dismantling. This resulted in overpayment of Rs.330,912 (Reduced to Rs.123,000).

The PAO informed the Committee that the matter is subjudice in the High Court and its decision is awaited.

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to coordinate with the Attorney General of Pakistan and Advocate General Punjab for early decision on the issue. The Committee however, pended this para till its next meeting on the Ministry.

ACTIONABLE POINTS

Report of the 2nd Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/o Culture held on 14th October, 2010 to discuss the pended Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

PAKISTAN NATIONAL COUNCIL OF ARTS (ISLAMABAD)

1. **PARA 3.1 (PAGE 30-AR)**
NON DEPOSIT OF SALE PROCEEDS OF OLD VEHICLES RS.1.019 MILLION INTO GOVT ACCOUNT

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee settled the audit para with the direction to strict the financial discipline in future.

2. **PARA 3.2 (PAGE 30-AR)**
UNAUTHORIZED EXPENDITURE OF RS.1.137 MILLION ON A DINNER

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to expedite the process of recovery/inquiry and report to the Committee in one month.

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PAKISTAN CIVIL WORKS (ARCHAEOLOGY) FOR THE YEAR 2008-09

ARCHAEOLOGY DEPARTMENT

3. **PARA 4.1.1 (PAGE 57-AR)**
OVERPAYMENT ON THE BASIS OF FICTITIOUS RECORD ENTRIES-RS 312,170

The PAO informed the Committee that the amount of the contractor is available with us who is project employee and the amount can be recovered from his salary. But however, it needs some technical investigation.

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to resolve this issue, forward this para to NESPAK and get its fact finding from them and report to the Committee in one month.

4. **PARA 4.1.2 (PAGE 58-AR)**
OVERPAYMENT DUE TO NON-ADJUSTMENT/RECOVERY OF AVAILABLE STONE AT SITE-RS.123,000

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee settled the audit para.

ECONOMIC AFFAIRS DIVISION

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Federal Government (Civil) for the year 2008-09, pertaining to the Economic Affairs Division were taken up for examination by the Public Accounts Committee on **14th June and 8th December, 2010.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases i.e Parallel Accounting Systems and difference in outstanding liability between EAD data and those appearing in the lender records.

1.2 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.

1.3 There were 6 grants presented by the AGPR and 2 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter were discussed in the meeting of the PAC. The PAC regularized the Grants with the direction to the PAO that in future, the saving must be surrendered in time and the budget should be monitored properly so that there should be zero saving and zero excess in each grant, DAC meetings should be conducted on monthly basis and should be chaired by the PAO himself/herself. 1 para was recommended for settlement by the PAC either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directives on 2 Audit paras while on 5 audit paras, the Committee directed the PAO to implement DAC recommendations.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 14th June, 2010 pertaining to Economic Affairs Division on the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:-

APPROPRIATION ACCOUNTS (CIVIL VOL-I- 2007-08)

1. **GRANT NO.27-ECONOMIC AFFAIRS DIVISION (PAGE 159-AA)**
(Saving of Rs 32,759,045)

AGPR pointed out that the grant was closed with a saving of Rs 32,759,045 which worked out to 8.22 percent of the total grant. An amount of Rs 31,485,000 (7.90%) was surrendered leaving net saving to Rs 1,274,045(0.32%).

The PAO explained the reasons of the saving as below:-

i) Due to fluctuation of foreign exchange rates.

ii) The amount kept to meet any unforeseen expenditure making payment to officers to be posted by Establishment Division. Planning & Development Division and Audit and Accounts Department. Some posts were not filled during financial year 2007-08 thus saving occurred.

iii) Secretary EAD had approved the grant of additional honorarium of Rs.2058,560/- (89.560+119,000) to officials working in Secretary's Office and to some other officials who have performed their duties efficiently. The case was taken up with the Finance Division for concurrence, but the Finance Division did not agree.

iv) Due to Prime Minister's directive for austerity measures.

v) Regarding reimbursement of medical charges to retired employees of EAD.

PAC DIRECTIVE

The PAC regularized the grant with the direction that there should be zero saving/excess in future.

2. **GRANT NO.136-DEVELOPMENT EXPENDITURE OF ECONOMIC AFFAIRS DIVISION (PAGE 161-AA)**
(Saving of Rs 333,147,451)

AGPR pointed out that the grant was closed with a saving of Rs 333,147,451 which worked out to 19.05 percent of the total grant. An amount of Rs 52,342,426 (3.00%) was surrendered leaving net saving to Rs 280,805,025(16.05%).

The PAO explained that saving relates to 4th quarter release of Agriculture Sector Program Loan (ASPL)-II which was not endorsed by DFA (EAD) at that time for want of utilization certificate from the Provincial Governments.

PAC DIRECTIVE

The PAC regularized the grant with the direction that there should be zero saving/excess in future.

3. **GRANT NO.169-EXTERNAL DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT (PAGE 163-AA) (CHARGED)** (Excess of Rs 13,665,045,904)

AGPR pointed out that the appropriation was closed with an excess of Rs 13,665,045,904 which worked out to 56.57 percent of the total appropriation.

(OTHER THAN CHARGED)
(Saving of Rs 14,255,756,857)

AGPR pointed out that the grant was closed with a saving of Rs 14,255,756,857 which worked out to 65.19 percent of the total appropriation. An amount of Rs. 500,000,000 (2.28%) was surrendered leaving net saving of Rs 13,755,756,857 (62.91%).

The PAO explained the reasons of saving as below:-

i) Saving is due to less disbursement of Foreign Aid because of low utilization capacity of the respective projects. Project aid is disbursed on the basis of withdrawal applications submitted by the respective Project Directors which takes

In to account project performance. Besides, an amount of Rs 66.00 million was budgeted against the new projects, for which aid could not be lined up during the year.

ii) Due to less disbursement of foreign assistance because of low utilization capacity of the respective projects.

iii) Due to less disbursement under program loans of ADB for which budget provision was not kept.

iv) Due to excess disbursement under Programme loan.

v) Due to more disbursement of foreign aid than estimated.

PAC DIRECTIVE

The PAC deferred the grant (other than charged) with direction to let the PAC know the reasons for non utilization and referred the grant to the DAC for re-discussion with Audit.

4. **SERVICING OF FOREING DEBT (PAGE 165-AA)**
(Excess of Rs 2,031,704,653)

AGPR pointed out that the grant was closed with an excess of Rs 2,031,704,653 which worked out to 3.42 percent of the final appropriation.

The PAO explained the reasons of excess as under:-

i) Excess was due to payment of interest on IDB Short Term Credit of US dollar 156 (m) and Euro 100 (m) as no allocation was kept in the Budget for the purpose.

ii) An Excess of Rs 244.054 (m) was also due to repayment of SDR loans in different currencies. The SDR loans were payable in multi currencies and exchange fluctuation of the currencies of payment could not be assessed.

PAC DIRECTIVE

The PAC referred the issue to the DAC with the direction to report to the PAC **within two months.**

5. **FOREIGN LOANS REPAYMENT (PAGE 166-AA)**
(Excess of Rs 8,237,547,298)

AGPR pointed out that the Appropriation was closed with an excess of Rs 8,237,547,298 which worked out to 13.09 percent of the final appropriation.

The PAO explained the reasons of excess as under:-

i) The payment of US $ 24 (m) equivalent to Pak Rupee 1,599,597 (m) against Italian Debt (SWAP) was paid in June, 2008 for which allocation was not kept due to non-finalization of the SWAP agreement.

ii) Excess expenditure of Rupees 585.940 (m) was due to the payment of SDR loans in different currencies.

PAC DIRECTIVE

The PAC referred the para back to the DAC and report to the PAC **within two months.** Club this grant with previous grant.

6. **RE-PAYMENT OF SHORT TERM FOREIGN CREDITS (PAGE 167-AA)**
(Saving of Rs 18,952,144,414)

AGPR pointed out that the Appropriation was closed with a saving of Rs 18,952,144,414 which worked out to 88.29 percent of the final appropriation.

The PAO explained the reasons of saving was that the payments due in June, 2008 were deferred to next financial year 2008-09 due to which saving could not be surrendered on/or before 15th May, 2008 as such the same was surrendered on 30th June, 2008.

PAC DIRECTIVE

The PAC regularized the grant.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNEMENT (CIVIL) FOR THE YEAR 2008-09

7. **PARA 4.1 (PAGE 35-AR)**
NON RECOVERY OF RELENT LOANS-RS 21,987 MILLION

Audit pointed out that during the review of recovery record of foreign relent loan in the Economic Affairs Division, it was observed that foreign relent loans amounting to Rs 21,728 million were outstanding against National Highway Authority and Rs 259 million against the Industrial Development Bank of Pakistan as on June 30, 2008. Both of the aforesaid organization were not making payment of the relent loans.

The PAO explained that NHA is facing financial constraints, due to which they have taken up the case with Finance Division for converting their debt servicing liability into grants. Finance Division has confirmed that the liability of NHA is under process in the Finance Division for conversion into equity.

IDBP has been incorporated into Industrial Development Bank Limited (IDBL) on April 10, 2007 under the industrial Development Bank of Pakistan (Reorganization & Conversion) Ordinance No XVII of 2006, promulgated by the President of Pakistan. The Finance Division has confirmed that the Ordinance, having coverage under the Provisional Constitution (PCO) of November, 2007, has been tabled in the Senate as per the decision of Supreme Court of Pakistan. On approval of this Bill by the Parliament, the liability against relent loans of IDBP would be converted into equity at the time of transfer of the assts and liabilities from IDBP to IDBPL through issuance of Vesting Order.

PAC DIRECTIVE

The PAC pended this para along with the two grants relating to foreign aid and referred back to the DAC for a report to the PAC **within two months.** The para will be reconsidered subject to the verification of Ministry of Finance and Audit.

8. **PARA 4.2 (PAGE 35-AR)**
LAPSE OF GRANTS – US$ 568 MILLION DURING THE PERIOD JANUARY 2000-JUNE 2008

Audit pointed out that as per the Rules of Business, Economic Affairs Division has been assigned the responsibility to negotiate, coordinate and monitor the assistance from foreign donors to the Government of Pakistan.

During the audit of EAD for the year 2007-08, it was observed that the negotiation, coordination and monitoring mechanism within the EAD had not been working effectively. This was reflected in the fact that grants of US$ 568 million could not be disbursed during January 2000 to June, 30, 2008. The year-wise summary of grant remaining un-disbursed till their final lapses is summarized below:-

Year in which Grant Agreements Ended	Total No. of Projects	Undisbursed Amounts in the year (US$)	Cumulative Undisbursed Amounts (US$)
As			
2000	1	7,282,578	7,282,578
2002	2	5,087,133	12,369,711
t			
2003	1	406,292	12,776,003
h			
2004	5	37,294,733	50,070,736
e			
2005	14	37,197,593	87,268,329
2006	29	190,118,866	277,387,195
t			
2007	24	119,396,486	396,783,681
a			
Upto 30th June, 2008	12	171,422,120	568,205,801
b			
l	Total	568,205,801	

Table shows, nearly 85% grant had been lost during January 2006 to June 30, 2008. Donors, in general, don't disburse grants when relevant government agencies fail to comply with counterpart requirements articulated in their commitments. As per Rules of Business, it is the responsibility of EAD to coordinate with government agencies and donors to facilitate grants disbursement. Audit is of the view that the country is losing

interest- free grants while its dependence on interest-bearing foreign loan is growing especially in the context of its commitment toward the Millennium Development Goals (MDGs).

The PAO explained that the Audit point of view that the negotiation, coordination and monitoring mechanism within the EAD has not been working effectively is not correct. In fact, as per the Rules of Business, 1973, EAD is responsible for assessment of requirements, programmings negotiations, coordination activities, debt management including authorization of assistance from all external debt service, compilation and accounting and analysis of economic assistance from all foreign governments and organizations. It is clear that aid monitoring i.e. disbursement of foreign aid by the donors is responsibility of EAD but its utilization by executing agencies/project authorities is not the responsibility of EAD.

DISBURSEMENT MECHANISM:

The respective donors disburse foreign aid (loans/grants) directly to the concerned project implementing agencies/authorities without the involvement of EAD. Project Directors get disbursement of foreign aid (loans/grant) as per their requirements. Normally, project aid is disbursed over some period (5-7 years) and if project is not completed on scheduled time, extension in disbursement closing dates is obtained which is normally granted by the respective donors. EAD vigorously monitors disbursement of foreign aid (loans/grants) with the donors and each month Portfolio Review meetings are held under the chairmanship of Minister of State for Finance and Economic Affairs, with all Joint Secretaries and the concerned provincial/federal Government official to ensure quick and full disbursement against each project. During portfolio review meeting with each donor, efforts are being made to expedite disbursement of grants as well as loans.

PAC DIRECTIVE

The PAC referred the para to the DAC for reconsideration and report to the PAC in the next meeting.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 8th December, 2010 pertaining to Economic Affairs Division on the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO.169-EXTERNAL DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT (PAGE 163-AA) (CHARGED)** (Excess of Rs 13,665,045,904)

AGPR pointed out that the subject grant was presented before the PAC on 14-06-2010. The Committee referred the said Grant for DAC with the following directives:-

> **"The PAC deferred the grant (other than charged) with direction to let the PAC know for non utilization and referred the grant to the DAC for re-discussion with Audit".**

The Appropriation (charged) closed with an Excess of Rs. 13, 665,045,904 which worked out to 56.57 percent of the total appropriation.

(OTHER THAN CHARGED)
(Saving of Rs 14,255,756,857)

The grant closed with a saving of Rs. 14,255,756,857 which worked out to 65.19% of the total grant. An amount of Rs 500,000,000 (2.28%) was surrendered leaving net saving of Rs. 13,756,857(62.91%).

The PAO explained that the reason was due to less disbursement of Foreign Aid because of low utilization capacity of the respective projects.

PAC DIRECTIVE

The Grant was settled subject to submission of final findings of the Inter Departmental Committee to the Auditor-General's Office and their verification.

2. **SERVICING OF FOREING DEBT (PAGE 165-AA)**
(Excess of Rs 2,031,704,653)

AGPR pointed out that the grant closed with an excess of Rs.2,031,704,653 which worked out to 3.42% of the total Appropriation.

The PAO explained the reason of Excess as under:-

i) Excess was due to payment of interest on IDB Short Term Credit of US dollar 156 (M) and Euro 100 (M) as no allocation was kept in the Budget for the purpose.

ii) An Excess of Rs. 244.054 (M) was also due to payable in multi currencies and exchange fluctuation of the currencies of payments could not be assessed.

3. **FOREIGN LOANS REPAYMENT (PAGE 166-AA)**
(Excess of Rs 8,237,547,298)

AGPR pointed out that the grant closed with an excess of Rs.8, 237,547,298 which worked out to 13.09% of the final Appropriation.

The PAO explained that the reasons of Excess as under:-

i) The payment of US dollar 24 (M) equivalent to Pak Rupee 1, 599.597 (M) against Italian Debt (SWAP) was paid in June, 2008 for which allocation was not kept due to Non-finalization of the SWAP agreement.

ii) Excess expenditure of Rupees 585.940 (M) was due to the repayment of SDR loans in different currencies.

PAC DIRECTIVE

The above Grants were settled on the assurance given by the Accountant General Pakistan Revenues that instructions issued by M/O Finance in this regard will be followed.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09)

4. **PARA 4.1 (PAGE 35-AR)**
NON RECOVERY OF RELENT LOANS – RS. 21, 987 MILLION

Audit pointed out that during the review of recovery record of foreign relent loan in the Economic Affairs Division, it was observed that foreign relent loans amounting to Rs. 21,728 million were outstanding against National Highway Authority (NHA) and Rs. 259 million against the Industrial Development Bank of Pakistan (IDBP) as on June 30, 2008. Both of the aforesaid organization were not making payment of the relent loans.

The PAO explained that NHA is facing financial constraints, due to which they have taken up the case with Finance Division for converting their debt servicing liability into grant. Finance Division has confirmed that the liability of NHA is under process in the Finance Division for conversion into equity. IDBP has been incorporated into Industrial Development Bank Limited (IDBP) on April 10, 2007 under the Industrial Development Bank of Pakistan (Reorganization & Conversion) Ordinance No XVII of 2006, promulgated by the President of Pakistan. The Finance Division has confirmed that the Ordinance, having coverage under the Provisional Constitution (PCO) of November, 2007, has been tabled in the Senate as per the decision of Supreme Court of Pakistan. On approval of this bill by the Parliament, the liability against relent loans of IDBP would be converted into equity at the time of transfer of the assts and liabilities from IDBP to IDBL through issuance of Vesting Order.

PAC DIRECTIVE

The para was settled subject to verification of Finance Division's report in the matter by Audit.

5. **PARA 4.2 (PAGE 35-AR)**
LAPSE OF GRANTS – US $ 568 MILLION DURING THE PERIOD JANUARY 2000-JUNE 2008

Audit pointed out that during the audit of EAD for the year 2007-08, it was observed that the negotiation, coordination and monitoring mechanism within the EAD had not been working effectively. This was reflected in the fact that grants of US $ 568 million could not be disbursed during January 2000 to June 30, 2008. Nearly 85% of grants had been lost during January 2006 to June, 30, 2008. Donors in general don't disburse grants when relevant government agencies fail to comply with counterpart requirements articulated in their commitments. As per Rules of Business, it is the responsibility of EAD to coordinate with government agencies and donors to facilitate grants disbursement.

The PAO explained that in fact, as per the Rules of Business, 1973, EAD is responsible for assessment of requirements, programming negotiations coordination activities debt management including authorization of remittances for all external debt service, compilation and accounting and analysis of economic assistance from all foreign governments and organizations. It is clear that aid monitoring i.e. disbursement of foreign aid by the donors in responsibility of EAD but its utilization by executing agencies/project authorities is not the responsibility of EAD.

PAC DIRECTIVE

The para was kept pending till verification by Audit of the present status of the Grants and finalizations of the IDC report on the issue. It was also directed that the report my also define the role of Economic Affairs Division.

MINISTRY OF EDUCATION

1. **OVERVIEW**

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Education were taken up for examination by the Public Accounts Committee on **9th June, 2010 and 16th June, 2011.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO).

1.2 There were 4 Grants presented by the AGPR and 1 Audit para reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC. 4 Grants were recommended for settlement by the PAC. The Committee gave directive on 1 Audit para.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 9th June, 2010 pertaining to M/o Education for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:-

APPROPRITAION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO.29-EDUCATION DIVISION (PAGE 193-AA)**
(Saving of Rs 42,554,650)

Audit pointed out that the grant was closed with a saving of Rs 42,554,650 which worked out to 8.00 percent of the total grant. An amount of Rs 32,854,340 (6.17%) was surrendered leaving net saving to Rs 9,700,310(1.82%).

PAC DIRECTIVE

The PAC regularized the grant with the direction that there should be zero saving/excess in future.

2. **GRANT NO.31-EDUCATION (PAGE 196-AA)**
(Saving of Rs 64,417,402)

The Audit pointed out that the grant was closed with a saving of Rs 64,417,402 which worked out to 8.67 percent of the total grant. An amount of Rs 14,487,497(1.95%) was surrendered leaving net saving of Rs 49,929,905 (6.72%).
The PAO pointed out variation in the figures of supplementary grant of Rs 29,999,000 and actual expenditure of Rs 363,179 which was due to non reconciliation by the Department. The saving was nominal.

PAC DIRECTIVE

The PAC directed to know the utilization of the amount when an allocation is made to a Department and send a report to PAC. The PAC regularized the grant subject to reconciliation with Audit.

3. **GRANT NO.32-FERDERAL GOVERNMENT EDUCATIONAL INSTITUTIONS IN THE CAPITAL AND FEDERAL AREAS (PAGE 200-AA)** (Excess of Rs 322,753,909)

The Audit pointed out that the grant was closed with an excess of Rs 322,753,909 which worked out to 17.92 percent of the total grant.

The PAO explained that the excess was due to the up grading and revision in basic pay scales and increase in allowances.

PAC DIRECTIVE

The PAC regularized the grant with the direction to the PAO that there should be good budgeting at his own level and no mistake should be there in future.

4. **GRANT NO.138-DEVELOPMEN EXPENDITURE OF EDUCATION DIVISION (PAGE 203-AA)**
(Saving of Rs 3,321,330,079)

The Audit pointed out that the grant was closed with a saving of Rs 3,321,330,079 which worked out to 50.23 percent of the total grant. An amount of Rs 2,123,840,959 (32.12%) was surrendered leaving net saving to Rs 1,197,489,120(18.11%).

PAC DIRECTIVE

The PAC regularized the grant with the remarks that there will be maximum support from the PAC for Education.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NATIONAL BOOK FOUNDATION

5. **ANNEXURE-I SERIAL NO.4 (PAGE 371-ARPSE)**
NON-SUBMISSION OF ACCOUNTS

Annual audited accounts of Public Sector Enterprises for the years 2007-08 & 2008-09 were to be provided to the Directed General of Commercial Audit & Evaluation, Lahore by January 15, 2009 and January 15, 2010 respectively. Despite repeated request, D.O letter, telephonic conversations and personal visits, the management of National Book Foundation failed to provide their annual audited accounts for the years 2007-08 & 2008-09 by the prescribed date. Non-submission of the accounts needs to be explained.

The PAO explained that Audit Accounts for the year 2007-08 have been furnished vide letter No. HFM-58/734/628 dated 12-05-2010 and accounts for the year 2008-09 are being finalized and will be submitted shortly.

PAC DIRECTIVE

The PAC directed to furnish the record up to 15 July, 2010 and get it verified from the Audit. The PAC conditionally settled the para with the above direction.

ACTIONABLE POINTS
16-06-2011

ISSUE OF ABOLISHMENT OF CONCURRENT LIST OF 1973 CONSTITUTION

PAC DIRECTIVE

The Committee decided that, since the issue of devolution of Federal Ministries to the Provinces is ongoing and a number of problems have surfaced in this exercise, the Ministry of Inter-Provincial Coordination, Cabinet Division and Planning Division will be called, to give a briefing to the Public Accounts Committee in the matter.

ELECTION COMMISSION OF PAKISTAN

1. **OVERVIEW**

Appropriation Accounts 2007-08 pertaining to the Election Commission of Pakistan were taken up for examination by the Special Committee-I of Public Accounts Committee on **18th June, 2010.**

1.1 There was only 1 Grant presented by the AGPR and the Special Committee settled/regularized the grant with the direction that while formulating the budget due care may be taken in future and the Election Commission may improve its financial and budgeting system. The object should be zero excess and zero saving.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convenership of Mrs.Yasmeen Rehman,MNA on Election Commission of Pakistan held on 18th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

2. **ELECTION (CHARGED) (PAGE 591-AA)**
(Saving of Rs.85,651,241)

AGPR pointed out that the grant closed with the saving of Rs.85,651,241 which works out 3.99% of the total grant.

The PAO informed the Committee that a saving in the grant occurred due to the expected expenditure to be incurred in the forthcoming elections. The PAO further informed the Committee that they are adopting now the policy of openness and are taking all stakeholders on board.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee appreciated the policy of openness by the Election Commission. The Committee directed the PAO to also take on board the CDA for recovery issues. The Committee however, recommended the grant for settlement with the direction that there should be zero saving and zero excess in future.

MINISTRY OF ENVIRONMENT

1. **OVERVIEW**

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil), Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Environment were taken up for examination by Public Accounts Committee on **15th June, 2010.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in the cases involving non-achievements of targets and non-production of record etc.

1.2 There were 04 Paras reported by Audit regarding Audit Report (Federal Govt) Civil and Audit Report Public Sector Enterprises. 04 Grants were presented by AGPR. The PAC regularized saving/excess of the 04 grants with the direction to PAO that in future there should be no such loose financial controls. One (01) para was settled subject to verification of record, while on one (01) para PAC gave direction to PAO to fix responsibility. The PAC settled 02 paras subject to implementation of DAC decisions.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meetings held on 15-06-2010 to examine the Appropriation Accounts for the year 2007-08 and Audit Report for the year 2008-09.

APROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

1. i) **GRANT NO.33-ENVIRONMENT DIVISION (PAGE 223-AA)**
(Saving of Rs.274,174)

AGPR pointed out that the grant closed with a saving of Rs.274, 174 which works out to 0.17% of the total grant. An amount of Rs.2, 653,860 (1.66%) was surrendered resulting into an excess of Rs.2, 379,686 (1.49%).

The PAO explained that saving under the head A03-Operating expenses and under the heads A012-2-Other Allowances was due to less receipt of claim than the anticipated.

ii) **GRANT NO. 34- FOREST (PAGE 226-AA)**
(Net Saving of Rs.280,960)

AGPR pointed out that the grant closed with a saving of Rs.280,960 which works out to 0.38% of the total grant.

The PAO stated that the saving was due to stoppage of pay of one member of FPSC, less expenditure than anticipated and less expenditure under sub-head T&T charges.

iii) **GRANT NO. 35- ZOOLOGICAL SURVEY DEPARTMENT (PAGE 227-AA)**
(Net Saving of Rs.350,856)

AGPR pointed out that the grant closed with a saving of Rs.350,856 which works out to 3.22% of the total grant.

The PAO stated that the saving was due to stoppage of pay of one member of FPSC, less expenditure than anticipated and less expenditure under sub-head T&T charges.

iv) **GRANT NO. 139- DEVELOPMENT EXPENDITURE OF ENVIRONMENT DIVISION (PAGE 228-AA)**
(Saving of Rs.1,144,217,242)

AGPR pointed out that the grant closed with a saving of Rs.1,144,217,242 which works out to 70.68% of the total grant. An amount of Rs.843,781,300 (52.12%) was surrendered leaving net saving of Rs.300,435,942 (18.55%). A supplementary grant of Rs.14,045,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the saving was due to expenditure less booked. Moreover, certain releases were not made by the Ministry of Finance in the fourth quarter of financial year 2007-08. The PAO further stated that due to vacant posts and incident of Lal Masjid, the Ministry could not utilize the funds.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 4 grants with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budgeting principles to avoid saving/excess. The PAC further directed the PAO that once the target is set, this should be achieved at every cost. The PAC also directed the PAO to ensure the monitoring of the budget starting from the month of July and supplementary grants can only be demanded if the department has the capacity for its utilization.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. **PARA 5.1 (PAGE 40-AR)**
POOR EXECUTION OF THE PROJECT WITH APPROVED COST OF RS 133.4 MILLION

Audit pointed out that Activity Based Capacity Development (ABCD) Project was launched by the Ministry of Environment in 2005 with the objective of supporting environmental agencies in Pakistan and AJK to improve their environmental regulatory compliance and enforcement mechanism. Audit noted that the project remained only partially functional though its implementation had started in 2005 primarily for failure in recruitment. Despite several advertisements and considerable outlay on advertisements, only 30 persons were recruited of whom 11 persons had already left and only 19 persons were working against 99 approve posts at the time of audit. It was noted that the provinces and AJK government wanted a greater say in project implementation, including recruitment process. Even while revising the project in October 2008, the management did not address this issue. The revised PC-I cut the number of posts to 66 and the

management advertised 47 vacancies on 14-2-2009. The recruitment was under process when audit was completed. Audit is of the view that the fundamental issue of stake holder's ownership remains to be addressed and that the project would not deliver planned outcome, even if the latest recruitment effort is successful as the project is closing on June 30, 2010. Audit observed that money wasted needs to be justified.

The PAO informed the PAC that the recruitment for all projects is centralized in Ministry of Environment; a number of advertisements for recruitment against different posts under ABCD project were floated in newspapers in March 2006, August, 2006, April 2007 and Feb, 2009 and Feb, 2010. A full time PD could not be hired as suitable candidate of required qualification and experiences was not available. Later full time Project Director was appointed in Jan, 2009 by Ministry of Environment through deputation. The PC-I of the project was revised in Oct, 2008 with a total cost of Rs.162.441 million. As cash plan for the FY 2008-09 was prepared in accordance to the revised PC-I and was submitted simultaneously to Planning Division in Oct, 2008 which was approved by Planning Division in Jan, 2009 and the project staff got their salaries after a gap of eight (08) months. The revised action plan of the project was approved in April, 2009 by the Ministry of Environment. It is clarified that in the FY 2008-09 the project's progress suffered due to the non availability of funds in time as well as cuts imposed by the Finance Division in the releases for Development Projects. The PAO further informed the PAC that the Ministry has constituted a Committee to fix responsibility and already have advertised to fill up the vacant posts.

PAC DIRECTIVE

The Public Accounts Committee pended the para and directed the PAO to fix responsibility and fact finding committee report may be submitted to PAC/Audit within 10 days. The PAC further directed the PAO to adopt a methodology to fill up the posts in a transparent manner and report regarding recruitment process be furnished to PAC with two weeks. The PAC will discuss this para again in its next meeting.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

3. **PARA 47 (PAGE 64-ARPSE)**
IRREGULAR APPOINTMENTS AND PAYMENT RS 3.918 MILLION

Audit pointed out that in terms of Governments of Pakistan, Cabinet Secretariat (Establishment Division) office memo No.06/02/2000-R.3 dated May 06, 2002 for the projects which have a limited life, the appointments may be made on contract basis by the prescribed appointment authority after open advertisement of the vacancies. Pakistan Environment Planning and Architectural Consultants (PEPAC) made nine appointments in different project during December 2005 to December 2006 on contract basis without advertising the vacancies in the national newspaper. The initial appointments were made for 3 months and subsequently extended. As per rules, the management was required to advertise the vacancies with the prescribed academic and professional qualification, experience and age etc; but his was not done, in all such appointments. Payment of Rs.3.918 million till March 2008 made on this account was considered irregular.

The PAO informed the PAC that keeping in view the urgency of hiring of employees, it is informed that the time framed for completing all the procedural formalities, approximately takes long span for meeting requirements from advertisements till selection of candidates. It is further informed that according to the requirement of the position/nature of project and services during the period under reference, the Company was suffering from financial constrains/ recession and found some business for which services of a few professionals / staff were essentially required so that these appointments, made in urgency in the best interest of the Company. The PAO further informed the PAC that the Ministry has already given termination orders up to 30th June, 2010 and Board meeting will be held for Ex-Post facto approval within three weeks.

PAC DIRECTIVE

The Public Accounts Committee settled the para subject to verification of record by Audit within three weeks. The Public Accounts Committee further directed the PAO to

improve the service structure/rules and bring transparency, while making the appointments/recruitments.

PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL CONSULTANTS (PVT) LIMITED.

4. i) **PARA 46 (PAGE 63-ARPSE)**

ii) **PARA 46.1 (PAGE 63-64-ARPSE)**

PAC DIRECTIVE

On the presentation of above 02 audit paras, the PAC directed the PAO to implement the recommendations of the DAC. These paras are considered to be settled subject to verification/satisfaction of Audit Department.

ESTABLISHMENT DIVISION

1. **OVERVIEW**

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Federal Government (Civil) for the year 2008-09, pertaining to the Establishment Division were taken up for examination by the Public Accounts Committee on **15th June, 2010.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases.

1.2 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.

1.3 There were 4 grants presented by the AGPR and 2 Audit paras reported by the Audit/AGPR. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC. 4 grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directive on 2 Audit paras.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 15-06-2010 to examine the Appropriation Accounts for the year 2007-08 and Audit Report for the year 2008-09.

APROPRIATION ACCOUNTS (CIVIL) VOL-I-2007- 08)

1. i) **GRANT NO. 06- ESTABLISHMENT DIVISION (PAGE 75-AA)**
(Saving of Rs 13,319,484)

AGPR pointed out that the grant closed with a saving of Rs 13,319,484 which works out to 1.76% of the total grant. An amount of Rs. 12,879,836 (1.70%) was surrendered leaving net saving of Rs. 439,648 (0.05%).

The PAO explained that saving under the head A03-Operating expenses and under the Heads A012-2-Other Allowances was due to less receipt of claim than anticipated.

ii) **GRANT NO. 07- FEDERAL PUBLIC SERVICE COMMISSION (PAGE 78-AA)**
(Excess of Rs. 11,063,595)

AGPR pointed out that the grant closed with an excess of Rs 11,063,595 which works out to 6.70% of the total grant. An amount of Rs. 1,845,000 (1.11%) was surrendered increasing net excess to Rs. 12,908,595 (7.81%). A supplementary grant of Rs. 14,272,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO stated that the excess was due to stoppage of pay of one member of FPSC, less expenditure than the anticipated and less expenditure under sub-head T&T charges.

iii) **GRANT NO. 08- OTHER EXPENDITURE OF ESTABLISHMENT DIVISION (PAGE 80-AA)**
(Saving of Rs 129, 979, 451)

AGPR pointed out that the grant closed with a saving of Rs 129, 979, 451 which works out to 6.45% of the total grant. An amount of Rs. 5,920,751 (0.29%) was surrendered leaving net saving of Rs. 124, 058, 700 (6.16%).

The PAO explained that the saving was in the AGPR sub-office Peshawar Circle of Accounts. The second reason was that the internees deployed to various Provincial/Federal Government organizations could not prefer the bills on account of stipend to internees, therefore, there are saving".

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 3 grants with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budget principles to avoid saving/excess. The PAO further directed to observe due diligence, while formulating the budget estimates.

2. **GRANT NO. 128- DEVELOPMENT EXPENDITURE OF ESTABLISHMENT DIVISION (PAGE 87-AA)**
(Excess of Rs 193,777,525)

AGPR pointed out that the grant closed with an excess of Rs 193,777,525 which works out to 45.07% of the total grant. An amount of Rs. 13,570,000 (3.15%) was surrendered increasing net excess to Rs. 207,347,525 (48.22%).

The PAO explained that the excess was due to foreign training of officers selected under Professional Development Program and Executive Leadership Development Program. The PAO further informed that the Ministry is trying to recover money from those participants who did not submit their degrees after returning from training abroad and those who did not return and resigned before 5 year service period after training.

PAC DIRECTIVE

The Public Accounts Committee took a serious note for poor planning by the Ministry and directed the PAO to furnish a comprehensive report to the PAC/Audit. The PAC also directed the PAO to improve the internal control and to ensure good governance/budgeting. However, the PAC settled/regularized the grant subject to verification of recovery/record by Audit.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

3. **PARA 6.1 (PAGE 44-AR)**
OVERPAYMENT OF RS. 1.556 MILLION DUE TO WRONG FIXATION OF PAY OF THE MEMBERS OF FPSC

Audit pointed out that in terms of Rule-5(2) of Federal Public Service Commission (FPSC and Conditions of Service) Regulations 1978, the FPSC Members, appointed from retired Govt. Service of BPS-21/22, were entitled to draw the pay drawn by them before their appointments as members, in addition to pensions, just like re-employment of Govt. Servants. Contrary to above, audit observed that the basic pay of 09 members, who were retired Govt. officers, was fixed at Rs. 67,850 per month which was admissible only to the members appointed from private sector as per Rule-4 of the Rules ibid. This resulted in an overpayment of Rs. 1.556 million which was required to be recovered and refunded into Govt. Account, besides, immediate rectification of pay fixations. Management stated that a case for deletion of Rule-5(2) of FPSC (Composition and Conditions of Service) Regulations 1978, was submitted to Establishment Division who directed the FPSC that the case for amendment in the rules may be processed immediately.

The PAO informed the PAC that prior to 24-06-2000, the pay and allowances and other terms of the Chairman were regulated vide Regulations 4 of FPSC (Composition and Conditions of Services) Regulations, 1978 while the pay and other allowances of the Members of the Commission were regulated by Regulations 5 respectively. If a retired Government Servant is appointed as Member he/she shall draw pay in the basic scale in which he/she retires, in accordance with the rules applicable on re-employment to retired Government Servants. Nevertheless, the FPSC (Composition and Condition of Service) Regulations, 1978 have since been amended vide SRO No 723(I)/2009 dated 11-08-2009.

PAC DIRECTIVE

The Public Accounts Committee pended the para and directed the PAO to discuss the para again at DAC level to fix responsibility make recoveries if found necessary and report to PAC/Audit within 15 days. The para will be discussed in the next meeting of PAC.

4. **PARA 6.2 (PAGE 44-AR)**
NON-RECOVERY OF RS 13.320 MILLION FROM THE OFFICERS WHO DID NOT SUBMIT THEIR DEGREES AFTER RETURNING FROM THE TRAINING ABROAD OR RESIGNED BEFORE 5 YEAR SERVICE AFTER TRAINING

Audit pointed out that Establishment Division deputed a number of Govt. officers for long term foreign studies/training under the "Public Sector Capacity Building Project" during the period 2007-08. According to the policy approved by the Project's National Steering Committee (NSC), such officers were required to submit their degrees in token of successful completion of training and also serve the Govt. of Pakistan for at least 5 years on return from training. In case of non-fulfillment of the aforesaid conditions, the full training cost was required to be recovered from the concerned officers. During audit of the Civil Services Reforms Unit (CSRU), Establishment Division for the year 2007-08, it was noted that eight officers of various department either did not submit degree on return form training abroad or resigned before completing five years required services as per the above-mentioned conditions. It was further noted that no serious effort was on record showing that the successful officer were being placed in positions where they can deliver the most as per their qualification.

The PAO informed the PAC that recovery of Rs. 9.548 million is outstanding against the following officers, who were deputed on long term foreign training, but did not submit their degrees. Detail of outstanding recovery is as under:-

Sr.	Name of Officer/Course/Degree	Remarks
i	Mr. Shahzad Nawaz Cheema, an officer of Secretariat Group BPS-21 proceeded on degree course to UK and a sum of Rs. 3, 052, 359 equal to US$ 50,221 was expended on account of his stipend, tuition fee, air ticket, visa fee and other miscellaneous charges. He proceeded in July 2006 and returned from UK in July 2007. He failed to submit his degree for which he was nominated. Instead, he produced a diploma which is not justified and the amount needs to be recovered.	Legal notice has already been issued by Establishment Division. Officer has made the representation to the Establishment Division. CSRU is pursuing the matter with the Establishment Division for recover of the training cost.
ii	Mr. Nauman Hafeez an officer of DMG BPS-18 proceeded on degree courts to Australia. A sum of Rs. 109,655 equal to US$ 1836 besides other expenses was expended on account of stipend, vise fee and other misc. charges. He proceeded in January 2006 and returned in February 2006. He failed to continue his studies to his personal problems.	CSRU approached Secretary Services (S&GAD) Punjab for recovery of amount. S&GAD has advised the officer to deposit the amount which is still awaited.
iii	Syed Hamid Ali, Commercial Secretary, Embassy of Pakistan, Kaullampur and an officer of Custom and Excise Group proceeded on degree course. A sum of Rs. 291,500 equal to US% 4,907 excluding air fare was spent besides visa fee. He proceeded in January 2005. he has not yet submitted his degree.	FBR was requested by CSRU to recover the amount. FBR has written to DG Regional Tax Office for recovery of the amount from the officer. The recovery/completion of degree is still awaited.
iv	Ms. Samina Qureshi, Assistant Professor, Mass Communication Department, Karachi University and an ex-cadre officer proceeded on degree course. A sum of Rs. 1,980,354 equal to US$ 33,154 was expended on her degree program. The degree has not yet been submitted by her.	The lady has been consistently encouraged by CSRU to complete the degree. Her head of Department, who is also her surety, has also been approached for advising the lady to either complete the degree or return the cost, but in vain. CSRU is considering to issue a legal notice for recovery of training cost from the lady.
v	Mr. Muhammad Abbas Khan an officer of OMG proceeded on degree course. A sum of Rs. 2,178,152 equal to US$ 35,826 has been expended on his degree program. The degree has not been submitted by him.	CSRU has already taken up case with the Establishment Division. A legal notice is being issued to the officer by the Establishment Division for recovery of training expenditure.
Vi	Mr. Khushdil Khan Malik, Deputy Secretary, Human Rights Division, an Ex-Cadre Officer proceeded on degree course. A sum of Rs. 1,936,313 equal to US$ 31,808 has been expended. The degree has not yet been submitted by him.	Establishment Division has taken up the case with the Law Division for issuance of Legal notice to the officer for recovery training cost.

Recovery of Rs. 3.772 million outstanding against the following officers who were deputed on long term foreign training, but resigned before completion of 5 years as was required under the Bond:-

Sr.	Name of Officer/Course/Degree	Remarks
i	Mr. Muhammad Khalid Khan, an officer of Income Tax BPS-18 proceeded on degree courts to UK. A sum of Rs. 1,897,668 equal to US$ 31,612 was expended on account of stipend, tuition fee, air ticket, visa fee and other miscellaneous charges. He proceeded in September 2005 and did not return from UK. According to his undertaking he was bound to serve the Government of Pakistan for 5 years after completion of his degree course.	CSRU is continuously requesting to FBR for recovery of amount from the officer. Unfortunately, FBR has been silent on the issue. FBR is gain being reminded on this issue.
ii	Mr. Nasruminallah Mian, an officer of Income Tax Group BPS-18 proceeded on degree course to Australia. A sum of Rs. 1,874,457 equal to US$ 31,132 was expended on account of stipend, tuition fee, air ticket, visa fee and other misc. charges. He proceeded in September 2004 and returned from Australia in September 2005 and tendered resignation. According to undertaking he was bound to serve Pakistan for 5 years after completion of degree course.	FBR was requested to recover the balance amount of Rs. 451,988 from the officer. However, FBR informed that Chairman FBR has waived off/adjusted payable amount against the service rendered by the officer after training. CSRU disagreed to the stance of FBR and has requested for recovery of expenditure.

PAC DIRECTIVE

The Public Accounts Committee took a serious note of the issue and pended the para with the direction to PAO to ensure recovery from person(s) by August, 2010, who failed to achieve degrees in the said program. The PAC further directed to submit a comprehensive report to PAC/Audit after fixing responsibility covering the following points:-

i) Group wise detail of officers, who went abroad for the subject course.

ii) Criteria for their selection.

iii) Why the officers were sent abroad by pick & choose and without evaluation of their reports/without proper planning.

The PAC also directed to ensure good governance in the department. The para will be discussed in the next PAC meeting.

FATA SECRETARIAT

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the FATA Secretariat were taken up for examination by Public Accounts Committee on **27th September, 2010 and 14th June, 2011**.

1.1 The PAC having considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases.

1.2 During the course of discussion in the meeting, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 2 grants presented by the AGPR. The grants were settled with the direction that there should be no excess and no saving in future and internal system for control may be strengthened. The PAO was also instructed to ensure that surrenders should be made by 15th May, each year when accounts are officially closes.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Appropriation Accounts pertaining to the Civil Secretariat (FATA) held on 27th September, 2010 are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. i) **GRANT NO.112-FEDERALLY ADMINISTERED TRIBAL AREAS (PAGE 801-AA)**
(Excess of Rs, 974,814,219)

AGPR pointed out that the grant closed with an excess of Rs 974,814,219 which works out to 18.20% of the total grant. A supplementary grant of Rs. 6,069,000

was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the excess was due to revision of pay scales, increase in Regular Allowance of staff and less receipt of funds than actual requirements.

ii) **GRANT NO.162-DEVELOPMENT EXPENDITURE OF FEDERALLY ADMINISTRATED TRIBAL AREAS (PAGE 815-AA)**
(Saving of Rs, 634,356,152)

AGPR pointed out that the grant closed with the saving of Rs 634,356,152 which works out to 8.07% of the total grant. A supplementary grant of Rs. 157,993,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the saving was due to non-approval of Water Supply Scheme "Shadman" and non release of funds by the Finance Division.

PAC DIRECTIVE

The PAC directed the PAO to discuss the above 2 grants again at DAC level, resolve the systemic issues and after reconciliation come back before PAC within one month.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on **14th June, 2011** on Appropriation Accounts pertaining to the FATA Secretariat are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2007-08

1. **GRANT 112–FEDERALLY ADMINISTERED TRIBAL AREAS (PAGE 801-AA)**
(Excess of Rs, 974,814,219)

AGPR pointed out that the grant closed with an excess of Rs 974,814,219 which works out to 18.20% of the total grant. A supplementary grant of Rs. 6,069,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the excess was due to revision of pay scales, increase in Regular Allowance of staff and receipts of funds less than actual requirements.

PAC DIRECTIVE

The Grant was settled subject to verification of record by Audit. The PAO was also directed to strengthen the process of reconciliation of accounts in consultation with the AGPR, which is at the moment very unsatisfactory.

2. **GRANT 162–DEVELOPMENT EXPENDITURE OF FEDERALLY ADMINISTRATED TRIBAL AREAS (PAGE 815-AA)**
(Saving of Rs, 634,356,152)

AGPR pointed out that the grant closed with the saving of Rs 634,356,152 which works out to 8.07% of the total grant. A supplementary grant of Rs. 157,993,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the saving was due to non-approval of Water Supply Scheme "Shadman" and non release of funds by the Finance Division.

PAC DIRECTIVE

The grant was settled with the direction that there should be no excess and no saving in future and internal system for control may be strengthened. The PAO was also instructed to ensure that surrenders should be made by 15th May, each year when accounts are officially closed.

FEDERAL BOARD OF REVENUE

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Board of Revenue (Direct Taxes), Audit Report on the Accounts of Federal Board of Revenue (Indirect Taxes), Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the Federal Board of Revenue were taken up for examination by Public Accounts Committee on **12th February, 17th March, 19th & 20th October, 7th December 2010 and 19th January, 2011.**

1.1 The PAC having considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases i.e. involving short levy of tax, loss of revenue due to non-enforcements, inadmissible refund of sales tax, short realization of sales tax, non-realization of further tax, Inadmissible input tax, Grant of Inadmissible Reward, Non-enforcement of Indemnity, tax fraud by issuance, fraudulent drawl of sales tax, Evasion of customs dues and Non-levy of tax export sales etc.

1.2 During the course of discussion in the meeting, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 6 Grants and 244 paras reported by the Audit/AGPR. These paras were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of PAC. 22 paras were recommended for settlement by the PAC either on the basis of clarifications given by the PAO or the corrective measures taken by the Division. The Committee gave directives on 19 paras and 209 paras, the Committee directed the PAO to implement DAC recommendations. PAC directed recovery amounting to **Rs** ---------- out of which a sum of **Rs.** ---------- has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of implementation of the PAC directives would be reviewed in the future sessions.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on **12th February, 2010,** on the issue of Inadmissible refund of sales tax for the year 2005-06, pertaining to Federal Board of Revenues are as under:-

PARA 9.1 (A) (PAGE 69-AR-2005-06)
INADMISSIBLE REFUND OF SALES TAX – RS.140.002 MILLION

Audit pointed out that M/s DANCOM Pakistan (Pvt.) Ltd; under the Collectorate of Sales Tax, Rawalpindi was allowed refund of central excise duty/sales tax paid on Telecom Services for the period January, 2001 to January, 2005 although the incidence of that had already been passed on to the consumers. This caused grant of in-admissible refund of duty/tax of Rs.140.002 million during May and July, 2005. The lapse was pointed to the department in June, 2006 and to the FBR in August, 2006.

The PAC constituted a Sub-Committee under the Convenership of Mr. Zahid Hamid MNA, alongwith Mr. Hamid Yar Hiraj, MNA, and Mr. Saeed Ahmed Zafar, MNA as member to look into the entire system of the department, legal aspect of refund cased to recover the amount from the company/person(s) and assets of the company including entire background of five refund cases. The PAC further directed the Sub-Committee to ensure recovery of amount in question along with disciplinary action against all the persons involved and submit its report to Committee within one month. A meeting of the Sub-Committee was held on 15-10-2009 and directed the department to submit a comprehensive report including updated position of the recovery. The FBR submitted the said report to the Sub-Committee. According to which the then Collector has been exonerated by the competed Authority (Prime Minister) on the basis of summary/recommendations of the Secretary, Revenue Division wherein it was stated the Board on the advice of its legal Wing concluded that CPLA may not be appropriate to approach the Supreme Court and rather implement the order of the Honorable Peshawar High Court, Peshawar to obviate litigation when disputed refund was cleared by

independent process and Mr. Nadir Khan Hoti did not accord approval. Findings of the Sub-Committee are awaited.

The PAO informed the PAC that the FBR complied this para pertain to M/s. DANCOM (Pvt) Ltd. Islamabad. The case is prejudicial in the Lahore High Court. However, during its meeting held on 30.09.2009 & 01.10.2009, the PAC also discussed refund sanctioned to other Payphone Companies in the jurisdiction of RTO, Lahore.

RECOVERY POSITION

The Latest position of recovery from Pay Phone Companies is as under:-

S#	Name of RTO/Collectorate	Name of Pay phone Co.	Arrears outstanding after judgment in-appeal/order-in-appeal	Amount recovered/date of payment	Balance recoverable
			(Rs)	(Rs)	(Rs)
1.	Islamabad	M/s Dancom (Pvt) Ltd.	140,001,742	Nil	140,001,742
2.	Lahore	M/s Word Call Communication Ltd (Now World Call Telecom	167,376,150	16,737,615 17.02.2009 16,737,615 25.09.2009	133,900,920
3.	-do-	M/S. Global Telecom (Pvt) Ltd. Lahore	59,073,374	-	59,073,374
4.	-do-	M/S. Union Communications (Pvt) Ldt, Lahore	4,419,562	754,326 (Subject to Verification)	3,665,236
		Total	**370,870,828**	**34,229,556**	**336,641,272**

PAC DIRECTIVE

After hearing the views given by the Acting Chairman, FBR the PAC directed as under:-

(i) Pursue the case with Appellate Tribunal/Lahore High Court proactively for early decision and recovery from pay phone companies.

(ii) Find out the reasons/basis of exoneration of the then Collector Sales Tax Lahore and may order holding of inquiry/de-novo inquiry.

(iii) Know the facts of Para-7/N of summary for Prime Minister involved in a similar case at Lahore.

(iv) Know the reasons of different actions against the officers involved in a similar case at Lahore.

(v) Know the reasons for not providing following documents:

- Copy of FBR's reply submitted to Peshawar High Court.
- Copy of FBR's Legal Wing findings on the matter.

vi) The PAC further directed to take action against the decision taken by the FBR as to why they exonerated the concerned officer without bringing it into the notice of the Chairman (PAC).

vii) A copy of the instant Summary may also be provided to the PAC.

viii) It was also directed to ask the FBR to let the PAC know about this matter in detail as there is a possibility to lodge FIR against the officer concerned.

ix) The PAC also directed to call Mr. Sheeraz Ahmed, Deputy Collector to be present in the next meeting of the PAC along with Secretary and Chairman FBR.

x) Besides above, the PAC will take its final decision after the recommendations are received from the Sub-Committee constituted by the PAC in its meeting held on 30-09-2009 & 01-10-2009 under the Convenership of Mr. Zahid Hamid MNA.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Appropriation Accounts for the year 2007-08 and briefing on Refund Case pertaining to the Federal Board of Revenue held on the 17th March, 2010 are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOLUME -1-2007-2008)

1. **GRANT NO. 44-REVENUE DIVISION (PAGE 319-AA)**
(Saving of Rs. 18,448,009)

The AGPR pointed out that the grant closed with a saving of Rs. 18,448,009 which worked out to 13.96% of the total grant. An amount of Rs. 19,518,963 (14.77%) was surrendered resulting into net excess of Rs. 1,070,954 (0.81%).

The PAO explained that excess was due to Revision of Pay Scales w.e.f. 1-7-2008. Further, the excess expenditure was related to thirteen field offices, including Hqrs, which was obligatory.

PAC DIRECTIVE

The PAC regularized the excess of the grant with the direction that excess amount is a serious issue and the instant excess is self created by the FBR. Due care and caution should be exercised in the budget monitoring and there should be zero saving/excess in future.

2. **GRANT NO.45-CENTRAL BOARD OF REVENUE (PAGE 321-AA)**
(Excess of Rs. 101, 728,439).

The AGPR pointed out that the grant was closed with an excess of Rs. 101,728,439 which worked out to 8.74% of the total grant. An amount of Rs. 6,500,000 (0.55%) was surrendered increasing net excess to Rs. 108,228,439 (9.29%). A supplementary grant of Rs. 114, 525,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking
this into account, the excess shall translate into net saving of Rs.6,296,561 (0.49%).

The PAO explained that the saving occurred under Head Pay & Allowances due to:-

i) Posting and transfer of officers/staff.
ii) Sanction of Special Allowance to the FBR Employees.
iii) Saving reserved for budget honoraria, unforeseen claims of medical charges which could not be utilized.
iv) Transfer of staff with posts for which Establishment charges could not be got re-appropriated.
v) Due to non-payment of rent of office building of LTU, Karachi as the case could not be materialized due to non-receipt of approval from Finance Division.
vi) Saving under the Head cash reward etc.
vii) Certain equipment could not be purchased due to non-completion of codal formalities.

PAC DIRECTIVE

The PAC regularized the grant with the direction that there should be zero saving/ excess in future.

3. **GRANT NO. 46-LAND CUSTOMS AND CENTRAL EXCISE (PAGE 323-AA)**
(Saving of Rs. 64,501,057)

The AGPR pointed out that the grant was closed with a saving of Rs. 64,501,057 which worked out to 2.67% of the total grant an amount of Rs. 131,392,055 (5.44%) was surrendered resulting into an excess of Rs. 66,890,998 (2.77%). A supplementary grant of Rs. 11,130.000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking this into account the excess, shall decrease to Rs. 55,760,998.

The PAO explained that the excess was due to the reasons as under:

- Due to booking of double salaries for the month of June, 2008 in June instead of July, 2008.
- Numbers of medical claims were under process at different forums which could not finalize till close of the year.
- Due to non receipt of claims on account of rent of office building, utilities law charges etc.
- A number of reward/anti-smuggling cases were under consideration at different legal and administrative forums at various field offices of Customs Departments spread all over the country, which were not finalized up to the end of the year.
- Technical supplementary saving of Rs. 11.130 million was issued on 23-6-2008 to purchase of transfers on 23-6-2008. Due to total saving of Rs. 6,183,356/ major amount of Rs. 4,121 million related to the Chief Collector (South), Karachi in the head “Purchase of Transport” who did not surrender the same up to the end of the year

PAC DIRECTIVE

The PAC observed that the Ministry concerned should have the utilization of the supplementary grant while taking it from the Ministry of Finance. The PAC also desired to have comments from the M/O Finance for a cut off date preferably, in the month of March/April for supplementary grants. The excess was regularized subject to no such repetition in future.

4. **GRANT NO. 47 SALES TAX (PAGE 325-AA)**
(Saving of Rs. 271,178,261)

The AGPR pointed out that the grant closed with a saving of Rs. 271,178,261 which worked out to 33.18% of the total grant An amount of Rs. 271,444,389 (33.21%) was surrendered resulting into an excess of R.s 266,128(0.03%.). The excess may be explained by the department.

PAC DIRECTIVE

The PAC observed that FBR has not and strategic and directed that there should be mechanism for taking supplementary grant and surrendered in time in future. The saving was settled with the above remarks.

5. **GRANT NO. 48 TAXES ON INCOME & CORPORATION TAX (PAGE 327-AA)**
(Excess of Rs. 65, 706, 224).

The AGPR pointed out that the grant was closed with an excess of Rs. 65,706,224 which worked out to 2.08% of the total grant. An amount of Rs. 26,247,314 (0.83%) was surrendered increasing net excess to Rs. 91,953,538 (2.91%).

The PAO explained that the excess was due to increase in salaries @ 15% w.e.f. 1st July, 2007.

PAC DIRECTIVE

The PAC regularized the excess of the grant.

6. **GRANT NO. 143-DEVELOPMENT EXPENDITURE OF REVENUE DIVISION (PAGE 329-AA)**
(Saving of Rs. 1,091,405,300).

The AGPR pointed out that the grant was closed with a saving of Rs. 1,091,405,300 which worked out to 43.19% of the total grant. An amount of Rs. 1,076,602,000 (42.60%) was surrendered leaving net saving of Rs. 14,803,300 (0.58%).

The PAO explained that the saving occurred due to certain misperception while appropriation of Budget.

PAC DIRECTIVE

The PAC regularized the saving of the grant.

BRIEFING BY FBR

INADMISSIBLE REFUND OF SALES TAX –RS. 140.002 MILLION (M/S DANCOM PAKISTAN (PVT.) LTD)

Audit pointed out that the subject matter has earlier been discussing in its meeting held on September 30th, October 1st 2009 & February 12th 2010. The PAO informed the PAC that case was adjudged vide order in original 1/2008 dated 14-01-2008 and amount of Rs. 140.002 million was ordered to be recovered alongwith default surcharge besides penalty equivalent to 100% of recoverable tax/duty. The Chairman PTA explained the latest position that M/s DANCOM is holding license No.LDI-05(01)-2004 issued on 3rd August, 2004 while M/s PTCL has informed that they are neither rendering any telecommunication service nor making any business transactions with M/s DANCOM. Copies of recovery notices were provided to the Ministry of Foreign Affairs Islamabad, for recovery from non-resident directors of M/s DANCOM however, reply is awaited from Ministry of Foreign Affairs. The PAC observed as to why the decision of the Court was misused and how it was decided to Condon the responsible officers within a period of overnight. The Chairman Federal Board of Revenue has tendered his apology for taking the decision without taking the Chairman PAC in confidence. The PAC further

observed that if no action against the responsible officers is taken then how the recovery would be possible?

PAC DIRECTIVE

The PAC directed that:-

- The four cases be clubbed together and an FIR be lodged against the defaulters. Report/ confirm to the PAC in writing after finalization of all the process.
- Attach copies of the licenses with FIR.
- Request the Attorney General for his assistance and taking measures for expeditious action in the matter.
- Provide a comprehensive report on appointment of Mr. Laeeq Ahmed Sheikh as Member of the Privatization Commission, who is allegedly involved in a tax evasion case, within three days.
- The CDA to provide a report about transfer of a plot No.32-B, Street 24, F-8/2 Islamabad in the name of Mrs. Shazia Luqman, wife of Mr.M. Luqman Kamil who is allegedly involved in a tax evasion case and stop any further transfers of plots.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 19th & 20th October, 2010 pertaining to **Federal Board of Revenue** on the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:-

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN REVENUE AUTOMATION (PVT) LIMITED

1. **PARA 218 (PAGE 327-ARPSE)**
EMBEZZLEMENT OF INCOME RECEIPTS – RS. 18.729 MILLION.

Audit pointed out that in Pakistan Revenue Automation (Pvt.) Limited (PRAL) the Accounts Officer was authorized for receipt of cash on account tax/withholding tax and

depositing it into National Bank of Pakistan (NBP) through challans. He received an amount of Rs. 18.729 million on account of income tax during the period 2000 to 2004, but the same was not deposited in NBP and the amount embezzled by him against bogus challans.

The PAO explained it has already been brought the attention of DAC' that when embezzlement was detected by the Company, immediate action was taken to recover the amount and an FIR was lodged. The Police Department and National Accountability Bureau were involved in the proceeding and all efforts were made to punish the offender and recover the amount involved. The Court awarded decree in favour of the Company on 13-02-2005. The Company sued for execution of decree but it was dismissed by the Civil Judge, Islamabad and the Company immediately filed fresh petition on 27-12-2008. It may be noted that the NAB Court has only convicted and sentenced Kashif Hameed and no property owned by him could be discovered by NAB to make good the loss. As directed by DAC, PRAL also sought legal advice from its Legal Advisor who has given the advice that in their opinion, PRAL has taken all reasonable steps to pursue and enforce the claim against Kashif Hameed through the institution of both criminal and civil proceedings. They further advised that it is not uncommon for a decree to remain unsatisfied, especially in cases of fraud as the judgment debtor rarely leaves available from which decree amount can be recovered. They have further proposed the option that pending discovery of any assets in Mr. Hameed's name or pending discovery of assets in a third party's name that can be traced to the defrauded amount PRAL, may get its execution petition adjourned sine die on the ground that the exaction petition will be pressed on discovery of Mr. Hameed's assets.

PAC DIRECTIVE

The Chairman was directed to re-examine the case to see if any one else was involved and to pursue the case vigorously in court.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (INDIRECT TAXES) FOR THE YEAR 2008-09

2. **PARA 1.2 (a) (PAGE 3-AR)**
NON-IMPOSITION OF PENALTY ON NON/SHORT/LATE-FILERS OF SALES TAX RETURNS – RS. 711.840 MILLION

Audit pointed out that under section 26 (1) of the Sales Tax Act, 1990, every registered person is required to furnish, not later than due date, a true and correct return in the prescribed form. The data provided by RTO, Faisalabad, Gujranwala, Peshawar, Lahore and Abbottabad revealed that certain registered persons either did not file sales tax returns at all or filed the returns late during 2007-08. The registered persons were liable to penalty of Rs. 711.840 million which was not imposed by the department.

The PAO stated that the reply has been provided to the Audit and has regularized an amount of Rs. 130.380 million. Whereas an amount of Rs. 177.520 million is in the process of recovery. Rs. 44.420 million is under adjudication.

PAC DIRECTIVE

The para was settled to the extent of amount recovered and regularized. The Chairman may examine the system afresh, call explanations of Officers involved and affect recovery of the remaining amount. Report to be submitted in **2 month.**

3. **PARA 2.1 (PAGE 7 & 8-AR)**
SHORT-PAYMENT OF SLAES TAX DUE TO UNDER-VALUATION OF SUPPLIES – RS. 3,031.399 MILLION

Audit pointed out that under section 3 (1) read with section 46 (a) of the Sales Tax Act, 1990, there shall be charged, levied and paid sales tax at the rate of 15% of the value of taxable supplies and value of supply means the consideration in money including all federal and provincial duties, if any, which the supplier receives from the recipient for that supply but excluding the amount of tax. M/s OGDCL of LTU, Islamabad had been

paying sales tax on supply of gas made to M/s Uch Power Plant but did not include the following components to be taken into account while computing the sales tax:-

i) Monthly Demand Charges.
ii) Monthly Transportation Charges.
iii) Monthly Transportation Commodity Charges.

The Company was paying royalty on monthly Commodity charges only, on the gas supply which was objected by the Government of Balochistan. The matter was finally decided in a higher level meeting, held on 8th June, 2008, chaired by Minister of Law and Justice. According to the decision M/s OGDCL paid differential amount of royalty amounting to Rs. 3 billion on 9th July, 2008. The payment of royalty on all the four components substantiates Audit's view point that sales tax was also to be computed on the mode of computation of royalty. This resulted in short-payment of sales tax amounting to Rs. 3,031.399 million which also attracts levy of penalty and default surcharge under the Sales Tax Act, 1990. The lapse was pointed out to the LTU, Islamabad in January, 2009 and FBR in May, 2009.

The PAO informed that Show Cause Notice had been issued in June, 2009. Further Legal Wing of FBR had extended the time period for finalization of the adjudication proceedings by 30-09-2010.

PAC DIRECTIVE

The Chairman was directed to expedite recovery and examine reason for the case becoming time barred. Report on next rota day.

4. **PARA 2.2 (a)(ii) (PAGE 10-AR)**
SHORT PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 49.689 MILLION

Audit pointed out that thirty one (31) registered persons of the RTO, Hyderabad claimed/deducted input tax from output tax due from them during the year 2007-08 on the basis of electricity bills issued by a distribution company i.e. M/S Hyderabad electric Supply Company (HESCO) which was neither registered under the Act nor was

authorized to issue sales tax invoices (electricity bills) for charging slaes tax. Hence, adjustment of input tax against the electricity bills was irregular. The omission resulted into short-payment of sales tax of Rs. 49.689 million during 2007-08. The lapse was pointed out to the RTO and the FBR during December, 2008 to April, 2009.

The PAO stated that upto April 2008 returns were being filed by WAPDA, Lahore as per practice prevailing all over the country. However, since May 2008, M/s HESCO is filling sales tax return after obtaining independent sales tax registration number.

PAC DIRECTIVE

The PAC has settled the para subject to verification by Audit.

5. **PARA 3.1 (a) & 3.3 (a) (PAGE 45 & 51-AR)**
SANCTION OF REFUND WITHOUT POST REFUND AUDIT AND FULFILLMENT OF SECTION 73 OF THE SALES TAX ACT, 1990 – RS. 1651.723 MILLION

Audit pointed out that refund of sales tax of Rs. 1,651.723 million was sanctioned in 6056 cases by the RTO (Enforcement) Karachi and Hyderabad during the year 2007-08. Contrary to the provision of rule 36 of the Sales Tax Rules, 2006 and section 73 of the Sales Tax Act, 1990, wherein post refund audit was not conducted and payment through banking channel was not made.

The PAO explained that the Post Refund Audit is still pending with Audit Division of the RTO, Karachi involving Rs. 700.416 million. In respect of cases involving amount of Rs. 47.904 million pertaining to RTO Hyderabad, it was replied that the PRA has been conducted and no discrepancy was found. The said position had been verified by Audit.

PAC DIRECTIVE

The Chairman may form a Task Force for conducting Post Refund Audit, prioritize recovery of big amount and produce record to audit for verification in **2 months time.**

6. **PARA 3.2 (b)(i), 3.5(c), 3.13 (PAGE 46, 54-AR)**
UN-AUTHENTIC SANCTION OF REFUND – RS. 136.371 MILLION

Audit pointed out that refund of sales tax of Rs. 136.371 million was sanctioned in 163 cases by the RTO, (Enforcement) Karachi during the year 2007-08 in absence of supportive documents and ignoring the system generated discrepancies under rule 38 of the Sales Tax Rules , 2006 issued vide SRO 555(I)/2006 dated 5th June, 2006. The lapse was pointed out to the RTO in November/December, 2008 and the FBR during January to April, 2009.

The PAO informed that a sum of Rs. 0.066 million, the recovery proceedings of which are underway. The RTO also contested the issue of Rs. 7.074 and informed that the bank credit advices (BCA) are furnished by the claimants duly signed by the issuing bank as a token of proof of remittance received against exports. As such, no Foreign Exchange Manual, 2002 is applicable in the instant case.

PAC DIRECTIVE

It was directed that the decisions taken by the DAC, in its meeting held in August, 2010, may be implemented and amount of Rs. 7.074 million in which BCA was not issued under Foreign Exchange Manual 2002 recovered.

7. **PARA 3.4 (PAGE 53-AR)**
GRANT OF INADMISSION REFUND OF SALES TAX – RS. 609.639 MILLION.

Audit pointed out that the RTO (Enforcement), Karachi sanctioned refund of sales tax in two thousand four hundred eighty one (2481) cases during the year 2007-08 but did not verify the original credit of the amount refunded and hence the requirement for grant of refund of sales tax amounting to Rs. 609.639 million was not fulfilled. The lapse was pointed out to the RTO during September to October, 2008 and the FBR during October, 2008 to March, 2009.

The PAO explained that the Post Refund Audit is still pending with Audit Division of the RTO, Karachi.

PAC DIRECTIVE

The Chairman was directed to submit a report justifying the grant of inadmissible refund within **2 months.**

8. **PARA 3.6 (a)(i) (PAGE 58-AR)**
IRREGULAR SANCTION OF REFUND ON TIME BARRED CLAIM – RS. 33.809 MILLION.

Audit pointed out that the RTO (Enforcement), Karachi, Quetta and Hyderabad sanctioned refund of Rs. 33.809 million against the thirty one (31) claims which were not lodged within the prescribed time and thus were time-barred. The omission resulted into loss to the revenue of Rs. 33.809 million. The lapse was pointed out to the RTOs during August, 2008 to April, 2009 and the FBR during October, 2008 to April, 2009.

The PAO explained that the department has not submitted working paper in cases involving Rs. 25.801 million either to Audit or FBR. They have attributed reason for non-submission of working paper to the present reform system, whereby there is integration of domestic taxes and records are being shifted to IP Division for sector-wise segregation and data entry. In cases of Rs. 5.532 million he department replied that due to manual filling of claims late submission was pointed out and there might be extension granted by the competent authority and in cases involving of Rs. 2.476 million, the refund claim was not time barred as no time limit
or filing of refund claim was required before issuance of SRO 555(I)/2006 dated 05.06.2006.

PAC DIRECTIVE

It was directed that the decisions taken by the DAC, in its meeting held in August, 2010, may be implemented. Report to be submitted **within 2 months.**

9. **PARA 3.7 (b) (PAGE 63-AR)**
NON-IMPOSITION OF PENALTY – RS 29.557 MILLION.

Audit pointed out that a registered person of the RTO, Multan got refunds, provisionally with the condition of filling of complete refund claims within 15 days under rule 4 of SRO No. 948 (i)/2005 dated 13th September, 2005. However, the registered person did not submit refund claims within stipulated time but no penalty was imposed and recovered by the authorities as required under section 33 (17) of the Sales Tax Act, 1990 which resulted in non-imposition of penalty of Rs. 29.557.

The PAO explained that the recovery notice has been issued to the registered person.

PAC DIRECTIVE

The PAC settled the para subject to reconciliation with Audit. Also directed to the PAO to constitute at Task Force in this regard and report **within a period of two months.**

10. **PARA 4.1(a) (PAGE -AR)**
NON-REALIZATION OF REVENUE DUE TO NON-ENFORCEMENT/ENCASHMENT OF INDEMNITY BOND/BANK GUARANTEES/POST DATED CHEQUES – RS. 635.428 MILLION AND US$ 989.166.

Audit pointed out that revenue of Rs. 635,428 million and US $ 989,116 remained unrealized due to non-enforcement/encashment of indemnity bonds/bank guarantees/ post dated cheques.

The PAO stated that an amount of Rs. 21.419 million has been recovered and verified. An amount of Rs. 194.563 million (US $ 29801) has been regularized and vacated, whereas an amount of Rs. 99.567 million is subjudice and balance amount of Rs. 285.713 million is recoverable.

PAC DIRECTIVE

The PAC settled the para subject to Audit verification and also directed to pursue the case in the Court of Law.

11. **PARA 4.1(b) (PAGE 83-AR)**
NON-REALIZATION OF REVENUE DUE TO NON-ENFORCEMENT/ENCASHMENT OF INDEMNITY BOND/BANK GUARANTEES/POST DATED CHEQUES – RS. 7.484 MILLION.

Audit pointed out that the Model Customs Collectorates Appraisement, Exports and Preventive, Karachi accepted post date cheques (PDCs) in 22 cases, during 2007-08 to secure the duty and taxes on account of provisional assessment, temporary imports, temporary exports and safe transportation of goods under provisions of the Customs Act, 1969, Customs Rules, 2001 and various Customs notifications. The requisite conditions were not fulfilled by the importers, hence the PDCs were required to be encashed but the concerned Collectorates did not encash the PDCs. The mission resulted into non-realization of revenue of Rs. 7.484 million. The lapse was pointed out to the MCCs during August, 2008 to January, 2009 and the FBR in November, 2008 to April, 2009.

The PAO explained that an amount of Rs. 1.872 million has been recovered and verified, whereas an amount of Rs. 0.731 million has been withdrawn/regularized and verified by audit. The cases of Rs. 4.654 are pending with Appellate Tribunal and Honorable High Court of Sindh.

PAC DIRECTIVE

The PAC settled the para to the extent of recovered/regularized amount by the Audit and also directed to pursue the case with the Appellate Tribunal and High Court of Sindh vigorously.

12. **PARA 4.3(a) (PAGE -AR)**
SHORT-REALIZATION OF REVENUE DUE TO UNDER-VALUATION OF GOODS RS. 33.335 MILLION.

Audit pointed out that the value of optional/additional accessories shall be included in the assessable value of the vehicle which shall be subject to the rate of duty and taxes applicable to the vehicle in which the accessories are fitted. National Highway Authority imported a Toyota Land Cruiser Model 2007 which was fitted with prophilometter was to be included in the value of vehicle and assessed duty and taxes accordingly. The supplier of motor vehicles had issued single invoice showing total value of vehicle including the value of additional accessories. However, value of prophilometer was not included in the value of motor vehicle. Instead the same was assessed separately and car was assessed separately on the same G.D by Deputy Collector Customs, (Car Assessment), Dry Port, Islamabad. This resulted in short-realization of revenue of Rs. 33.335 million during the year 2007-08.

The PAO explained that the vehicle is imported by NHA and the value of accessories calculated separately. The value of import duty collected on both items was higher than the composite value if assessed appropriately under the PCT heading 8705 as a special purpose vehicle @ 10% Customs duty.

PAC DIRECTIVE

The para was kept pending till finalization of adjudication which may be expedited.

13. **PARA 5.2 (PAGE 126 -AR)**
NON/SHORT-PAYMENT OF SPECIAL EXCISE DUTY – RS. 128.298 MILLION.

Audit pointed out that ninety eight (98) registered persons did not pay the special excise duty leviable on the goods which were not exempted or paid the duty short or late by due date which caused non-payment of revenue of Rs. 128.298 million.

The PAO stated that the position is as under:-

i) An amount of Rs. 5.893 million has been recovered and Rs. 99.782 million has been vacated/regularized and Rs. 5.671 million is not due and verified by Audit.
ii) An amount of Rs. 0.857 million has been vacated/not recoverable which require verification.
iii) An amount of Rs. 8.558 million is under recovery.
iv) An amount of Rs. 4.838 million is under adjudication while departmental action is underway in cases of Rs.0.195 million.

PAC DIRECTIVE

The para was settled to the extent verified by Audit. Chairman may submit a progress report in **2 months.**

14. **PARA 6.1(a) & (b) (PAGE 133 & 134-AR)**
NON-RECOVERY OF ADJUDGED GOVERNMENT DUES –RS. 9,469.833 MILLION.

Audit pointed out that under section 202 of the Customs Act, 1969 read with Customs Rules, 2001 and section 48 of the Sales Tax Act, 1990 read with Sales Tax Recovery Rules, 2006, customs duty and sales tax due from a person can be recovered by customs and sales tax officers in accordance with the procedures laid down therein.

The PAO explained that an amount of Rs. 1658.976 million has been recovered and Rs. 404.945 million has been regularized. An amount of Rs. 573.280 million has been vacated and Rs. 238.449 million is not due an amount of Rs. 1896.430 million is in the process of recovery and Rs. 3104.899 million under adjudication.

PAC DIRECTIVE

The para was settled to the extent verified by Audit. It was directed that DAC directions may be implemented and effort made for early adjudication to affect recoveries. Report in **2 months.**

15. **PARA 6.2 (PAGE 134 -AR)**
BLOCKAGE OF REVENUE DUE TO NON-ADJUDICATION OF CASES WITHIN PRESCRIBED PERIOD – RS. 3,633.502 MILLION.

Audit pointed out that under various provisions of tax laws, cases involving recovery of revenue are required to be adjudicated within 90 days and under special circumstance this period can be further extended by 90 days. Audit observed that process of adjudication was not completed within prescribed period. Audit pointed out 78 case involving Rs. 3,633.502 million pertaining to the Sales Tax Adjudication Collectorates/RTO Faisalabad, Gujranwala, Rawalpindi, Islamabad, Quetta and Karachi (Appraisement) which were under adjudication despite lapse of prescribed period.

The PAO explained that amount of Rs. 71.781 million has been vacated and Rs. 153.698 million was not due. An amount of Rs. 2.446 million has been recovered and verified by Audit. Amount admitted for recovery of Rs. 108.986 million but recovery is under progress and cases of Rs. 3,296.589 million are still under adjudication.

PAC DIRECTIVE

The para was settled to the extent of amount recovered, vacated and amount not due, with the direction that the remaining recoveries may be actualized and verified in **2 months.**

16. **PARA 6.4 (a) (PAGE 137-AR)**
BLOCKAGE OF REVENUE DUE TO NON-DISPOSAL/CLEARANCE OF GOODS/VEHICLES – RS. 576.131 MILLION.

Audit pointed out that under section 182, 69 and 201 of the Customs Act, 1996, read with CGO 12 of 2002, confiscated goods/vehicles are required to be auctioned after completion of codal formalities within the shortest possible time. The Collectorates of Customs, Lahore, Sambrial, Peshwar. Karachi, Hyderabad and Quetta had not auctioned confiscated goods/vehicles since long. The blockage of customs duty, sales tax, withholding tax and other dues and loss due to deterioration had been estimated to Rs. 576.131 million.

The PAO explained that an amount of Rs. 92.194 million has been recovered, Rs. 104.843 million regularized and Rs. 23.986 million not due and Rs. 1.800 million Show Cause Notice vacted. An amount of Rs. 247.557 million is in the process of recovery, Rs. 70,577 million under adjudication and Rs. 22.952 million is subjudice in the court.

PAC DIRECTIVE

The para was settled to the extent of amount recovered, vacated and amount not due, with the directions that the Chairman may suggest improvement in the system to avoid delays in responding to recovery and compliance to audit.

17. **PARA 6.5 (PAGE 139 -AR)**
NON-REALIZATION OF SALES TAX DUE TO NON-REGISTRATION OF PERSONS LIABLE TO BE REGISTERED – RS. 340.509 MILLION.

Audit pointed out that rule 4 of the Sales Tax Rules, 2006 requires that manufactures and retailers whose turn over during last twelve months exceeds five million rupees besides, wholeselers dealers and distributors are liable to be registered. One hundred thirty four (134) registered persons of the RTO (Audit), Karachi and RTO Hyderabad and Quetta, made/received supplies of value exceeding rupees five million to each of the one hundred thirty four registered persons of various RTOs during the year 2007-08. The persons who received/made supplies were required to get themselves registered with the respective tax offices as required under law. The lapse was pointed out to the RTOs and the FBR during September, 2008 to April, 2009.

PAC DIRECTIVE

It was directed that the Chairman may conduct an inquiry into the incident and submit a report in **2 months.**

18. **PARA 6.9 (PAGE 142-AR)**
NON PRODUCTION OF RECORD TO AUDIT.

Audit pointed out that some tax collecting authorities under FBR did not produce the auditable record to Audit, in 485 cases, pertaining to registered persons as well as the auditable record maintained by the department for audit inspection.

The PAO explained that the record of 5 cases have been produced to audit while remaining record (480 cases) will be produced shortly. As for as, record of refund (317 cases/files) is concerned, the RTO has not submitted working paper to the present FBR. They have attributed the reason for non-submission of working paper to the present reform system, whereby there is integration of domestic taxes and records are being shifted to IP Division for sector-wise segregation and data entry.

PAC DIRECTIVE

It was directed that report in the matter may be sent to the PAC Secretariat and copy endorsed to Mr. Zahid Hamid, MNA/Member (PAC).

19. **PARA 7.6 (PAGE 152-AR)**
IRREGULAR/UNATHORIZED PAYMENT ON ACCOUNT OF BILLS PERTAINING TO STARR PROJECT – RS. 2.502 MILLION.

Audit pointed out that an internet electronic connection was obtained from M/S Cybernet by the Collector of Sales Tax and Federal Excise, Lahore without inviting open tenders through press. The work was awarded without getting the economical and competitive rates through open bidding. This rendered the expenditure of Rs. 2.502 million as irregular and un-authorized. The lapse was pointed out to the Collector Sales Tax and Federal Excise, Lahore in February, 2009 and reported to the FBR in April, 2009 but no action had been taken up till now.

The PAO explained that the matter has been referred to FBR for regularization of the issue vide letter dated 02-03-2010.

PAC DIRECTIVE

The PAO settled the para subject to verification by Audit.

20. **PARA 7.34 (PAGE 179-AR)**
EXCESS EXPENDITURE DUE TO NON COMPLETION OF CONTRACT – RS. 9.388 MILLION

Audit pointed out that the work "Interior Development and Refurbishment of RTO, Sukkur (Package-I) was awarded to a contractor on 09.01.2006 at a contract price of Rs.26.886 million. The work was started on 22.01.2006 and was required to be completed upto 22.01.2006. The contractor failed to complete the work and contract was cancelled. The contractor went into litigation against cancellation of contract. The court decided the case against contractor. Meanwhile, a payment of Rs. 7.939 million was made to the contractor on 23.06.2007. To avoid further delay in establishment of the RTO, Sukkur the FBR awarded the contract to another contractor on 12.07.2008. Hence, an excess amount of Rs.9.388 million was incurred on the above said work. Had the work been got executed through the original contractor, the excess expenditure of Rs.9.388 million could have been avoided.

The PAO explained that The FBR terminated the contract as per clause 59.4 of the conditions of the contract. The contractor challenged the termination in the Court of Law which has now been decided in favour of the department. Before the termination of the contract, all possible efforts were made to persuade/compel the contractor to complete the work but in vain. When all the options were exhausted only contract was terminated as per of the court provisions of the contract because any further delay was not in public interest. So far as the award of contract on higher rate is concerned, it is clarified that the major contributing factor for this increase was the huge price escalation in the construction material in the country during the period.

PAC DIRECTIVE

The para was remanded back to DAC fore verifications with the directive that if still not verified the para will come back to PAC. Further, in addition to the above paras, the PAO

was also directed to (i) provide copies of decision of Tribunal on Telecom Companies (ii) arrange presentation on Afghan Transit Trade in consultation with M/o Commerce, M/o Foreign Affairs and Finance Division on next rota day (iii) ensure that items like "amount admitted but not recovered, under action on DAC directives, no response/no reply", do not occur in the Audit Report in future.

21. **SPECIAL STUDY REPORTS**

i). **PAKISTAN CUSTOMS COMPUTERIZED SYSTEM (PACCS)PAGE**

ii). **DUTY AND TAX REMISSION FOR EXPORTS (DTRE)**

iii). **ALTERNATE DISPUTE RESOLUTION COMMITTEE (ADRC)**

iv). **EVALUATION OF INTERNAL CONTROLS**

PAC DIRECTIVE

It was decided that DAC meeting may be held before the next meeting of the PAC where the latest updated report may be discussed. Report may be sent in 2 months to PAC Secretariat.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (DIRECT TAXES) FOR THE YEAR 2008-09

22. **PARA 2.3 (PAGE 12-AR)**
SHORTY LEVY OF TAX DUE TO INCORRECT COMPUTATION OF TAXABLE INCOME – RS. 1,111.918 MILLION.

Audit pointed out that it was revealed during test audit that taxable income was under assessed in 53 cases due to calculation errors and other omissions while computing the total income, resulting in short levy of tax of Rs. 1,112.128 million. (amount recovered Rs. 0.210 million before the printing of report).

The latest position in the light of reply of PAO is given below:-

		R s.
i.	Action initiated but not yet finalized	99,869,928
ii.	Record not produced	356,293,924
iii.	No Reply	621,762
iv.	Subjudice	297,145,858
	Sub-Total	**753,931,472**

v.	Amount admitted, charged and recovered	160,488,911
vi.	Charged and loss reduced	21,968,477
vii.	Departmental stance accepted on the basis of additional evidence/demand in appeal	175,528,667
	Sub-Total	**357,986,055**
	Grand-Total	**1,111,917,527**

23. **PARA 2.6 (PAGE 15-AR)**
SHORTY LEVY OF TAX DUE TO NON TAXATION OF RECOUPED EXPENSES – RS. 461.492 MILLION.

Audit pointed out that the waived off interest/mark up and recouped expenditure already allowed a deduction from profit for that year is to be included in the income chargeable under that head for the tax year in which it is received. During test audit it was observed that five taxpayers did not offer for taxation the loan and marked up waived off by the financial institutions in contravention of the above provision of law. This resulted in loss of Rs. 461.492 million.

The latest position in the light of reply of PAO is given below:-

i.	Action initiated but not yet finalized	119,050,530
ii.	Subjudice	50,599,598
iii.	Amount admitted, charged but not recovered	287,237,671
	Sub-Total	**456,887,799**

Rs.

iv.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	4,604,695

	Sub-Total	**4,604,695**
	Grand-Total	**461,492,494**

24. **PARA 2.8 (PAGE 17-AR)**
LOSS OF REVENUE DUE TO NON TAXATION OF INCOME FROM OTHER SOURCE – RS. 565.169 MILLION.

Audit pointed out that the income of every kind received by a person in a tax year, if it is not included under any other head other than income exempt from tax shall be chargeable to tax in that year under the head "income from other sources". During test audit it was observed that in 24 cases taxable income was understated by the taxpayers due to non-accountal of interest income earned from profit on debt, dividend, property income etc. The Department omitted to tax such income, resulting in loss of Rs. 567.110 million. (amount recovered Rs. 1.941 million before the printing of report) The latest position in the light of reply of PAO is given below:-

i.	Action initiated but not yet finalized	105,696,877
ii.	Time barred	918,295
iii.	Subjudice	226,481,226
iv.	Amount admitted, charged but not recovered	1,623,954
v.	Amount admitted, charged and recovered but proof of recovery awaited	113,769
	Sub-Total	**334,834,121**

25. **PARA 2.9 (PAGE 18-AR)**
SHORT LEVY OF TAX DUE TO APPLICATION OF INCORRECT TAX RATES – RS. 42.485 MILLION.

Audit pointed out that tax liability of taxpayers is determined according to rates specified in the First Schedule to the Income Tax Ordinance, 2001. During test audit it was observed that in four cases income tax of Rs. 45.976 million was less levied due to application of incorrect tax rates on assessed income of taxpayers. (amount recovered Rs. 3.491 million before the printing of report)

The latest position in the light of reply of PAO is given below:-

Rs.

i.	Action initiated but not yet finalized	36,153,353
ii.	Subjudice	974,486
	Sub-Total	**37,127,839**

iii.	Amount admitted, charged and recovered	1,134,214
iv.	Department stance accepted on the basis of additional evidence/demand deleted in appeal	4,223,010
	Sub-Total	**5,357,224**
	Grand-Total	**42,485,063**

26. **PARA 2.13 (PAGE 22-AR)**
SHORT LEVY OF TAX DUE TO INCORRECT COMPUTATION OF TAX – RS. 2,260.383 MILLION.

Audit pointed out that a test audit revealed that income tax was under assessed in 56 cases due to arithmetical errors in computing the tax liability. This resulted in short recovery of tax of Rs. 2,261,061 million. (amount recovered Rs. 0.678 million before the printing of report).

The latest position in the light of reply of PAO is given below:-

Rs.

i.	Action initiated but not yet finalized	1,782,362,100
ii.	Record not produced for verification	1,185,610
iii.	Subjudice	404,350,020
iv.	Amount admitted, charged but not Recovered	17,465,254
v.	Amount admitted, charged and recovered but proof of recovery awaited	79,988
	Sub-Total	**2,205,442,972**

iv.	Amount admitted, charged and recovered	34,168,648
vii.	Departmental stance accepted on the basis of additional evidence/demand	20,771,261

	deleted in appeal	
	Sub-Total	**54,939,909**
	Grand-Total	**2,260,382,881**

27. **PARA 5.2 (PAGE 45-AR)**
IRREGULAR / FRAUDULENT REFUND – RS. 148.904 MILLION

Audit pointed out that the income tax law provides the procedure for processing of refund applications and issuance of refunds claimed by the taxpayers within prescribed time. During test audit it was observed that in 84 taxpayers were issued irregular refund of Rs. 155.281 million including fraudulent refund of Rs. 19.055 million in 40 cases of RTO, Islamabad and Multan. As the refund in these cases were issued due to invalid deduction certificates. (amount recovered Rs. 6.377 million at the time of printing of report)

The latest position in the light of reply of PAO is given below:-

Rs.

i.	Amount admitted, charged but not Recovered	271,818
ii.	Action initiated but not yet finalized	3,295,555
iii.	Subjudice	10,634,103
iv.	Record not produced for verification	6,879,279
v.	Unsatisfactory reply	6,650,527
	Sub-Total	**261,636,450**

v.	Amount admitted, charged and recovered	13,937,906
vi.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	107,234,729
	Sub-Total	**121,172,635**
	Grand-Total	**148,903,914**

PAC DIRECTIVE

The above paras were clubbed together with the directions to (i) finalize cases where action is pending; (ii) Provide record/reply for verification and state reasons for non-

production of record/reply to Audit; (iii) pursue the subjusdice cases at appropriate appellate fora; (iv) settle the para to the extent of recoveries which have been verified/assessed loss reduced; (v) give details of officers against whom inquiries have been held and indicate whether recoveries from such officers have been affected or not and (vi) make sure that DAC are held before the scheduled meeting of the Public Accounts Committee. The above instructions may be complied **within 2 months** report send to the PAC Secretariat.

28. **PARA 4.4 (PAGE 37-AR)**
NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF ASSESSEDTAX OR PENALTY RS, 131.452 MILLION

Audit pointed out that where an assesses fails to pay assessed tax or penalty in time, additional tax is leviable at a rate equal to eighteen percent per-annum on the tax unpaid during the year. During test audit it was observed that in 181 cases additional tax for default of payment of advance tax not levied by the department resulting in loss of Rs. 133.629 million. (amount recovered Rs. 2.177 million at the time of printing of report).

The latest position in the light of reply of PAO is given below:-

Rs.

i.	Action initiated but not yet finalized	2,682,031
ii.	Record not produced for verification	52,970
iii.	Subjudice	1,267,210
iv.	Amount admitted, charged but not Recovered	17,465,254
v.	Amount admitted, charged and recovered but proof of recovery awaited	11,750
vi.	Unsatisfactory reply	3,374,861
	Sub-Total	**81,391,924**

vii.	Amount admitted, charged and recovered	27,753,078
viii.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	22,307,367
	Sub-Total	**50,060,445**
	Grand-Total	**131,452,369**

PAC DIRECTIVE

The PAO was directed to identify the officer/s responsible for not levying the additional tax for default of payment of advance tax resultings in the loss and report to the PAC Secretariat within **03 days.**

29. **PARA 5.1 (PAGE 44-AR)**
EXCESS DETERMINATION OF REFUNDS – RS. 390.578 MILLION

Audit pointed out that the law provides for the determination of refund if the amount of tax paid by a taxpayer for any year exceeds the amount chargeable from him under the law for that year. During test audit it was observed that in 191 cases the taxpayer had claimed excess refund of Rs. 666.495 million which was not probed by the department (amount recovered Rs. 275.917 million at the time of printing of report).

The latest position in the light of reply of PAO is given below:-

Rs.

i.	Action initiated but not yet finalized	41,616,714
ii.	Record not produced for verification	33,606,869
iii.	No reply	235,535
vi.	Subjudice	178,442,830
v.	Amount admitted, charged but not Recovered	7,596,778
vi.	Amount admitted, charged and recovered but proof of recovery awaited	137,724
	Sub-Total	**261,636,450**
v.	Amount admitted, charged and recovered	90,113,118
vi.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	38,828,100
	Sub-Total	**128,941,218**
	Grand-Total	**390,577,668**

PAC DIRECTIVE

The para was remained back to the DAC with the direction that relevant record must be provided to Audit, explain action initiated but not yet finalized, fix responsibility and ensure recovery of the amount. Report be submitted to the PAC Secretariat within **2 months.**

30. **PARA 6.1 (PAGE 48-AR)**
ISSUANCE OF REFUND WITHOUT ADJUSTMENT OF ARREAR DEMAND – RS. 791.291 MILLION

Audit pointed out that the law provides the procedure for issuance of refunds and requires the adjustment of refund against any outstanding liability of the taxpayer. During test audit it was observed that in 309 cases refunds of Rs.1230.552 million in these issued without taking into consideration the arrear demand of Rs.791.291 million in these cases. This resulted in irregular issuance of refund to the tune of Rs.791.291 million.

The PAO explained that audit observations were discussed in the DAC meeting held in June, 2009, March & August, 2010 and the matter was under process.

PAC DIRECTIVE

The para was settled subject to verification by Audit within **two months.**

31. **PARA 6.2 (PAGE 49-AR)**
IRREGULAR WRITE-OFF ARREAR DEMAND OF – RS. 5,185.591 MILLION

Audit pointed out that income tax recovery rules lay down the procedure for recovery of tax demand which is to be paid by a taxpayer under the Income Tax Ordinance, 2001. During test audit it was observed that in arrear tax demand of Rs.5,185.591 million was written off without fulfilling the legal requirements as provided in the recovery rules.

The latest position in the light of reply of PAO is given below:-

Rs.

i.	Subjudice	370,628,864
ii.	Record not produced for verification	734,873,015
iii.	No reply	133,010,937
iv.	Amount admitted, charged but not Recovered	48,850,632
v.	Amount admitted, charged and recovered but proof of recovery awaited	11,412,987
	Sub-Total	**1,298,776,426**

vi.	Amount admitted, charged and recovered	285,050,820
vii.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	3,601,763,935
	Sub-Total	**3,886,814,755**
	Grand-Total	**5,185,591,181**

PAC DIRECTIVE

The PAO was directed to hold inquiry and fix responsibility for the irregularity and report within 15 days. It was also directed that all similar cases may be revisited to examine how the amounts are written off and suggest ways to improve the system. Report may be submitted within **2 months.**

32. **PARA 6.6 (PAGE 49-AR)**
NON PRODUCTION OF RECORD PERTAINING TO ARREAR DEMAND – RS. 7,722.662 MILLION

Audit pointed out that during the course of audit of RTOs / LTUs Lahore and Islamabad certain information/documents were requisitioned which not produced to audit as per details given below:-

i) Present position of arrear demand.

ii) Recovery measures initiated.
iii) Registers of write off arrear of all Units.
iv) Registers of Refund Issued, all Units.
v) Number of Arrear DCRs taken into computerized ledgers.

vi) Minus Account and Appeal Effect in respect of arrears of all units.
vii) Set aside case in respect of arrears of all units and pending appeal effects in such cases.
viii) Incorporation certificates from taxation officers to whom arrear demand transferred.
ix) List of irrecoverable cases.
x) Adjustment of refund against arrear demand.
xi) Monthly performance Reports from the months of January, March, June, September and December 2008.

The PAO explained that audit observation was discussed in the DAC meetings held in June, 2009, March & August, 2010.

PAC DIRECTIVE

The PAO was directed to ensure provision of relevant record for verification to the Audit invariably, and to hold DAC meetings immediately prior to the Public Accounts Committee meeting. Reports are required to be sent to the PAC Secretariat within **one week.**

33. **PARA 9.3.1 (PAGE 45-AR)**
SHORT RECOVERY OF TAX ON PROFIT ON DEBT (SECTION 151) – RS. 13,696 MILLION

Audit pointed out that audit examined 24 Banking Companies and National Saving Centers who paid profit of Rs.219,877 million to their clients during 2007-08. Withholding tax @ 10 percent worked out Rs.21,987 million but instead of Rs.8,291 million were deposited in government exchequer as reported by FBR.

The PAO explained that audit observations were discussed in the DAC meetings held in June, 2009, March & August, 2010 and informed that the matter was under process.

34. **PARA 9.3.2 (PAGE 67-AR)**
SHORT RECOVERY OF TAX ON DIVIDEND (SECTION 150) – RS. 9,128 MILLION

Audit pointed out that audit examined 232 listed public companies who paid cash dividend of Rs.145,506 million during 2007-08. Withholding tax @ 10 per cent on

dividend comes to Rs.14,550 million instead of Rs.5,422 million as reported by the FBR. This reflected that the collection was lower side. This difference would be much greater if all the resident companies are examined.

The PAO explained that audit observations were discussed in the DAC meetings held in June, 2009, March & August, 2010 and informed that the matter was under process.

35. **PARA 9.3.3 (PAGE 67-AR)**
SHORT RECOVERY OF TAX ON OF SUPPLY OF RAW COTTON (SECTION 153(1)(a) – RS. 1,282 MILLION

Audit pointed out that the FBR had shown collection of tax of Rs. 297 million from cotton ginners whereas tax revenue to be contributed by the cotton ginning sector on the basis of cotton bales, worked out to Rs. 1,579 million, resulting in short recovery of tax of Rs. 1,282 million.

The PAO explained that audit observation was discussed in the DAC meetings held in June, 2009, March & August, 2010.

36. **PARA 9.3.4 (PAGE 67-AR)**
SHORT RECOVERY OF WITHHOLDING TAX DUE TO INCORRECT APPLICATION OF LAW – RS. 1,025 MILLION

Audit pointed out that a limited company assessed by the department under final tax regime whereas being a manufacturer the company was to be assessed under normal tax regime instead of under presumptive tax regime as per provisions of section 153(6A) of the Income Tax Ordinance, 2001. (Normal tax leviable Rs. 1,698.860 million minus tax charged under PTR Rs. 674.300 Million.)

The PAO explained that audit observation was discussed in the DAC meetings held in June, 2009, March & August, 2010 and it was contested the para on the plea that although a new section 153(6A) was inserted in Income Tax Ordinance, 2001 through Finance Act, 2005 thereby manufacturer were not eligible to be assessed under presumptive tax regime, but a new clause (clause 41A) was also inserted in part-IV of the

Second Schedule through the insertion of this clause. The provision of section 153(6A) was made nul and void.

PAC DIRECTIVE

The above paras relating to performance Audit of Withholding Tax were clubbed together with the direction that more interaction between the Federal Board of Revenue and the concerned Director General Audit and Accounts is required to settle the issues at DAC meetings. Report may be submitted to the PAC Secretariat within **2 months.**

Further, in addition to the above paras, the PAO was also directed to submit the following:-

a) Comprehensive report on Subjudice cases through law officers and the time frame require for their final settlement. (01 month)
b) List of organization exempted from tax
c) Departmental appeal cases and the amount involved in these cases.
d) Note on double taxation mechanism, in particularly cases of LPG.
e) In para 9.3.4, the existing position of law after Lahore High Court decision that SRO is not valid and legal document therefore is of no consequence may be clarified (M/s Kashmir Edible Oil v/s Federal of Pakistan)

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (INDIRECT TAXES) FOR THE YEAR 2008-09

37. 1. **PARA 1.3 (PAGE 5-AR) UNDER VALUATIONOF IMPORTED GOODS**

2) **PARA 2.2(a)(iv) (PAGE 11-AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 0,336 MILLION**

3) **PARA 2.2(b)(i) (PAGE 12 -AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 406.650 MILLION**

4) **PARA 2.2(b)(iii) (PAGE 13 & 14-AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 13.828 MILLION**

5) **PARA 2.2(c)(ii) (PAGE 15-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 1.420 MILLION**

6) **PARA 2.2(c)(iii) (PAGE 15 & 16-AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 0.775 MILLION**

7) **PARA 2.2(e)(iii) (PAGE 19-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 0.308 MILLION**

8) **PARA 2.2(f)(i) (PAGE 20-AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 7.011 MILLION**

9) **PARA 2.2(f)(ii) (PAGE 20-AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 6.839 MILLION**

10) **PARA 2.2(i) (PAGE 22 & 23-AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 4.105 MILLION**

11) **PARA 2.2(j) (PAGE 23 & 24-AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 1.850 MILLION**

12) **PARA 2.6 (b) (PAGE 28-AR) NON PAYMENT OF SALES TAX DUE TO UN AUTHENTIC ZERO RATING OF TAXABLE SUPPLIES – RS. 64.440 MILLION.**

13) **PARA 2.7 (B) (PAGE 30-AR) NON/SHORT PAYMENT OF SALES TAX – RS. 11.083 MILLION.**

14) **PARA 2.10 (PAGE 34-AR) INADMISSIBLE ADJUSTMENT OF INPUT TAX – RS. 10.459 MILLION.**

15) **PARA 2.11 (b)(i) (PAGE 36-AR) NON-PAYMENT OF SLAES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED – RS. 0.269 MILLION.**

16) **PARA 2.14 (PAGE 40-AR) UN-AUTHENTIC EXEMPTION OF SALES TAX – RS. 2.203 MILLION.**

17) **PARA 2.16 (PAGE 41-AR) NON RECOVERY OF SALES TAX – RS. 1.959 MILLION.**

18) **PARA 2.18 (PAGE 43-AR) NON-RECOVERY OF REVENUE DUE TO NON-CALCULATION OF TAX LIABILITY**

19) **PARA 3.2 (a) (PAGE 47-AR) SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 759.825 MILLION.**

20) **PARA 3.2 (d) (PAGE 50-AR) SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 0.178 MILLION.**

21) **PARA 3.5 (d) (PAGE 57-AR) SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 0.481 MILLION.**

22) **PARA 3.7 (c) (PAGE 61-AR) NON-IMPOSITION OF PENALTY – RS 0.499 MILLION.**

23) **PARA 3.9 (c) (PAGE 68-AR)INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 2.441 MILLION.**

24) **PARA 3.12 (PAGE 72-AR)EXCESS SANCTION / PAYMENT OF SALES TAX – RS 8.551 MILLION.**

25) **PARA 3.14 (PAGE 73 & 74-AR)NON-REALIZATION OF REVENUE DUE TO NON-CONDUCTION OF INVESTIGATIVE AUDIT – RS. 5.351 MILLION.**

26) **PARA 3.18 (PAGE 76 & 77-AR)EXCESS PAYMENT OF REFUND OF FEDERAL EXCISE DUTY – RS. 1.635 MILLION.**

27) **PARA 3.20 (a) (PAGE 79-AR)EXCESS REFUND OF SALES TAX-RS.0.740 MILLION**

28) **PARA 3.20 (b) (PAGE 80-AR)EXCESS REFUND OF SALES TAX – RS.0.486 MILLION**

29) **PARA 3.21 (a) (PAGE 80-AR)INADMISSIBLE REFUND ON DOUBTFUL INVOICES – RS. 0.947 MILLION**

30) **PARA 4.3 (d) (PAGE 92 & 93-AR)NON REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION – RS. 2.499 MILLION**

31) **PARA 4.5 (a) (PAGE 97-AR)SHORT-REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 32.880 MILLION**

32) **PARA 4.5 (c) (PAGE 98-AR)NON REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 8.541 MILLION**

33) **PARA 4.7(a((PAGE 101-AR)LOSS OF THE REVENUE DUE TO NON-FINALIZATION OF PROVISIONAL ASSESSMENT – RS. 21.372 MILLION**

34) **PARA 4.7 (c) (PAGE 102-AR)LOSS OF THE REVENUE DUE TO NON-FINALIZATION OF PROVISIONAL ASSESSMENT – RS. 1.482 MILLION**

35) **PARA 4.8 (a)(ii) (PAGE 104-AR)LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 1.081 MILLION**

36) **PARA 4.8 (e) (PAGE 107-108-AR)LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 0.910 MILLION**

37) **PARA 5.3 (a) (PAGE 127-AR)NON PAYMENT OF SPECIAL EXCISE DUTY – RS. 13.641 MILLION**

38) **PARA 5.4 (PAGE 128 & 129-AR)SHORT PAYMENT OF FEDERAL EXCISE DUTY TO INCORRECT FIXATION OF RETAIL PRICE RS. 11.667 MILLION.**

39) **PARA 5.5 (PAGE 129- NON REALIZATION OF REVENUE DUE TO IRREGULAR EXEMPTION – RS. 5.293 MILLION.**

40) **PARA 5.6 (PAGE 130-AR)INADMISSIBLE ADJUSTMENTS OF FEDERAL EXCISE DUTY, PAID ON SERVICE TELEPHONE CONNECTION – RS. 4.376 MILLION.**

41) **PARA 5.7(a) (PAGE 131-AR)NON REALIZATION OF PENALT AND DEFAULT SURCHARGE – RS. 1.062 MILLION.**

42) **PARA 6.3 (PAGE 135-AR)NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED – RS. 2,886.291 MILLION.**

43) **PARA 6.7 (PAGE 141-AR)SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION – RS. 10.655 MILLION.**

44) **PARA 6.8 (PAGE 142-AR) LATE REMITTANCE OF TAX COLLECTION BY NBP TO SBP – RS. 9.087 MILLION.**

45) **PARA 6.10 (PAGE 144 & 145-AR) NON EXISTENCE OF REGISTERED PERSON**

46) **PARA 7.4 (PAGE 150-AR)NON DISPOSAL OF VEHICLES HAVING EXPECTED VALUE OF RS. 3.600 MILLION.**

47) **PARA 7.5 (PAGE 151-AR)IN-FRUCTUOUS EXPENDITURE– RS. 3.180 MILLION**

48) **PARA 7.7 (PAGE 152-AR)IRREGULAR EXPENDITURE WITHOUT CALLING TENDER – RS. 1.995 MILLION.**

49) **PARA 7.12 (PAGE 157-AR)IRREGULAR EXPENDITURE ON POL AND MAINTENANCE OF CONDEMNED VEHICLES – RS. 1.112 MILLION.**

50) **PARA 7.17 (PAGE 163-AR) LOSS OF PUBLIC MONEY DUE TO NON-VACATION OF HIRED BUILDING – RS. 0.593 MILLION.**

51) **PARA 7.20(a) (PAGE 165-166-AR)EXCESS PAYMENT OF SALARY AND ALLOWANCE – RS. 0.149 MILLION.**

52) **PARA 7.22 (PAGE 168-169-AR)DOUBLE DRAWL OF PAY AND ALLOWANCES FRAUDULENTLY – RS. 0.197 MILLION.**

53) **PARA 7.25 (PAGE 170-AR)MISUSE OF PUBLIC MONEY ON FOREIGN TRAINING OF CONTRACTUAL EMPLOYEES – RS. 2.420 MILLION.**

54) **PARA 7.26 (PAGE 171-AR)LOSS OF PUBLIC MONEY – RS. 6.300 MILLION.**

55) **PARA 7.37 (PAGE 181-AR)NON-EXISTENCE OF INTERNAL AUDIT**

PAC DIRECTIVE

On the presentation of above paras, the PAC directed the department to expedite the adjudication/recovery process within stipulated time.

(B)

38. **i.** **PARA 1.1(a) (PAGE 1-AR) NON/SHORT PAYMENT OF SALES TAX RS.7511.148 MILLION**

ii. **PARA 1.1(b) (PAGE 2-AR)NON /SHORT PAYMENT OF SALES TAX RS.8786438MILLION**

iii. **PARA 1.2(b) (PAGE 4-AR)NON IMPOSITION OF PANALTY ON NON/SHORT/LATE FILERS OF SALES TAX RETURNS RS. 168.375**

iv. **PARA 1.4 (PAGE 6-AR)NON PRODUCTION OF RECORD**

v. **PARA 2.2(a)(i) (PAGE 9-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 1,154.124 MILLION**

vi. **PARA 2.2(a)(iii) (PAGE 10-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 6.051 MILLION**

vii. **PARA 2.2(b)(i) (PAGE 13-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 237.490 MILLION**

viii. **PARA 2.2(d) (PAGE 16 & 17-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 37.135 MILLION**

ix. **PARA 2.2(e)(i) (PAGE 17 & 18-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 35.440 MILLION**

x. **PARA 2.2(g) (PAGE 21-AR) SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 8.876 MILLION**

xi. **PARA 2.2(h) (PAGE 22-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 5.395 MILLION**

xii. **PARA 2.3 (PAGE 24-AR)SHORT-REALIZATION OF SALES TAX – RS. 186.646**

xiii. **PARA 2.4 (PAGE 25-AR)IRREGULAR ADJUSTMENT OF INPUT TAX AGAINST PAYMENTS MADE IN VIOLATION OF SECTION 73 – RS. 167.741 MILLION.**

xiv. **PARA 2.5 (PAGE 26-AR)CONCEALMENT OF GOVERNMENT DUES – RS. 155.015 MILLION.**

xv. **PARA 2.6 (a)(ii) (PAGE 27-AR)NON PAYMENT OF SALES TAX DUE TO UN AUTHENTIC ZERO RATING OF TAXABLE SUPPLIES – RS. 2.657 MILLION.**

xvi. **PARA 2.7 (a) (PAGE 29 AR)NON/SHORT PAYMENT OF SALES TAX – RS. 105.252 MILLION.**

xvii. **PARA 2.7 (d) (PAGE 31 & 32-AR)NON/SHORT PAYMENT OF SALES TAX – RS. 1.873 MILLION.**

xviii. **PARA 2.8 (PAGE 32-AR)NON/SHORT PAYMENT OF SALES TAX – RS. 53.069 MILLION.**

xix. **PARA 2.11(a) (PAGE 36-AR)NON-PAYMENT OF SLAES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED – RS. 7.863 MILLION.**

xx. **PARA 2.12 (a) (PAGE 37 & 38-AR)SHORT-PAYMENT OF SALES TAX DUE TO CONCEALMENT OF SALES – RS. 3.837 MILLION.**

xxi. **PARA 2.15 (PAGE 41-AR)NON-PAYMENT OF PENALTY ON ACCOUNT OF VIOLATION OF ENACTED PROVISION OF LAW – RS. 2.135 MILLION.**

xxii. **PARA 3.1 (b) (PAGE 46-AR)NON-CONDUCT OF POST REFUND AUDIT – RS. 240.386 MILLION.**

xxiii. **PARA 3.2 (c) (PAGE 49/50-AR)SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 24.372 MILLION.**

xxiv. **PARA 3.3 (b) (PAGE 49-AR)SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 62.517 MILLION.**

xxv. **PARA 3.6 (a)(ii) (PAGE 59 & 60-AR)IRREGULAR SANCTION OF REFUND ON TIME BARRED CLAIMS – RS. 26.067 MILLION.**

xxvi. **PARA 3.6 (b)(ii) (PAGE 61-AR)IRREGULAR SANCTION OF REFUND ON TIME BARRED CLAIMS – RS. 12.747 MILLION.**

xxvii. **PARA 3.7 (a) (PAGE 62-AR)NON-IMPOSITION OF PENALTY – RS. 34.553 MILLION.**

xxviii. **PARA 3.8 (a) & (b) (PAGE 66-AR)INADMISSIBLE REFUND OF SALES TAX ON GOODS NOT USED FOR TAXABLE SUPPLIES – RS. 55.953 MILLION.**

xxix. **PARA 3.9 (d) (PAGE 68 & 69-AR)INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 1.687 MILLION.**

xxx. **PARA 3.9 (e) (PAGE 69-AR)INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 0.560 MILLION.**

xxxi. **PARA 3.10 (PAGE 70-AR)EXCESS REFUND OF SALES TAX ON UN-CONSUMED RAW MATERIAL IN ZERO RATED SUPPLIES – RS. 13. 916 MILLION.**

xxxii. **PARA 3.11 (PAGE 71-AR)INADMISSIBLE REFUND OF INPUT TAX ON GOODS NOT EXPORTED – RS. 12.289 MILLION.**

xxxiii. **PARA 3.16 (PAGE 75-AR)IRREGULAR PAYMENT OF REFUND – RS. 2.850 MILLION.**

xxxiv. **PARA 3.17 (PAGE 76-AR) EXCESS REFUND OF SALES TAX DUE TO NON-APPORTIONMENT OF INPUT TAX – 2.450 MILLION.**

xxxv. **PARA 3.19 (c) (PAGE 79-AR)INADMISSIBLE SANCTION OF SALES TAX REFUND – RS. 0.233 MILLION**

xxxvi. **PARA 4.2 (c) (PAGE 85-AR)NON REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION – RS. 2.367 MILLION**

xxxvii. **PARA 4.3 (b), (c) (PAGE 85-AR)SHORT-REALIZATION OF REVENUE DUE TO UNDER-VALUATION OF GOODS – RS. 34.643 MILLION**

xxxviii. **PARA 4.3 (f) (PAGE -AR)SHORT-REALIZATION OF REVENUE DUE TO UNDER-VALUATION OF GOODS – RS. 0.429 MILLION**

xxxix. **PARA 4.5 (b) (PAGE 97-AR)SHORT-REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 14.097 MILLION**

xl. **PARA 4.5 (d) (PAGE 99-AR)SHORT-REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 3.753 MILLION**

xli. **PARA 4.6 (PAGE 100-AR)NON-REALIZATION OF 2% WITHHOLDING TAX ON PESTICIDES AND WEDICIDES – RS. 25.583 MILLION**

xlii. **PARA 4.8 (a)(i) & (b) (PAGE 103,105-AR)LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 15.363 MILLION**

xliii. **PARA 4.8 (c) (PAGE 105-AR)LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 3.354 MILLION**

xliv. **PARA 4.9 (PAGE 108-109-AR)NON-REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE BENEFIT OF DTRE SCHEME – RS. 12.289 MILLION.**

xlv. **PARA 4.10 (PAGE 109-AR)NON RECOVERY OF DIFFERENTIAL CUSTOMS DUES IN PROVISIONALLY ASSESSED CASES – RS. 7.481 MILLION**

xlvi. **PARA 4.12 (PAGE 110-111-AR)NON-LEVY OF ADDITIONAL CUSTOMS DUTY – RS. 5.521 MILLION**

xlvii. **PARA 4.14 (PAGE 113-AR)NON-REALIZATION OF SALES TAX AND ADDITIONAL SALES TAX – RS. 4.306 MILLION**

xlviii. **PARA 4.16 (a) (PAGE 115-AR)NON-REALIZATION OF 2% ADDITIONAL SALES TAX – RS. 3.391 MILLION**

xlix. **PARA 4.17 (a) & (b) (PAGE 116-118 -AR)SHORT-REALIZATION OF REVENUE DUE TO MISCALCULATION – RS. 2.919 MILLION**

l. **PARA 4.20 (PAGE 120-121-AR)NON-IMPOSITION OF REDEMPTION FINE ON MIS-DECLARATION OF IMPORTED GOODS – RS. 2.355 MILLION**

li. **PARA 5.1 (PAGE 125-AR)SHORT-PAYMENT OF REVENUE DUE TO INADMISSIBLE ADJUSTMENTS – RS. 0.865 MILLION**

lii. **PARA 5.3 (b) (PAGE 128-AR)NON PAYMENT OF SPECIAL EXCISE DUTY – RS. 9.356 MILLION**

liii. **PARA 6.4(b) (PAGE 137-AR)BLOCKAGE OF REVENUE DUE TO NON-DISPOSAL/CLEARANCE OF GOODS/ VEHICLES – RS. 127.699 MILLION.**

liv. **PARA 7.5 (PAGE 151-AR)IN-FRUCTUOUS EXPENDITURE – RS. 3.180 MILLION.**

lv. **PARA 7.9 (PAGE 154-155-AR)NON/SHORT-DEDUCTION OF INCOME TAX – RS. 1.345 MILLION.**

lvi. **PARA 7.10 (PAGE 155-AR)NON-DEDUCTION OF SALES TAX AT SOURCE – RS. 1.299 MILLION.**

lvii. **PARA 7.13 (PAGE 158-AR)NON-DEDUCTION OF INCOME TAX (AT SOURCE) ON PAYMENT OF RENT OF HIRED BUILDINGS – RS. 1.020 MILLION.**

lviii. **PARA 7.15(a) (PAGE 160-AR)EXCESS PAYMENT OF DAILY ALLOWANCE – RS. 0.621 MILLION.**

lix. **PARA 7.18 (PAGE 164-AR)EXCESS PAYMENT OF ELECTRICITY AND GAS CHARGES DUE TO NEGLIGENCE OF THE DEPARTMENT RS. 0.564 MILLION.**

lx. **PARA 7.20(c) (PAGE 167-AR)EXCESS PAYMENT OF SALARY AND ALLOWANCE – RS. 0.065 MILLION.**

PAC DIRECTIVE

The above paras were partially settled.

(C)

39. i. **PARA 2.2(a)(i) (PAGE 9-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 1,154.124 MILLION**

ii. **PARA 2.2(b)(ii) (PAGE 13-AR)SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 237.490 MILLION**

iii. **PARA 3.2 (b)(ii) (PAGE 49-AR)SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 3.162 MILLION.**

iv. **PARA 3.5 (a) (PAGE 54-AR)SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 93.709 MILLION.**

v. **PARA 3.5 (b) (PAGE 55-AR)SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 16.280 MILLION.**

vi. **PARA 3.6 (a)(ii) (PAGE 59 & 60-AR)IRREGULAR SANCTION OF REFUND ON TIME BARRED CLAIMS – RS. 26.067 MILLION(AMOUNT VERIFIABLE RS. 0.523 MILLION).**

vii. **PARA 3.8 (a) & (b) (PAGE 66-AR)INADMISSIBLE REFUND OF SALES TAX ON GOODS NOT USED FOR TAXABLE SUPPLIES – RS. 55.953 MILLION (AMOUNT VERIFIABLE RS. 1. 971 MILLION)**

viii. **PARA 3.9 (a) (PAGE 66-AR)INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 10.560 MILLION.**

ix. **PARA 3.9 (b) (PAGE 67-AR) INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 4.326 MILLION.**

x. **PARA 3.19 (a) (PAGE 77 & 78-AR)INADMISSIBLE SANCTION OF SALES TAX REFUND – RS. 0.674 MILLION.**

xi. **PARA 4.5 (d) (PAGE 99-AR)SHORT-REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 3.753 MILLION(AMOUNT VERIFIABLE RS. 1. 919 MILLION)**

xii. **PARA 4.9 (PAGE 108-109-AR)NON-REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE BENEFIT OF DTRE SCHEME – RS. 12.289 MILLION (AMOUNT VERIFIABLE RS. 4.597 MILLION).**

xiii. **PARA 4.10 (PAGE 109-AR)NON RECOVERY OF DIFFERENTIAL CUSTOMS DUES IN PROVISIONALLY ASSESSED CASES – RS. 7.481 MILLION(AMOUNT VERIFIABLE RS. 0. 240 MILLION).**

xiv. **PARA 4.13 (a) (PAGE 111-AR)SHORT – REALIZATION OF REVENUE DUE TO APPLICATION OF INCORRECT RATE OF EXCHANGE – RS. 4.328 MILLION**

xv. **PARA 4.14 (PAGE 113-AR)NON-REALIZATION OF SALES TAX AND ADDITIONAL SALES TAX – RS. 4.306 MILLION(AMOUNT VERIFIABLE RS. 2.549 MILLION)**

xvi. **PARA 7.9 (PAGE 154-155-AR)NON/SHORT-DEDUCTION OF INCOME TAX – RS. 1.345 MILLION(AMOUNT VERIFIABLE RS. 0.084 MILLION)**

xvii. **PARA 7.10 (PAGE 155-AR)NON-DEDUCTION OF SALES TAX AT SOURCE – RS. 1.299 MILLION(AMOUNT VERIFIABLE RS. 0. 366 MILLION)**

xviii. **PARA 7.20(b) (PAGE 166-167-AR)EXCESS PAYMENT OF SALARY AND ALLOWANCE – RS. 0.106 MILLION.**

PAC DIRECTIVE

The above paras were settled subject to verification from Audit.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (DIRECT TAXES) FOR THE YEAR 2008-09

40. i. **1.1 (a) NON-LEVY OF PENALTY FOR LATE FILING OF RETURNS RS.10.294 MILLION.**

ii. **1.1(b) (PAGE 3-AR) IMPROPER FOLLOW UP OF NON FILERS – RS. 92.727 MILLION.**

iii. **PARA 1.2 (a) NON-LEVY OF WORKERS WELFARE FUND – Rs. 4.239 MILLION**

iv. **1.2 (b) SUPPRESSION OF SALES – LOSS OF Rs 1,056.740 MILLION**

v. **2.1 (c) SHORT LEVY OF TAX DUE TO INADMISSIBLE DEDUCTIONS- Rs. 562.254 MILLION.**

vi. **2.2 (d) LOSS OF REVENUE DUE TO INCORRECT/EXCESS ADJUSTMENT OF BROUGHT FORWARD LOSSES- R.s 986.464 MILLION.**

vii. **2.3 (e) SHORT LEVY OF TAX DUE TO INCORRECT COMPUTATION OF TAXABLE INCOME- Rs 1,111.918 MILLION.**

viii. **2.4 (f) NON LEVY OF MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS Rs 76.407 MILLION.**

ix. **2.5 (g) SHORT LEVY OF TAX DUE TO GRANT OF INADMISSIBLE DEPRECIATION ALLOWANCE – Rs. 881.236 MILLION.**

x. **2.6 (h) SHORT LEVY OF INCOME TAX DUE TO NON TAXATION OF RECOUPED EXPENSES – Rs 461.492 MILLION**

xi. **2.7 (i) NON LEVY OF TAX ON UNEXPLAINED INVESTMENT Rs 484.068**

xii. **2.8 (j) LOSS OF REVENUE DUE TO NON TEXATION OF INCOME FROM OTHER SOURCES- Rs 565.169 MILLION.**

xiii. **2.9 (k) SHORT LEVY OF TAX DUE TO APPLICATION OF INCORRECT TAX RATES Rs. 42.485 MILLION.**

xiv. **2.10 (l) SHORT LEVY OF TAX DUE TO NON-ALLOCATION OF PROPORTIONATE EXPENSES – RS 211.602 MILLION**

xv. **2.11 SHORT REALIZATION OF TAX DUE TO GRANT OF EXCESS TAX CREDIT Rs. 157.488 MILLION**

xvi. **2.12 SHORT LEVY OF TAX DUE TO ' SETTING OFF' OF CARRYING FORWARD BUSINESS LOSSES AGAINST INCOME FROM OTHER SOURCE RS. 100.736 MILLION.**

xvii. **2.13 SHORT RECOVERY OF TAX DUE TO INCORRECT COMPUTATION OF TAX RS. 2,260.383 MILLION.**

xviii. **2.14 SHORT RECOVERY OF TAX DUE TO INCORRECT INVOKING THE PROVISIONS OF SECTION 122 (5A)- RS. 52.464 MILLION.**

xix. **2.15 EXCESS GRANT OF TAX CREDIT ON CHARITABLE DONATION- RS. 4.794 MILLION.**

xx. **2.16 INCORRECT/ EXECESSIVE BROUGHT FORWARD LOSSES OF RS. 147.053 MILLION**

xxi. **3.1 LOSS OF REVENUE FOR NON-TREATING THE TAX COLLECTED OR DEDUCTED AS A FINAL TAX RS. 17.217 MILLION.**

xxii. **3.2 SHORT DEDUCTION OF WITH HOLDING TAX DUE TO APPLICATION OF INCORRECT TAX RATE – RS. 56.389 MILLION.**

xxiii. **3.3 FAILURE TO COLLECT/DEDUCT WITHOUT HOLDING TAX BY THE WITHOUT HOLDING AGENTS RS. 210.369 MILLION.**

xxiv. **4.1 NON LEVY OF ADDITIONAL TAX FOR FAILURE TO DEDUCT OR PAY TAX RS. 7.121 MILLION.**

xxv. **4.2 NON LEVY OF ADDITONAL TAX FOR FAILURE TO PAY ADVANCE TAX RS. 662.406 MILLION.**

xxvi. **4.3 NON IMPOSITION OR PENALTY UNDER SECTION 184 RS. 2.607 MILLION.**

xxvii. **4.4 NON LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF ASSESSED TAX OR PENALTY RS. 131.452 MILLION.**

xxviii. **4.5 NON IMPOSITION OF PENALTY UNDER SECTION 182 FOR FAILURE TO FURNISH A RETURN , ect- RS. 1.894 MILLION.**

xxix. **4.6 LOSS OF REVENUE DUE TO NON LEVY OF PENALTY UNDER SECTION 183 RS. 59.870 MILLION.**

xxx. **4.7 NON IMPOSITION OF PENALTY UNDER SECTION 91- RS. 13.054 MILLION.**

xxxi. **5.1 EXCESS DETERMINATION OF REFUNDS RS. 390.578 MILLION.**

xxxii. **5.2 IRREGULAR / FRAUDULENT REFUND RS. 148.904 MILLION.**

xxxiii. **6.1 ISSUANCE OF REFUND WITHOUT ADJUSTMENT ARREAR DEMAND RS. 791.291 MILLION.**

xxxiv. **6.2 IRREGULAR WRITE-OFF OF ARREAR DEMAND OF RS. 5, 185. 591 MILLION.**

xxxv. **6.3 DIFFERENCE OF WRITE OF FIGURES BETWEEN MPR & WRITE OF REGISTER- RS. 18.737 MILLION.**

xxxvi. **6.4 NON ACCOUNTAL / POSTING OF ARREAR DEMAND AND TO COMPUTERIZED LEDGER- RS. 4. 580 MILLION.**

xxxvii. **6.5 NON AVAILIBILITY OF ASSESSMENT REGARD INVOLVING ARREAR DEMAND OF RS. 8. 928 MILLION.**

xxxviii. **6.6 NON PRODUCTION OF RECORD PERTAINING TO ARREAR DEMAND RS. 7, 722. 662 MILLION.**

xxxix. **7.1 NON-REALIZATION OF WORKERS, WELLFARE FUND RS. 11.557 MILLION.**

xl. **7.2 NON LEVY OF ADDITIONAL PAYMENT OF WORKERS, WELLFARE FUNDS RS. 2 MILLION.**

xli. **81 NON-DEDUCTIONS OF HOUSE RENT ALLOUNCE & MAINTENANCE CHARGES RS. 0.206 MILLION.**

xlii. **8.2 IRREGULAR CONVEYANCE ALLOUNCE AND UN-AUTHORIZED POL EXPENSES RS. 1. 999 MILLION.**

xliii. **8.3 EXCESS GRANT OF CONVENCE & HOUSE RENT ALLOUNCES RS. 0.445 MILLION.**

xliv. **8.4 UN AUTHORIZED EXPENDITURE ON POL AND REPAIR OF VEHICLES RS. 1.909 MILLION.**

xlv. **8.5 IRREGULAR SANCTION OF MEDICAL CHARGES RS. 0.187 MILLION.**

xlvi. **8.6 UN AUTHORIZED PAYMENT OF RS. 0.171 MILLION DUE TO INADMISSIBLE GRANT OF LEAVE.**

xlvii. **8.7 MISCELLANEOUS IRREGULARITIES RS. 2.065 MILLION.**

xlviii. **9.3.1 SHORT RECOVERY OF TAX ON PROFIT ON DEBT (SECTION 151)RS. 13, 696 MILLION.**

xlix. **9.3.2 SHORT RECOVERY OF TAX ON DIVIDEND (SECTION 150) RS. 9,128 MILLION.**

l. **9.3.3 SHORT RECOVERY OF TAX ON SUPPLY OF RAW COTTON (SECTION 153 (1) (a) RS. 1,282 MILLION.**

li. **9.3.4 SHORT RECOVERY OF WITH HOLDING TAX DUE TO INCORRECT APPLICATION OF LAW RS. 1,025 MILLION.**

lii. **9.3.5 IN CORRECT ISSUANCE OF REFUND WITH HOLDING TAX RS. 4.868 MILLION.**

liii. **9.3.6 LOSS OF REVENUE AMOUNTING TO RS. 3,978 MILLION DUE TO NON LEVY OF PENALTY U/S 182.**

liv. **9.3.7 IMPROPER MONITORING AND COLLECTION OF WITHHOLDING TAX FROM CONTRACTS, SUPPLY OF GOODS AND SERVICES.**

PAC DIRECTIVE

On the presentation of above paras, the PAC directed to implement the DAC's decisions. A list of above paras duly vetted by Audit are also enclosed.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on **07th December, 2010** pertaining to **Federal Board of Revenue** on the Audit Report 2008-09 are given below:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (INDIRECT TAXES) FOR THE YEAR 2008-09

1. **PARA 2.1 (PAGE 7 & 8-AR)**
SHORT-PAYMENT Of SALES TAX DUE TO UNDER-VALUATION OF SUPPLIES – RS. 3,031.399 MILLION.

Audit pointed out that the para was earlier examined in PAC meeting held on 20-10-2010 and was directed the PAO to expedite recovery and examine reasons for the case becoming time barred. Report on next rota day."

The PAO explained that recovery proceedings had been initiated. However the reasons for examining the case becoming time barred were yet to be ascertained.

PAC DIRECTIVE

The Chairman was directed to get clarification from Audit whether the case were time barred when pointed out by them. It was directed that responsibility may be fixed by why the cases were allowed to become time barred. A report is to be submitted **in three days.**

2. **PARA 3.1 (a), 3.3(a) & 3.4 (PAGE 45 & 51-AR)**
SANCTION OF REFUND WITHOUT POST REFUND AUDIT AND NON-COMPLIANCE OF SECTION 73 OF THE ACT, 1990 – RS. 2,261.362 MILLION.

Audit pointed out that PAC in its meeting held on 20th October 2010 directed that the Chairman may form a Task Force for conducting post refund audit, prioritize recovery of big amounts and produce record to audit for verification in 2 months time.

The PAO explained the latest position as below:-

Amount admitted/under recovery Rs. 5.196 million .Action awaiting by the department (PRA) Rs. 1,379.523 million Amount recommended for settlement subject to verification Rs. 101.236 million Amount recommended for settlement. Rs. 775.407 million

PAC DIRECTIVE

The Para was settled to the extent of the amount settled and to be got verified by Audit, provision of record to Audit should not be denied and Chairman may form a task force for conducting a post refund Audit, prioritize recovery of big amounts and produced record to Audit for verification in **four months time.**

3. **PARA 4.1 (a) (PAGE AR)**
NON-REALIZATION OF REVENUE DUE TO NON-ENFORCEMENT/ENCAHSMENT OF INDEMNITY BONDS/BANK GUARANTEES/POST DATED CHEQUES – RS. 635.428 MILLION AND US$ 989,116.

The Audit pointed out that the para was examined earlier on 20-10-2010 and the PAC directed PAO to filling the cases within two months.

The PAO furnished reply as below:-

i)	Amount recovered, regularized, vacated & Audit & 0.989 million US dollars	Rs. 245.017 million verified by
ii)	Amount recovered, regularized, vacated but Audit.	Rs. 69.017 million not verified by
iii)	Amount yet to be recovered.	Rs. 219.207 million
iv)	Recovery stayed by the FBR for one year.	Rs. 17.836 million
v)	Amount Subjudice	Rs. 84.125 million

PAC DIRECTIVE

The para was settled subject to verification of amount so far recovered by Audit.

4. **PARA 6.1 (a) &(b) (PAGE 133 & 134-AR)**
NON-RECVOERY OF ADJUDGED GOVERNMENT DUES – RS. 9,469.833 MILLION

Audit pointed out that the para was examined in PAC meeting held on 20-12-2010 and the para was settled to the extent verified by audit. It was directed that the DAC decision be implemented and efforts be made for early adjudication to effect recoveries. **Report in 2 months.**

The PAO furnished the position as detailed below:-

i)	Amount recovered, regularized, vacated & Audit.	Rs. 2,723.929 million verified by
ii)	Amount recovered, regularized, vacated but not verified by Audit.	Rs.1,854.101 million
iii)	Amount yet to be recovered.	Rs. 2,134.449 million

iv) Amount pending for adjudication . Rs. 1, 122.313 million
v) Amount subjudice in courts of law. Rs. 879.530 million
vi) No response by the department Rs. 736.452 million
vii) Amount pending due to decision/actions executive (ADRC). Rs. 19.059 million awaited by the

PAC DIRECTIVE

The Chairman was directed to focus on effecting maximum recoveries. Reconciliation and verification with audit and holding DACs to settle the para.

5. **PARA 6.2 (PAGE 134-AR)**
BLOCKAGE OF REVENUE DUE TO NON-ADJUDICATION OF CASES WITHIN PRESCRIBED PERIOD – RS. 3,633.502 MILLION

Audit pointed out that the para was settled to the extent of amount recovered, vacated and amount not due, with the direction that the remaining recoveries may be actualized and verified in 2 months.

The PAO furnished the position as detailed below:-

i) Amount recovered, regularized, vacated & Rs. 227.925 million verified by Audi.
ii) Amount recovered & vacated but Rs. 2705.931 million not verified by Audit.
iii) Amount yet to be recovered. Rs. 101.686 million
iv) Amount under adjudication Rs. 597,958 million

PAC DIRECTIVE

The Chairman was directed to get the para settled to the extent of amount recovered, vacated and not due, improve systemic weaknesses for a strong enforcement for recovery and recovery and report to PAC in one month time. It was also directed that the amount recoverable should be expedited.

6. **PARA 6.5 (PAGE 139-AR)**
NON REALIZATION OF SALES TAX DUE TO NON-REGISTRATION OF PERSONS LIABLE TO BE REGISTERED – RS. 340.509 MILLION

Audit pointed out that PAC in its meeting held on 20th October 2010 directed that the Chairman may conduct an inquiry into the incident and submit report in 2 months.

The PAO explained that the RTO Hysderabad informed that out of 78 un-registered persons, 05 persons were registered. The RTO further informed that an enquiry officer had been appointed to conduct inquiry on the issue and the matter had been referred to FBR for guidance. The RTO Karachi informed that an enquiry officer had been appointed and the adjudication proceedings were still in progress and would be completed within 2 days. The RTO Quetta informed that the adjudication proceedings were still in progress.

PAC DIRECTIVE

The para was kept pending with the direction that the Chairman may report back in one month's time. The action taken for removing inherent weakness in registration of tax, payers and non-recovery of Government due from persons liable to be register who are also involved in evasion of sales tax recoveries to be effected to the maximum.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (DIRECT TAXES) FOR THE YEAR 2008-09

7. **SHORT LEAY OF TAX DUE TO INCORRECT COMPUTATION AND CALCULATION**

Audit pointed out that the PAC initiate meeting held on 19-10-2010 settled the paras to the extent of Rs. 418,282,188, where recoveries. Assessed loss reduced and departmental contentions were verified by Audit. The PAC further directed for compliance within two months in the remaining cases of Rs. 2.996.502, 283 as under:-

	Rs.
- To effect recovery of the amount charged	53.618.607
- To finalized the case where final action was pending	1.882.232.028

- To provide the record to audit for verification 357,479,534
- To provide the reply to audit 621,762
- To pursue Subjudice cases at appropriate for a 702,470,364
- To provide the proof of recovery where the amount has been recovered 79,988

Total: 2,996,502,283

The PAO explained that DAC meeting was held on 4-12-2010 and the audit observations were discussed. In the light of DAC recommendations, the latest position was under:-

		Rs.
1.	Amount admitted, charged but not recovered	35,431,374
2.	Action not yet finalized	2,131,357
3.	Record not produced for verification	356,293,924
4.	No reply	62,1762
5.	Subjudice	1,482,610,717
6.	Amount admitted, charged and recovered but proof of recovery awaited	79,988
	Sub-Total:	1,119,333,161
7.	Amount admitted, charged and recovered	132,707,475
8.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	986,625,686
	Sub-Total:	**1,119,333,161**
	Grand-Total:	**2,996,502,293**

PAC DIRECTIVE

The para was settled to the extent of recoveries affected with the direction that subjusidice cases will be expedited, The Chairman, PAC suggested that FBR may formulate a Task Force to deal specifically with subjudice cases.

8. **NON LEVY OF TAX DUE TO NON TAXATION OF INCOME**

Audit pointed out that PAC settled the paras to the extent of Rs. 234,939,917, where recoveries and departmental contention were verified by audit. The PAC directive for compliance within two months in the remaining cases of Rs. 791,721,920 were as under:-

	Rs.
- To effect recovery of the amount charged	288,861,625
- To finalized the case where final action was pending	224,747,407
- To hold enquiry and fix responsibility in time barred case	918,295
- To pursue subjudice cases at appropriate fora	277,080,824
- To provide the proof of recovery where the amount has been recovered	113,769
Total:	**791,721,920**

The PAO explained that DAC meeting was held on 4-12-2010 and the audit observations were discussed. In the light of DAC recommendations, the latest position was under:-

		Rs.
1.	Amount admitted, charged but not recovered	41,125,942
2.	Action not yet finalized	12,770,880
3.	Subjudice	655,848,045
4.	Amount admitted, charged and recovered but proof of recovery awaited	113,769
	Sub-Total:	**709,858,636**

5.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	81,863,284
	Sub-Total:	**81,863,284**
	Grand-Total:	**791,721,920**

PAC DIRECTIVE

The Chairman directed that the cases should be finalized, recoveries effected, inquires held, responsibility fixed in time barred cases and subjudice cases be pursued vigorously for early settlement of the para.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on **19th January,2011** pertaining to **Federal Board of Revenue** on the Audit Report 2008-09 are given below:-

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES 2008-09

PAKISTAN REVENUE AUTOMATION (PVT) LIMITED

1. **PARA 218 (PAGE 327-ARPSE)**
EMBEZZLEMENT OF INCOME RECEIPTS – RS. 18.729 MILLION.

Audit pointed out that the para was earlier examined in PAC meeting held on 19th and 20th October, 2010. The Chairman FBR was directed as follows:

"The Chairman, FBR was directed to reexamine the case to see if any one else was involved and to pursue the case vigorously in court."

The PAO explained that in November 2010 the Department intimated that, in pursuance of PAC directives, a Committee was constituted to re-examine the case to see if any one else was involved. The Committee, in its findings, concluded that no one else was involved in the whole process of embezzlement. An amount of Rs. 1 million only has been recovered from the accused. The department further replied that criminal and civil proceedings are being pursued.

PAC DIRECTIVE

The Committee observed that there was an obvious failure of internal controls in the FBR. The representative of FBR assured that remedial/preventive measures have since been put in place and assured that no such cases will occur in future. The Committee directed that general guidelines should be issued to PRAL and other concerned organizations to prevent such fraudulent practice. These guidelines should be sent to the Audit also. It was also directed that the FBR may pursue recovery of all outstanding amounts.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (INDIRECT TAXES) FOR THE YEAR 2008-09

2. **PARA 1.2 (a) (PAGE 3-AR)**
NON-IMPOSITION OF PENALTY ON NON/SHORT/LATE-FILERS OF SALES TAX RETURNS – RS. 711.840 MILLION

The Audit pointed out that the para was discussed earlier in PAC meeting held on 19th 20th the October, 2010 which decided as under:-

> "The para was settled to the extent of amount recovered and regularized. The Chairman, FBR may examine the system afresh, call explanation of officers involved, and affect recovery of remaining amount. Report to be submitted **in 2 months".**

The PAO stated that the reply had been provided to the Audit and an amount of Rs. 130.380 million has been regularized, whereas an amount of Rs. 174.520 million is in the process of recovery. Rs. 44.420 million is under adjudication.

PAC DIRECTIVE

The Committee observed that the FBR had ignored the deadline for submission of report in two months and failure of FBR in implementing the existing laws was apparent. Therefore, there was no hope that new laws will be followed. The FBR was directed to report compliance to the PAC Secretariat and Audit with complete details **within three**

weeks. A detailed report on improvement of systems and explanation of officers involved, actions taken against them and progress of recovery may also be sent to PAC Secretariat and Audit.

3. **PARA 2.1 (PAGE 7 & 8-AR)**
SHORT-PAYMENT OF SLAES TAX DUE TO UNDER-VALUATION OF SUPPLIES – RS. 3,031.399 MILLION

Audit pointed out that the para was examined in the PAC meeting held on 19th, 20th October 2010 and directed the PAO to expedite recovery and examine reasons for the case becoming time barred. Report on next rota day." The para was again examined on 07-12-2010 and the following directions were given by the PAC:-

> "The Chairman FBR was directed to get clarification from Audit whether the case was time barred when pointed out by them. It was directed that responsibility may be fixed for allowing the case to become time barred. A report is to be submitted in three days".

Audit pointed out that the Departments stance, that the case was time barred from July, 1999 up to January, 2004 when pointed out by Audit in January, 2009 is correct as per law. However, Audit still holds that it was the responsibility of the Department to ensure that Sales Tax assessment declared by the tax payers was correct and according to Section 2(46) of Sales Tax Act, 1990. The Sales Tax Act, 1990 empowers the Department to conduct audit of assessments once a year. The Department however, failed to ensure/implement this important aspect of the law which resulted in short assessment and loss of revenue of Rs. 1261.659 million. Further, it is pertinent to mention here that if the Department of Auditor General of Pakistan had not pointed out this short assessment, in view of prevalent system of internal controls in FBR, this lapse would have continued further aggravating the loss of revenue to the national exchequer. The Department needs to review its system critically. Furthermore, it is also important to highlight that M/s OGDCL makes supplies to a number of other agencies. The Department needs to ensure that Sales Tax assessed and declared in such other cases is correct as per law.

The PAO informed that the LTU contended that Audit observation was received in RTO, Islamabad in January, 2009. However, due to change in jurisdiction the case was transferred to LTU, Islamabad in May 2009 and show cause notice was issued on 29-06-2009. The amount involved for the period 1999 to 2004 i.e. Rs. 1262 million was already time barred under the Sales Tax Law. The adjudicating authority lawfully vacated the said amount and issue of fixing responsibility does not arise. Amount of Rs. 1769.679 million was adjudged besides penalty of Rs. 88.484 million and default surcharge Rs. 427.483 million. However, matter is in appeal.

PAC DIRECTIVE

The Committee observed that in this case also the PAC directive has not been taken seriously and FBR is non vigilant and acts only when pointed out by Audit. It was also noted that record was not produced to Audit on demand and lapses cannot be justified. The FBR was directed to consult M/o Law and Justice regarding time barred amounts, recoveries made should be verified by Audit and systemic solutions may be prescribed. A report in the matter may be submitted to PAC Secretariat and Audit **within on month.**

4. **PARA 3.6 (a)(i) (PAGE 58-AR)**
IRREGULAR SANCTION OF REFUND ON TIME BARRED CLAIM – RS. 33.809 MILLION.

Audit pointed out that the PAC in its meeting held on 20th October, 2010 directed that the decisions taken by the PAC, in its meeting held in August, 2010 may be implemented within two months. No further progress has been reported by the Department so far.

The PAO explained that the Department has not submitted working paper in cases involving Rs. 25.801 million either to Audit or FBR. They have attributed reason for non-submission of working paper to the present reform system, whereby there is integration of domestic taxes and records are being shifted to IP Division for sector-wise segregation and data entry. In cases of Rs. 5.532 million the Department replied that due to manual filling of claims, late submission was pointed out and there might be extensions granted by the competent authority and in cases involving of Rs. 2.476 million, the refund claim

was not time barred as no time limit for filing of refund claim was required before issuance of SRO 555(I)/2006 dated 05.06.2006.

PAC DIRECTIVE

In this case also it was noted that the deadline given by the PAC was not met. The representative of FBR informed that the Board has condoned the delay in time barred cases for Rs. 5.532 million. It was directed that this may be verified by Audit by 22nd January, 2011. The Audit should examine whether the condonation was applicable and on what condition it was allowed. The case was remanded back to the DAC.

5. **PARA 3.7 (b) (PAGE 63-AR)**
NON-IMPOSITION OF PENALTY – RS 29.557 MILLION.

Audit pointed out that the para was discussed earlier by PAC in its meeting held on 19th 20th October, 2010 which gave the following directives:-

> "The PAC settled the para subject to reconciliation with Audit. Also directed the PAO to constitute a Task Force in this regard and report within a period of two months".

The PAO explained in PAC meeting held on 19th 20th October, 2010 that the recovery notice has been issued to the registered person.

PAC DIRECTIVE

The PAC had directed constitution of a Task Force and report within two months, which has not been complied with. The Committee, on request of FBR, gave two weeks to comply with the previous directive, report on the Task Force on systemic issues and reconciliation of Audit.

6. **PARA 3.13 (PAGE 72-AR)**
REFUND OF SALES TAX AGAINST UN-AUTHENTIC BANK CREDIT ADVISCE – RS. 7.074 MILLION.

Audit pointed out that the PAC in its meeting held on 20th October, 2010 directed that the decisions taken by the DAC, in its meeting held in August, 2010, may be implemented

and amount of Rs. 7.074 million in which BCA was not issued under Foreign Exchange Manual 2002 be recovered. No further progress has been reported by the Department so far.

The PAO replied that the RTO contested the issue and informed that the Bank Credit Advices are furnished by the claimants, duly signed by the issuing bank as a token of proof of remittance received against exports. As such, no provision of Foreign Exchange Manual 2002 is applicable in the instant case.

PAC DIRECTIVE

The PAC in its meeting on 20th October, 2010, had directed that the DAC decisions (August, 2010) may be implemented and amount of Rs. 7.074 million, in which Bank Credit Advice was not issued under Foreign Exchange Manual, 2002 be recovered. The FBR denied knowledge of the decisions of the DAC and the PAC which was condemned by the Committee. However, the FBR was directed to hold a DAC within one week and report compliance in two weeks time to the PAC Secretariat.

7. **PARA 6.1(a) & (b) (PAGE 133 & 134-AR)**
NON-RECOVERY OF ADJUDGED GOVERNMENT DUES – RS. 9,469.833 MILLION.

Audit pointed out that the para was discussed earlier in PAC meetings held on 20th October, 2010 and 07-12-2010 and directed as follow:-

20-10-2010

The para was settled to the extent verified by Audit. It was directed that the DAC decision be implemented and efforts be made for early adjudication to effect recoveries. **Report in 2 months.**

07-12-2010

The Chairman, FBR was directed to focus on affecting maximum recoveries, reconciliation and verification with Audit and holding the DAC to settle the para. Under section 202 of the Customs Act, 1969, read with Customs Rules, 2001 and section 48 of the Sales Tax Act, 1990 read with Sales Tax Recovery Rules, 2006, Customs Duty and Sales Tax due from a person can be recovered by Customs and Sales Tax Officers in accordance with the procedures laid down therein.

The PAO explained the latest position as follows:-

i)	Amount recovered, regularized, vacated & verified by Audit.	Rs. 2,735.488 million
ii)	Amount recovered, regularized, vacated by Audit.	Rs. 1,868.394 million but not verified
iii)	Amount yet to be recovered.	Rs. 1,840.943 million
iv)	Amount pending for adjudication	Rs. 393.490 million
v)	Amount subjudice in courts of law	Rs. 1,861.682 million

PAC DIRECTIVE

The PAC directive dated 20-10-2010 for report in two months time was not complied with. The representative of FBR stated that some recoveries have been made in this case. The Committee directed that FBR should get these recoveries verified from Audit and report position of PAC and Audit.

8. **PARA 6.5 (PAGE 139 -AR)**
NON-REALIZATION OF SALES TAX DUE TO NON-REGISTRATION OF PERSONS LIABLE TO BE REGISTERED – RS. 340.509 MILLION.

Audit pointed out that the PAC, in its meeting held on 20th October, 2010, directed that the Chairman, FBR may conduct an inquiry in the incident and submit a report in **2 months.**

The PAO stated the RTO informed that adjudication proceedings are still in progress. The DAC showed its serious concern for delay in finalizing the adjudication proceedings and directed the RTO to expedite the same under law and inform progress to Audit and FBR by 06.09.2010.

PAC DIRECTIVE

In this para also report on inquiry to be conducted into the incident was required to be submitted in two months time but not received from FBR. A compliance report on PAC directives dated 17th January, 2011 which was received in the PAC Secretariat on the day of the meeting (19th January, 2011) was remanded to the DAC for examination and settlement of issues.

9. **PARA 6.9 (PAGE 142-AR)**
NON PRODUCTION OF RECORD TO AUDIT.

Audit pointed out that the Para was discussed earlier on 19th and 20th October, 2010 in the PAC meeting and it was directed that report in the matter may be sent to the PAC Secretariat and copy endorsed to MNA/Member (PAC). Compliance of PAC directives has not been apprised to Audit by the department.

The PAO replied that the record of 5 cases have been produced to audit while remaining record (480 cases) will be produced shortly. As for as, record of refund (317 cases/files) is concerned, the RTO has not submitted working paper either to Audit or FBR. They have attributed the reason for non-submission of working paper to the present reform system, whereby there is integration of domestic taxes and records are being shifted to IP Division for sector-wise segregation and data entry.

PAC DIRECTIVE

This matter has been referred to the M/o Law and Justice by the FBR, Auditor-General's Office and also the PAC Secretariat a number of times but reply is not forth coming. The Committee decided that the Chairman, PAC may talk to the Minister for law and Justice on this issue.

10. **SPECIAL STUDY REPORTS**

i) **PAKISTAN CUSTOMS COMPUTERIZED SYSTEM (PaCCS)**

ii) **DUTY AND TAX REMISSION FOR EXPORTS (DTRE)**

PAC DIRECTIVE

These studies were kept pending since the Chairman, FBR was attending the Supreme Court and was unable to attend the PAC meeting.

ii). **ALTERNATE DISPUTE RESOLUTION COMMITTEE (ADRC)**

PAC DIRECTIVE

This matter was remanded back to the DAC for threadbare examination by Audit and FBR on the efficacy of the ADRC. Regulatory issues need not be touched. The DAC may be held in **next month** and report sent to PAC.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (DIRECT TAXES) FOR THE YEAR 2008-09

11. **PARA 2.8 (PAGE 17-AR)**
LOSS OF REVENUE DUE TO NON TAXATION OF INCOME FROM OTHER SOURCE – RS. 565.169 MILLION.

Audit pointed out that the para was examined by PAC in its meetings held on 19-10-2010 and 07-12-2010, which directed as below:-

19-10-2010

The Committee settled the para to the extent of Rs. 230,335,222, where recoveries and Departmental stance accepted by audit. The PAC directives for compliance in the remaining cases of Rs. 334,834,121 within 2 months and report sent to the PAC Secretariat.

07-12-2010

i) The Committee settled the para to the extent of Rs. 918,295 where Departmental stance was accepted by Audit.
ii) The PAC directed the PAO to implement the DAC's recommendations for compliance in the remaining cases of Rs. 333, 915, 826.

Since the last PAC meeting, no action has been taken by the Department.

The PAO explained the latest position as below:-

		Rs.
i.	Subjudice	226,740,143
ii.	Amount admitted, charged but not recovered	107,061,914
iii.	Amount admitted, charged, recovered but proof of recovery awaited	113,769
	Total	**333,915,826**

PAC DIRECTIVE

The FBR was asked to vigorously pursue the subjudice cases, affect recoveries where amount has been charged expeditiously and get the recoveries verified where proof is awaited.

12. **PARA 2.13 (PAGE 22-AR)**
SHORT LEVY OF TAX DUE TO INCORRECT COMPUTATION OF TAX – RS. 2,260.383 MILLION.

Audit pointed out that the para was examined by PAC in its meetings held on 19-10-2010 and 07-12-2010 which directed as below:-

19-10-2010

The Committee settled the para to the extent of Rs. 1,021,594,590 where recoveries and Departmental stance was accepted by Audit. The PAC directives for compliance in the remaining cases of Rs. 2,205,442,972 within 2 months and report sent to the PAC Secretariat.

07-12-2010

i) The Committee settled the para to the extent of Rs. 1,021,594,590 where Departmental contention were verified by Audit.

ii) The PAC directed the PAO to implement the DAC's recommendations for compliance in the remaining cases of Rs. 1,183,848,382.

The latest position in the light of reply of PAO is given below:-

		Rs.
i.	Subjudice	402,788,014
ii.	Amount admitted, charged but not recovered	198,425,837
	Sub-Total	**601,213,851**

iii.	Amount admitted, charged, recovered and verified	569,432,964
vi.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	13,201,567
	Sub-Total	**582,634,531**
	Grand-Total	**1,183,848,382**

PAC DIRECTIVE

The PAC directed that recommendation of the DAC held in December, 2010 may be implemented and settled the para to the extent of amount where recoveries have been verified or departmental stance accepted on basis of additional evidence provided, during verification process.

13. **PARA 4.4 (PAGE 37-AR)**
NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF ASSESSED TAX OR PENALTY RS. 131.452 MILLION

Audit pointed out that the para was examined by PAC in its meeting held on 19-10-2010 and was directed as below:-

i) The Committee settled the para to the extent of Rs. 50,060,445 where recoveries and Departmental stance was accepted by audit.

ii) The PAC directed the PAO to identify the officers responsible for not levying the additional tax for default of payment of Advance Tax resulting in the loss, and report to the PAC Secretariat within three days in the remaining cases of Rs. 81, 391, 924.

The latest position in the light of reply of PAO is given below:-

Rs.

i.	Action initiated but not yet finalized	4,767,895
ii.	Record not produced for verification	2,131,629
iii.	Subjudice	1, 267,210
iv.	Amount admitted, charged but not Recovered	73,179,678
	Sub-Total	**81, 346,412**

v.	Amount admitted, charged and recovered and verified	33,762
vi.	Departmental stance accepted on the basis of additional evidence/demand deleted in appeal	11,750
	Sub-Total	**45,512**
	Grand-Total	**81,391,924**

PAC DIRECTIVE

It was observed that PAC directives dated 19-10-2010 were not followed by the FBR and report was not submitted **within three days** in the remaining cases. However, on the request of the FBR three days were given for submission of a report on the recoveries made, if not secured by Court.

14. **PARA 9.3.1 (PAGE 45-AR)**
SHORT RECOVERY OF TAX ON PROFIT ON DEBT (SECTION 151) – RS. 13,696 MILLION

Audit pointed out that the para was examined earlier in PAC meeting on 19-10-2010 and it was directed for compliance in the case of Rs. 13, 696 million for discussion in the DAC.

The PAO reported that the matter was under process.

PAC DIRECTIVE

The Committee directed that System Audit of major Banks may be reported to the PAC Secretariat **within one month** and all recoveries may be got verified by Audit.

15. **PARA 9.3.2 (PAGE 67-AR)**
SHORT RECOVERY OF TAX ON DIVIDEND (SECTION 150) – RS. 9,128 MILLION

Audit pointed out that Audit examined 232 listed public companies who paid cash dividend of Rs. 145,506 million during 2007-08. Withholding tax @ 10 per cent on dividend comes to Rs. 14,550 million instead of Rs. 5,422 million as reported by the FBR. This reflected that the collection was on the lower side. This difference would be much greater if all the Resident Companies are examined.

The PAO reported that the matter was under process.

PAC DIRECTIVE

The PAC directed that recommendations of the DAC held in January, 2011 may be implemented and report submitted to Audit in each case. FBR was directed to submit, separately, Withholding Tax receipts payable by Government and private listed and unlisted sectors.

16. **PARA 9.3.3 (PAGE 67-AR)**
SHORT RECOVERY OF TAX ON SUPPLY OF RAW COTTON (SECTION 153(1)(a)) – RS. 1,282 MILLION

Audit pointed out that the above paras 9.3.1, 9.3.2, 9.3.3 relating to Performance Audit of Withholding Tax were clubbed together with the direction that more interaction between the FBR and the concerned Director General Audit and Accounts is required to settle the issues at DAC meetings. Report may be submitted to the PAC Secretariat **within 2 months.**

The PAO reported that the matter was under process.

PAC DIRECTIVE

The PAC directed FBR to implement the directive of the DAC taken in its meeting held in January, 2011, issue directive to respective RTOs of Textile Sector in compliance with the decisions and report to Public Accounts Committee Secretariat.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (INDIRECT TAXES) FOR THE YEAR 2008-09

17. i) **PARA 1.1 (a) (PAGE 1-AR)**
NON-SHORT-PAYMENT OF SALES TAX – RS. 7,511.148 MILLION

PARA 1.1(b) (PAGE 2-AR)
NON-SHORT-PAYMENT OF SALES TAX – RS. 8,786,438 MILLION

PARA 1.2(b) (PAGE 4-AR)
NON IMPOSITION OF PENALTY ON NON/SHORT/LATE FILERS OF SALES TAX RETURNS – RS. 168.375 MILLION

PARA 1.3 (PAGE 5-AR)
UNDER VALUATIONOF IMPORTED GOODS

PARA 1.4 (PAGE 6-AR)
NON PRODUCTION OF RECORD

PARA 2.2(a)(i) (PAGE 9-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 1,154.124 MILLION

PARA 2.2(a)(iii) (PAGE 10-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 6.051 MILLION

PARA 2.2(a)(iv) (PAGE 11-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 0,336 MILLION

PARA 2.2(b)(i) (PAGE 12-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 406.650 MILLION

PARA 2.2(b)(ii) (PAGE 13-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 237.490 MILLION

PARA 2.2(b)(iii) (PAGE 13 & 14-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 13.828 MILLION

PARA 2.2(c)(i) (PAGE 14 & 15-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 79.257 MILLION

PARA 2.2(c)(iii) (PAGE 15 & 16-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 0.775 MILLION

PARA 2.2(d) (PAGE 16 & 17-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 37.135 MILLION

PARA 2.2(e)(i) (PAGE 17 & 18-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 35.440 MILLION

PARA 2.2(e)(ii) (PAGE 18-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 1.324 MILLION

PARA 2.2(e)(iii) (PAGE 19-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 0.308 MILLION

PARA 2.2(f)(i) (PAGE 20-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 7.011 MILLION

PARA 2.2(f)(ii) (PAGE 20-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 6.839 MILLION

PARA 2.2(g) (PAGE 21-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 8.876 MILLION

PARA 2.2(h) (PAGE 22-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 5.395 MILLION

PARA 2.2(i) (PAGE 22 & 23-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 4.105 MILLION

PARA 2.2(j) (PAGE 23 & 24-AR)
SHORT-PAYMENT OF SLAES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS. 1.850 MILLION

PARA 2.3 (PAGE 24-AR)
SHORT-REALIZATION OF SALES TAX – RS. 186.646

PARA 2.4 (PAGE 25-AR)
IRREGULAR ADJUSTMENT OF INPUT TAX AGAINST PAYMENTS MADE IN VIOLATION OF SECTION 73 – RS. 167.741 MILLION.

PARA 2.5 (PAGE 26-AR)
CONCEALMENT OF GOVERNMENT DUES – RS. 155.015 MILLION.

PARA 2.6 (a)(ii) (PAGE 27-AR)
NON PAYMENT OF SALES TAX DUE TO UN AUTHENTIC ZERO RATING OF TAXABLE SUPPLIES – RS. 2.657 MILLION.

PARA 2.6 (b) (PAGE 28-AR)
NON PAYMENT OF SALES TAX DUE TO UN AUTHENTIC ZERO RATING OF TAXABLE SUPPLIES – RS. 64.440 MILLION.

PARA 2.7 (a) (PAGE 29-AR)
NON/SHORT PAYMENT OF SALES TAX – RS. 105.252 MILLION.

PARA 2.7 (B) (PAGE 30-AR)
NON/SHORT PAYMENT OF SALES TAX – RS. 11.083 MILLION.

PARA 2.7 (c) (PAGE 31-AR)
NON/SHORT PAYMENT OF SALES TAX – RS. 3.645 MILLION.

PARA 2.7 (d) (PAGE 31 & 32-AR)
NON/SHORT PAYMENT OF SALES TAX – RS. 1.873 MILLION.

PARA 2.8 (PAGE 32-AR)
NON/SHORT PAYMENT OF SALES TAX – RS. 53.069 MILLION.

PARA 2.10 (PAGE 34-AR)
INADMISSIBLE ADJUSTMENT OF INPUT TAX – RS. 10.459 MILLION.

PARA 2.11(a) (PAGE 35-AR)
NON-PAYMENT OF SLAES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED – RS. 7.863 MILLION.

PARA 2.11 (b)(i) (PAGE 36-AR)
NON-PAYMENT OF SLAES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED – RS. 0.269 MILLION.

PARA 2.11 (b)(ii) (PAGE 36-AR)
NON-PAYMENT OF SLAES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED – RS. 0.223 MILLION.

PARA 2.12 (a) (PAGE 37 & 38-AR)
SHORT-PAYMENT OF SALES TAX DUE TO CONCEALMENT OF SALES – RS. 3.837 MILLION.

PARA 2.14 (PAGE 40-AR)
UN-AUTHENTIC EXEMPTION OF SALES TAX – RS. 2.203 MILLION.

PARA 2.15 (PAGE 41-AR)
NON-PAYMENT OF PENALTY ON ACCOUNT OF VIOLATION OF ENACTED PROVISION OF LAW – RS. 2.135 MILLION.

PARA 2.16 (PAGE 41-AR)
NON RECOVERY OF SALES TAX – RS. 1.959 MILLION.

PARA 2.18 (PAGE 43-AR)
NON-RECOVERY OF REVENUE DUE TO NON-CALCULATION OF TAX LIABILITY

PARA 3.1 (b) (PAGE 46-AR)
NON-CONDUCT OF POST REFUND AUDIT – RS. 240.386 MILLION.

PARA 3.2 (a) (PAGE 47-AR)
SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 759.825 MILLION.

PARA 3.2 (b)(i), 3.5(c) (PAGE 49-AR)
UN AUTHENTIC SANCTION OF REFUND – RS. 129.297 MILLION.

PARA 3.2 (b)(ii) (PAGE 49-AR)
SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 3.162 MILLION.

PARA 3.2 (c) (PAGE 49/50-AR)
SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 24.372 MILLION.

PARA 3.2 (d) (PAGE 50-AR)
SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 0.178 MILLION.

PARA 3.3 (b) (PAGE 49-AR)
SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 62.517 MILLION.

PARA 3.5 (a) (PAGE 54-AR)
SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 93.709 MILLION.

PARA 3.5 (b) (PAGE 55-AR)
SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 16.280 MILLION.

PARA 3.5 (d) (PAGE 57-AR)
SANCTION OF REFUND WITHOUT SUPPORTIVE DOCUMENTS – RS. 0.481 MILLION.

PARA 3.6 (a)(ii) (PAGE 59 & 60-AR)
IRREGULAR SANCTION OF REFUND ON TIME BARRED CLAIMS – RS. 26.067 MILLION.

PARA 3.6 (b)(ii) (PAGE 61-AR)
IRREGULAR SANCTION OF REFUND ON TIME BARRED CLAIMS – RS. 12.747 MILLION.

PARA 3.7 (a) (PAGE 62-AR)
NON-IMPOSITION OF PENALTY – RS. 34.553 MILLION.

PARA 3.7 (c) (PAGE 61-AR)
NON-IMPOSITION OF PENALTY – RS 0.499 MILLION.

PARA 3.8 (a) & (b) (PAGE 66-AR)
INADMISSIBLE REFUND OF SALES TAX ON GOODS NOT USED FOR TAXABLE SUPPLIES – RS. 55.953 MILLION.

PARA 3.9 (a) (i) (PAGE 66-AR)
INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 10.560 MILLION.

PARA 3.9 (b) (PAGE 67-AR)
INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 4.326 MILLION.

PARA 3.9 (c) (PAGE 68-AR)
INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 2.441 MILLION.

PARA 3.9 (d) (PAGE 68 & 69-AR)
INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 1.687 MILLION.

PARA 3.9 (e) (PAGE 69-AR)
INADMISSIBLE REFUND OF INPUT TAX AGAINST UN-PAID OUTPUT TAX – RS. 0.560 MILLION.

PARA 3.10 (PAGE 70-AR)
EXCESS REFUND OF SALES TAX ON UN-CONSUMED RAW MATERIAL IN ZERO RATED SUPPLIES – RS. 13. 916 MILLION.

PARA 3.11 (PAGE 71-AR)
INADMISSIBLE REFUND OF INPUT TAX ON GOODS NOT EXPORTED – RS. 12.289 MILLION.

PARA 3.12 (PAGE 72-AR)
EXCESS SANCTION / PAYMENT OF SALES TAX – RS 8.551 MILLION.

PARA 3.14 (PAGE 73 & 74-AR)
NON-REALIZATION OF REVENUE DUE TO NON-CONDUCTION OF INVESTIGATIVE AUDIT – RS. 5.351 MILLION.

PARA 3.15 (PAGE 74-AR)
NON RECOVERY OF GOVERNMENT DUES – RS. 4.618 MILLION.

PARA 3.16 (PAGE 75-AR)
IRREGULAR PAYMENT OF REFUND – RS. 2.850 MILLION.

PARA 3.17 (PAGE 76-AR)
EXCESS REFUND OF SALES TAX DUE TO NON-APPORTIONMENT OF INPUT TAX – 2.450 MILLION.

PARA 3.18 (PAGE 76 & 77-AR)
EXCESS PAYMENT OF REFUND OF FEDERAL EXCISE DUTY – RS. 1.635 MILLION.

PARA 3.19 (a) (PAGE 77 & 78-AR)
INADMISSIBLE SANCTION OF SALES TAX REFUND – RS. 0.674 MILLION.

PARA 3.19 (b) (PAGE 78-AR)
INADMISSIBLE SANCTION OF SALES TAX REFUND – RS. 0.569 MILLION

PARA 3.20 (a) (PAGE 79-AR)
EXCESS REFUND OF SALES TAX-RS.0.740 MILLION

PARA 3.20 (b) (PAGE 80-AR)
EXCESS REFUND OF SALES TAX –RS.0.486 MILLION

PARA 3.21 (a) (PAGE 80-AR)
INADMISSIBLE REFUND ON DOUBTFUL INVOICES – RS. 0.947 MILLION

PARA 4.1 (a) (PAGE 82-AR)
NON-REALIZATION OF REVENUE DUE TO NON-ENFORCEMENT/ENCASHMENT OF INDEMNITY BONDS/BANK GUARANTEES/POST DATED CHEQUES – RS. 635,428 MILLION AND US$ 989.116.

PARA 4.1 (b) (PAGE 83-AR)
NON-REALIZATION OF REVENUE DUE TO NON-ENFORCEMENT/ENCASHMENT OF INDEMNITY BONDS/BANK GUARANTEES/POST DATED CHEQUES – RS. 7,484

PARA 4.2 (c) (PAGE 85-AR)
NON REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION – RS. 2.367 MILLION

PARA 4.2 (d) (PAGE -AR)
NON REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION – RS. 0.534 MILLION

PARA 4.3 (b), (c) (PAGE 85-AR)
SHORT-REALIZATION OF REVENUE DUE TO UNDER-VALUATION OF GOODS – RS. 34.643 MILLION

PARA 4.3 (d) (PAGE 92 & 93-AR)
NON REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION – RS. 2.499 MILLION

PARA 4.3 (f) (PAGE -AR)
SHORT-REALIZATION OF REVENUE DUE TO UNDER-VALUATION OF GOODS – RS. 0.429 MILLION

PARA 4.4 (PAGE 96-AR)
NON-REALIZATION OF REVENUE DUE TO NON-LEVY OF REGULATORY DUTY ON EXPORT – RS. 69.298 MILLION

PARA 4.5 (a) (PAGE 97-AR)
SHORT-REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 32.880 MILLION

PARA 4.5 (b) (PAGE 97-AR)
SHORT-REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 14.097 MILLION

PARA 4.5 (c) (PAGE 98-AR)
NON REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 8.541 MILLION

PARA 4.5 (d) (PAGE 99-AR)
SHORT-REALIZATION OF REVENUE DUE TO MISCLASSIFICATION OF GOODS – RS. 3.753 MILLION

PARA 4.6 (PAGE 100-AR)
NON-REALIZATION OF 2% WITHHOLDING TAX ON PESTICIDES AND WEDICIDES – RS. 25.583 MILLION

PARA 4.7(a((PAGE 101-AR)
LOSS OF THE REVENUE DUE TO NON-FINALIZATION OF PROVISIONAL ASSESSMENT – RS. 21.372 MILLION

PARA 4.7 (c) (PAGE 102-AR)
LOSS OF THE REVENUE DUE TO NON-FINALIZATION OF PROVISIONAL ASSESSMENT – RS. 1.482 MILLION

PARA 4.8 (a)(i) & (b) (PAGE 103,105-AR)
LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 15.363 MILLION

PARA 4.8 (a)(ii) (PAGE 104-AR)
LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 1.081 MILLION

PARA 4.8 (c) (PAGE 105-AR)
LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 3.354 MILLION

PARA 4.8 (d) (PAGE 106-AR)
LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 1.703 MILLION

PARA 4.8 (e) (PAGE 107-108-AR)
LOSS OF REVENUE DUE TO APPLICATION OF INADMISSIBLE CONCESSIONARY RATES – RS. 0.910 MILLION

PARA 4.9 (PAGE 108-109-AR)
NON-REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE BENEFIT OF DTRE SCHEME – RS. 12.289 MILLION

PARA 4.10 (PAGE 109-AR)
NON RECOVERY OF DIFFERENTIAL CUSTOMS DUES IN PROVISIONALLY ASSESSED CASES – RS. 7.481 MILLION

PARA 4.11 (PAGE 110-AR)
SHORT-REALIZATION DUE TO NON-LEVY OF SALES TAX – RS. 5.831 MILLION

PARA 4.12 (PAGE 110-111-AR)
NON-LEVY OF ADDITIONAL CUSTOMS DUTY – RS. 5.521 MILLION

PARA 4.13 (a) (PAGE 111-AR)
SHORT – REALIZATION OF REVENUE DUE TO APPLICATION OF INCORRECT RATE OF EXCHANGE – RS. 4.328 MILLION

PARA 4.13 (b) (PAGE 112-113-AR)
SHORT – REALIZATION OF REVENUE DUE TO APPLICATION OF INCORRECT RATE OF EXCHANGE – RS. 0.186 MILLION

PARA 4.14 (PAGE 113-AR)
NON-REALIZATION OF SALES TAX AND ADDITIONAL SALES TAX – RS. 4.306 MILLION

PARA 4.15 (PAGE 113 & 114-AR)
NON EXPORT OF TRANSIT CONTAINERS –RS. 4.200 MILLION

PARA 4.16 (a) (PAGE 115-AR)
NON-REALIZATION OF 2% ADDITIONAL SALES TAX – RS. 3.391 MILLION

PARA 4.16 (b) (PAGE 115-116-AR)
NON-REALIZATION OF 2% ADDITIONAL SALES TAX – RS. 0.371 MILLION

PARA 4.16 (c) (PAGE 116-AR)
NON-REALIZATION OF 2% ADDITIONAL SALES TAX – RS. 0.095 MILLION

PARA 4.17 (a) & (b) (PAGE 116-118 -AR)
SHORT-REALIZATION OF REVENUE DUE TO MISCALCULATION – RS. 2.919 MILLION

PARA 4.17 (c) (PAGE 118-AR)
SHORT-REALIZATION OF REVENUE DUE TO MISCALCULATION – RS. 0.416 MILLION

PARA 4.18 (PAGE 119-AR)
IRREGULAR RELEASE OF AIR CRAFT ENGINE AGAINST INDEMNITY BOND – RS. 3.250 MILLION

PARA 4.19 (PAGE 119-AR)
NON REALIZATION OF 1% PENAL SURCHARGE – RS. 2.393 MILLION

PARA 4.20 (PAGE 120-121-AR)
NON-IMPOSITION OF REDEMPTION FINE ON MIS-DECLARATION OF IMPORTED GOODS – RS. 2.355 MILLION

PARA 4.21(a) (PAGE 121-AR)
SHORT – REALIZATION OF REVENUE DUE TO APPLICATION OF INCORRECT RATE OF DUTY AND TAX – RS. 1.040 MILLION.

PARA 4.21 (b) (PAGE 122-AR)
SHORT – REALIZATION OF REVENUE DUE TO APPLICATION OF INCORRECT RATE OF DUTY AND TAX – RS. 1.002 MILLION

PARA 4.22 (PAGE 123-AR)
UN-LAWFUL RETENTION OF 20% WELFARE FUND ON SALE OF CONFISCATED GOODS – RS. 1.030 MILLION

PARA 5.1 (PAGE 125-AR)
SHORT-PAYMENT OF REVENUE DUE TO INADMISSIBLE ADJUSTMENTS – RS. 0.865 MILLION

PARA 5.2 (a) (PAGE 126-AR)
NON/SHORT PAYMENT OF SPECIAL EXCISE DUTY – RS. 128.298 MILLION.

PARA 5.3 (a) (PAGE 127-AR)
NON PAYMENT OF SPECIAL EXCISE DUTY – RS. 13.641 MILLION

PARA 5.3 (b) (PAGE 128-AR)
NON PAYMENT OF SPECIAL EXCISE DUTY – RS. 9.356 MILLION

PARA 5.4 (PAGE 128 & 129-AR)
SHORT PAYMENT OF FEDERAL EXCISE DUTY TO INCORRECT FIXATION OF RETAIL PRICE RS. 11.667 MILLION.

PARA 5.5 (PAGE 129-AR)
NON REALIZATION OF REVENUE DUE TO IRREGULAR EXEMPTION – RS. 5.293 MILLION.

PARA 5.6 (PAGE 130-AR)
INADMISSIBLE ADJUSTMENTS OF FEDERAL EXCISE DUTY, PAID ON SERVICE TELEPHONE CONNECTION – RS. 4.376 MILLION.

PARA 5.7(a) (PAGE 131-AR)
NON REALIZATION OF PENALT AND DEFAULT SURCHARGE – RS. 1.062 MILLION.

PARA 5.7(b) (PAGE 131 & 132-AR)
NON REALIZATION OF PENALT AND DEFAULT SURCHARGE – RS. 0.374 MILLION.

PARA 6.2(PAGE 134-AR)
BLOCKAGE OF REVENUE DUE TO NON-ADJUDICATION OF CASES WITHIN PRESCRIBED PERIOD – RS. 3, 633.502 MILLION.

PARA 6.3 (PAGE 135-AR)
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED – RS. 2,886.291 MILLION.

PARA 6.4(a) (PAGE 137&138-AR)
BLOCKAGE OF REVENUE DUE TO NON DISPOSAL/CLEARANCE OF GOODS/VEHICLES – RS. 167.507 MILLION.

PARA 6.4(b) (PAGE 137-AR)
BLOCKAGE OF REVENUE DUE TO NON-DISPOSAL/CLEARANCE OF GOODS/ VEHICLES – RS. 127.699 MILLION.

PARA 6.6 (PAGE 140-AR)
LOSS OF REVENUE DUE TO NON-ADJUSTMENT OF UNPAID DUES AT THE TIME OF SANCTIONING OF REFUND CLAIMS – RS. 32.572 MILLION.

PARA 6.7 (PAGE 141-AR)
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION – RS. 10.655 MILLION.

PARA 6.8 (PAGE 142-AR)
LATE REMITTANCE OF TAX COLLECTION BY NBP TO SBP – RS. 9.087 MILLION.

PARA 6.10 (PAGE 144 & 145-AR)
NON EXISTENCE OF REGISTERED PERSON

PARA 7.1 (PAGE 147-AR)
UN AUTHORIZED EXPENDITURE OVER AND ABOVE THE BUDGET GRANT – RS. 36.459 MILLION.

PARA 7.2 (PAGE 148 & 149-AR)
NON REPORTING OF LOSS PUBLIC PROPERTY – RS. 5.730 MILLION.

PARA 7.3 (PAGE 149-AR)
INADMISSIBLE PAYMENT OF INTEGRATED ALLOWANCE TO CATEGORIES OF EMPLOYEES NOT ENTITLED TO DRAW – RS. 4.394 MILLION.

PARA 7.4 (PAGE 150-AR)
NON DISPOSAL OF VEHICLES HAVING EXPECTED VALUE OF RS. 3.600 MILLION.

PARA 7.5 (PAGE 151-AR)
IN-FRUCTUOUS EXPENDITURE – RS. 3.180 MILLION.

PARA 7.7 (PAGE 152-AR)
IRREGULAR EXPENDITURE WITHOUT CALLING TENDER – RS. 1.995 MILLION.

PARA 7.8 (PAGE 153-154-AR)
IRREGULAR EXPENDITURE ON HONORARIA – RS. 1.664 MILLION.

PARA 7.9 (PAGE 154-155-AR)
NON/SHORT-DEDUCTION OF INCOME TAX – RS. 1.345 MILLION.

PARA 7.10 (PAGE 155-AR)
NON-DEDUCTION OF SALES TAX AT SOURCE – RS. 1.299 MILLION.

PARA 7.11(a) (PAGE 156-AR)
IRREGULAR EXPENDITURE ON CONSTRUCTION WORKS – RS. 1.210 MILLION.

PARA 7.11(b) (PAGE 156-157-AR)
IRREGULAR EXPENDITURE ON CONSTRUCTION WORKS – RS. 0.050 MILLION.

PARA 7.12 (PAGE 157-AR)
IRREGULAR EXPENDITURE ON POL AND MAINTENANCE OF CONDEMNED VEHICLES – RS. 1.112 MILLION.

PARA 7.13 (PAGE 158-AR)
NON-DEDUCTION OF INCOME TAX (AT SOURCE) ON PAYMENT OF RENT OF HIRED BUILDINGS – RS. 1.020 MILLION.

PARA 7.14 (PAGE 159-160-AR)
IRREGULAR EXPENDITURE ON INSTALLATION OF AIR CONDITIONERS IN THE OFFICES OF THE NON-ENTITLED OFFICERS – RS. 1.009 MILLION.

PARA 7.15(a) (PAGE 160-AR)
EXCESS PAYMENT OF DAILY ALLOWANCE – RS. 0.621 MILLION.

PARA 7.15(b) (PAGE 161-AR)
EXCESS PAYMENT OF DAILY ALLOWANCE – RS. 0.023 MILLION.

PARA 7.15(c) (PAGE 162-AR)
EXCESS PAYMENT OF DAILY ALLOWANCE – RS. 0.052 MILLION.

PARA 7.16 (PAGE 162-AR)
IRREGULAR EXPENDITURE OF UNFORESEEN CHARGES – RS. 0.595 MILLION.

PARA 7.17 (PAGE 163-AR)
LOSS OF PUBLIC MONEY DUE TO NON-VACATION OF HIRED BUILDING – RS. 0.593 MILLION.

PARA 7.18 (PAGE 164-AR)
EXCESS PAYMENT OF ELECTRICITY AND GAS CHARGES DUE TO NEGLIGENCE OF THE DEPARTMENT RS. 0.564 MILLION.

PARA 7.19 (PAGE 165-AR)
IRREGULAR PAYMENT OF TIME BARRED CLAIM OF SPECIAL ALLOWANCE – RS. 0.353 MILLION.

PARA 7.20(a) (PAGE 165-166-AR)
EXCESS PAYMENT OF SALARY AND ALLOWANCE – RS. 0.149 MILLION.

PARA 7.20(b) (PAGE 166-167-AR)
EXCESS PAYMENT OF SALARY AND ALLOWANCE – RS. 0.106 MILLION.

PARA 7.20(c) (PAGE 167-AR)
EXCESS PAYMENT OF SALARY AND ALLOWANCE – RS. 0.065 MILLION.

PARA 7.21 (PAGE 167-168-AR)
UN-AUTHORIZED PAYMENT OF RENTAL CEILING OVER AND ABOVE THE OWNER'S DEMAND – RS. 0.294 MILLION.

PARA 7.22 (PAGE 168-169-AR)
DOUBLE DRAWL OF PAY AND ALLOWANCES FRAUDULENTLY – RS. 0.197 MILLION.

PARA 7.23 (PAGE 169-170-AR)
UN-AUTHORIZED PAYMENT OF RENT OF HIRED RESIDENTIAL ACCOMMONDATION – RS. 0.130 MILLION.

PARA 7.24 (PAGE 170-AR)
INADMISSIBLE PAYMENT OF CONVEYANCE ALLOWANCE TO GOVERNMENT OFFICIALS DURING LEAVE – RS. 0.108 MILLION.

PARA 7.25 (PAGE 170-AR)
MISUSE OF PUBLIC MONEY ON FOREIGN TRAINING OF CONTRACTUAL EMPLOYEES – RS. 2.420 MILLION.

PARA 7.26 (PAGE 171-AR)
LOSS OF PUBLIC MONEY – RS. 6.300 MILLION.

PARA 7.27 (PAGE 173-AR)
COMPARISION OF LINE ITEMS WITH PC-I

PARA 7.28 (PAGE 173-AR)
UNDER/OVER-UTILIZATION OF FUNDS

PARA 7.29 (PAGE 174-AR)
EXCESS PAYMENT TO M/S S.A. BROTHERS- RS. 0.768 MILLION.

PARA 7.30 (PAGE 175-AR)
NON-RECOVERY FROM THE DEFAULTING CONTRACTOR – RS. 2.641 MILLION.

PARA 7.31 (PAGE 176-AR)
NON-RECOVERY OF LIQUIDATED DAMAGES – RS.1.477 MILLION.

PARA 7.32 (PAGE 177-AR)
EXECUTION OF EXCESS QUANTITIES OF WORK – RS. 0.300 MILLION.

PARA 7.33 (PAGE 178-AR)
EXECUTION OF SUB-STANDARD WORK VALUING – RS. 1.579 MILLION.

PARA 7.35 (PAGE 180-AR)
EXCESS PAYMENT OF HIRED ACCOMMODATIONS DUE TO NON-COMPLETION OF CIVIL WORKS WITHIN STIPULATED PERIOD – RS. 8.192 MILLION

PARA 7.36 (PAGE 181-AR)
PHYSICAL VERIFICATION OF STORES/STOCK ITEMS NOT CARRIED OUT

PARA 7.37 (PAGE 181-AR)
NON-EXISTENCE OF INTERNAL AUDIT

PARA 7.38 (PAGE 182-AR)
NON-PAYMENT OF SALES TAX – RS. 0.988 MILLION.

PARA 7.39 (PAGE 183-AR)
NON-UTILIZATION OF FUNDS DESPITE CLOSE OF THE PSCB PROJECT – RS. 4.412 MILLION.

PAC DIRECTIVE

PAC directed to implement DAC's directives and report progress on monthly basis to the PAC Secretariat as well as to Audit.

RECOMMENDED FOR SETTLEMENT

18. i) **PARA 3.6 (b)(i) (PAGE 60-AR)**
IRREGULAR SANCTION OF REFUND ON TIME BARRED CLAIMS – RS. 40.412 MILLION.

PARA 4.21(a) (PAGE 121-AR)
SHORT – REALIZATION OF REVENUE DUE TO APPLICATION OF INCORRECT RATE OF DUTY AND TAX – RS. 1.040 MILLION.

PARA 7.6 (PAGE 152-AR)
IRREGULAR/UNAUTHORIZED PAYMENT ON ACCOUNT OF BILLS PERTAINING TO STAR PROJECT – RS. 2,502 MILLION.

PARA 7.34 (PAGE 179-AR)
EXCESS EXPENDITURE DUE TO NON COMPLETION OF CONTRACT – RS. 9.388 MILLION.

PAC DIRECTIVE

On the presentation of above paras, the PAC settled the above paras.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL BOARD OF REVENUE (DIRECT TAXES) FOR THE YEAR 2008-09

19. i) **PARA 1.1(a) (PAGE 1-AR)**
NON LEVY OF PENALTY FORTLATE FILING OF RETURNS – RS. 10.294 MILLION.

PARA 1.1(b) (PAGE 3-AR)
IMPROPER FOLLOW UP OF NON FILERS – RS. 92.727 MILLION.

PARA 1.2(a) (PAGE 4-AR)
NON-LEVY OF WORKERS' WELFARE FUND – RS. 4.239 MILLION

PARA 1.2(b) (PAGE 4-AR)
SUPPRESSION OF SALES – LOSS OF RS. 1, 056.740 MILLION

PARA 2.1 (PAGE 9-AR)
SHORT LEVY OF TAX DUE TO INADMISSIBLE DEDUCTIONS – RS. 562.254 MILLION.

PARA 2.2 (PAGE 11-AR)
LOSS OF REVENUE DUE TO INCORRECT/EXCESSIVE ADJUSTMENT OF BROUGHT FORWARD LOSSES – RS. 986.464 MILLION.

PARA 2.3 (PAGE 13-AR)
SHORT LEVY OF TAX DUE TO INCORRECT COMPUTATION OF TAXABLE INCOME – RS. 1, 111.918 MILLION

PARA 2.4 (PAGE 13-AR)
NON LEVY OF MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS – RS. 76.407 MILLION.

PARA 2.5 (PAGE 14-AR)
SHORT LEVY OF TAX DUE TO GRANT OF INADMISSIBLE DEPRECIATION ALLOWANCE – RS. 881.236 MILLION.

PARA 2.6 (PAGE 16-AR)
SHORT LEVY OF INCOME TAX DUE TO NON TAXATION OF RECOUPED EXPENSES – RS. 461.492 MILLION

PARA 2.9 (PAGE 20-AR)
SHORT LEVY OF TAX DUE TO APPLICATION OF INCORRECT TAX RATES – RS. 42.485 MILLION

PARA 2.10 (PAGE 19-AR)
SHORT LEVY OF TAX DUE TO NON-ALLOCATION OF PROPORTIONATE EXPENSES – RS. 211.602 MILLION.

PARA 2.11 (PAGE 20-AR)
SHORT REALIZATION OF TAX DUE TO GRANT OF EXCESS TAX CREDIT – RS. 157.488 MILLION.

PARA 2.12 (PAGE 21-AR)
SHORT LEVY OF TAX DUE TO "SETTING OFF" OF CARRING FORWARD BUSINESS LOSSES AGAINST INCOME FROM OTHER SOURCE – RS. 100.736 MILLION.

PARA 2.14 (PAGE 23-AR)
SHORT RECOVERY OF TAX DUE TO INCORRECT INVOKING THE PROVISIONS OF SECTION 122 (5A) – RS. 52.464 MILLION.

PARA 3.1 (PAGE 27-AR)
LOSS OF REVENUE OF NON-TREATING THE TAX COLLECTED OR DEDUCTED AS FINAL TAX – RS. 17.217 MILLION.

PARA 3.2 (PAGE 28-AR)
SHORT DEDUCTION OF WITHHOLDING TAX DUE TO APPLICATION OF INCORRECT TAX RATE – RS. 56.389 MILLION.

PARA 3.3 (PAGE 30-AR)
FAILURE TO COLLECT / DEDUCT WITHHOLDING TAX BY THE WITHHOLDING AGENTS – RS. 210.369 MILLION.

PARA 4.1 (PAGE 34-AR)
NON-LEVY OF ADDITIONAL TAX FOR FAILURE T DEDUCT OR PAY TAX – RS. 7.121 MILLION.

PARA 4.2 (PAGE 35-AR)
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE TAX – RS. 662.406 MILLION.

PARA 4.3 (PAGE 36-AR)
NON IMPOSITIONOF PENALTY UNDER SECTION 184 – RS. 2.607 MILILON

PARA 4.5 (PAGE 38-AR)
NON IMPOSTION OF PENALTY UNDER SECTION 182 FOR FAILURE TO FURNISH A RETURN, ECT. – RS. 1.894 MILLION.

PARA 4.6 (PAGE 39-AR)
LOSS OF REVENUE DUE TO NON LEVY OF PENALTY UNDER SECTION 183 – RS. 59.870 MILLION.

PARA 5.1 (PAGE 44-AR)
EXCESS DETERMINATION OF REFUND – RS. 390.578 MILLION

PARA 5.2 (PAGE 45-AR)
IRREGULAR/FRAUDULENT REFUND – RS. 148.904 MILLION

PARA 6.1 (PAGE 48-AR)
ISSUANCE OF REFUND WITHOUT ADJUSTMENT OF ARREAR DEMAND – RS. 791.291 MILLION.

PARA 6.2 (PAGE 49-AR)
IRREGULAR WRITE-OFF OF ARREAR DEMAND OF – RS. 5, 185.591 MILLION.

PARA 6.6 (PAGE 52-AR)
NON PRODUCTION OF RECORD PERTAINING TO ARREAR DEMAND – RS. 7, 722.662 MILLION.

PARA 7.1 (PAGE 55-AR)
NON-REALIZATION OF WORKERS' WELFARE FUND – RS. 11.557 MILLION.

SUMMARY PERFORMANCE AUDIT OF WITHHOLDING TAX

PARA 9.3.4 (PAGE -AR)
SHORT RECOVERY OF WITHHOLDING TAX DUE TO INCORRECT APPLICATION OF LAW – RS. 1, 025 MILLION.

PARA 9.3.5 (PAGE -AR)
INCORRECT ISSUANCE OF REFUND OF WITHHOLDING TAX–RS. 4.868 MILLION.

PARA 9.3.6 (PAGE 78-AR)
LOSS OF REVENUE AMOUNTING TO RS. 3,978 MILLION DUE TO NON LEVY OF PENALTY U/S 182.

PARA 9.3.7 (PAGE 79-AR)
IMPROPER MONITORING AND COLLECTION OF WITHHOLDING TAX FROM CONTRACTS, SUPPLY OF GOODS AND SERVICES.

PAC DIRECTIVE

On the presentation of above paras, the PAC directed to implement the DAC's decisions. A list of above paras duly vetted by Audit are also enclosed.

FEDERAL TAX OMBUDSMAN SECRETARIAT

1. **OVERVIEW**

Appropriation Accounts 2007-08 pertaining to the Federal Tax Ombudsman Secretariat were taken up for examination by the Special Committee-I of Public Accounts Committee on **18th June, 2010.**

1.1 There was only 1 grant presented by the AGPR and the Special Committee after hearing the Principal Accounting Officer regularized the excess in the grant. The PAO was also instructed to ensure that surrenders should be made by 15th May, each year when accounts are officially closes.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs.Yasmeen Rehman, MNA on Federal Tax Ombudsman Secretariat held on 18th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **FEDERAL TAX OMBUDSMAN (CHARGED) (PAGE-867-AA)**
(Excess of Rs. 1,731,627- AGPR figure)
(Saving of Rs.228, 373-Deptt. figure)

AGPR pointed out that the grant closed with an excess of Rs.1,731,627 which works out 3.36% of the total grant. A supplementary grant of Rs.1,960,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that the excess occurred due to revision of House Rent Allowance of Hon'ble FTO being Judge of Supreme Court of Pakistan and revision of Judicial Allowance and to meet immediate obligatory payment of salaries to the staff of FTO Secretariat, Islamabad and its regional offices.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure at lack of proper homework and planning by the Department. The Committee however, recommended the grant for settlement with the direction to hold another DAC for resolving the issuing related to this grant.

FINANCE DIVISION

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil) and Public Sector Enterprises for the year 2008-09, pertaining to Finance Division were taken up for examination by the Public Accounts Committee (PAC) on **21st September, 2010, 18th January, 5th May and 25th June, 2011.**

1.1 The PAC having considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving non reporting of loss, issuance of default premium, excess commission, loss due to disbursement of loans, appointment of consultant/officers, inadmissible payment, non recovery stuck up of loans etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 51 paras and 18 Grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then discussed in the meetings of PAC. 19 paras/grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Division. The Committee gave direction on 24 paras and on 26 paras the committee directed the PAO to implement DAC recommendations. PAC directed recovery of sums amounting to **Rs ----------** out of which a sum of **Rs ----------** has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recover/implementation of the PAC directives and that these would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 21st September, 2010 pertaining to **Finance Division** on the Appropriation Accounts 2007-08 are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I -2007-08)

1. **GRANT NO.36-FINANCE DIVISION (PAGE 237-AA)**
(Saving of Rs 8,869,842)

The AGPR pointed out that the grant was closed with a saving of Rs.8, 869,842 which worked out to (1.66%) of the total grant. An amount of Rs.10,056,700 (1.88%) was surrendered resulting into an excess of Rs. 1,186,858 (0.22%). A supplementary grant of Rs. 19,760,000 was sanctioned but not included in Supplementary Schedule of authorized expenditure.

The PAO explained reasons of saving as under:-

i) The posts of officers/staff remained vacant due to ban on recruitment.
ii) Due to adoption of economy measures and curtailment of expenditure.

PAC DIRECTIVE

The PAC settled the grant with the direction that there should be zero saving/excess in future.

2. **GRANT NO.37-CONTROLLER GENERAL OF ACCOUNTS (PAGE 239-AA)**
(Excess of Rs. 166,657,717)

The AGPR pointed out that the grant was closed with an excess of Rs.166, 657,717 which worked out to (12.71%) of the total grant. A Supplementary Grant of Rs.110, 789,000 was sanctioned but not included in Supplementary Schedule of authorized expenditure.

The PAO explained excess was mainly due to revision of Pay Scales and up-gradation of posts of B-1, B-4, B-5, B-11, w.e.f 01-07-2007.

PAC DIRECTIVE

The PAC settled the grant with the direction that there should be good budgeting in future with zero saving/excess in future.

3. **GRANT NO.40-OTHER EXPENDITURE OF FINANCE DIVISION (PAGE 241-AA)**
(Saving of Rs 770,002,454)

The AGPR pointed out that the grant was closed with a saving of Rs. 770,002,454 which worked out to (9.91%) of the total grant. An amount of Rs.935,000,000 (12.04%) was surrendered resulting into an excess of Rs. 164,997,546(2.12%).

The PAO explained that the excess was due to the following reasons:-

i) Due to re-imbursement of TT Charges to Banks on Home Remittance.
ii) Due to exchange rate fluctuation on transactions.

PAC DIRECTIVE

The PAC settled the grant with the direction to be careful in future at the time of preparation of budget.

4. **GRANT NO.41-SUPERANNUATION ALLOWANCES AND PENSION (PAGE 243-AA) CHARGED**
(Excess of Rs.159, 398,004)

The AGPR pointed out that the grant was closed with an excess of Rs. 159,398,004 which worked out to (29.15%) of the total appropriation.

OTHER THAN CHARGED
(Excess of Rs 15,577,717,195)

The AGPR pointed out that the grant was closed with an excess of Rs. 15,577,717,195 which worked out to (32.78%) of the total grant.

The PAO explained that the excess in the grant under **"Charged"** and **"Other Than Charged"** was due to the following reasons:-

a) Govt. of Pakistan revised the pensionable emoluments of Judges of Superior Courts w.e.f. 01-07-2007 and 01-01-2007 for all Federal Govt. Servants.

b) The Basic Pay Scales were revised w.e.f. 01-07-2007 for all Federal Govt. Servants.

c) Grant of 15% and 20% increase in pension to old pensioner's w.e.f 01-07-2007.

d) Enhancement of Special Additional Pension to officers of BPS-20 and above from Rs. 2375/ to 3000/- P.M w.e.f. 01-10-2007.

e) Finance Division allowed counting of Personal Allowance/ Secretariat Allowance reckonable towards pension benefit for Govt Servants retired w.e.f. 01-07-1988 to 23-05-1996.

f) Benefit of basic increment allowed to all pensioners who retired before 01-06-1998.

PAC DIRECTIVE

The PAC settled the grant with the direction to the PAO to constitute a Committee consisting of four members together with the representative of Military and Civil Audit for improving budget system and report to the PAC Secretariat.

5. **GRANT NO.42-GRANTS-IN-AID AND MISCELLANEOUS ADJUSTMENTS BETWEEN THE FEDERAL AND PROVINCIAL GOVERNMENTS (PAGE 244-AA) (CHARGED)**
(Excess/Saving-Nil)

The Appropriation was fully utilized.

(OTHER THAN CHARGED)
(Excess of Rs 489,647,000)

The AGPR pointed out that the grant closed with a excess of Rs. 489,647,000 which worked out to (50.19%) of the total grant. An amount of Rs.10, 350,000 (1.06%) was surrendered increasing net excess to Rs. 499,997,000 (51.25%). A supplementary grant of Rs. 500,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The PAC settled the grant.

6. **GRANT NO.43-SUBSIDIES AND MISCELLANEOUS EXPENDITURE (PAGE 245-AA)**
(Excess of Rs 160,540,811,349)

The AGPR pointed out that the grant was closed with a excess of Rs. 160,540,811,349 which worked out to (53.86%) of the total grant. An amount of Rs.5,407,643,760 (1.81%) was surrendered resulting into an excess of Rs. 165,948,455,109(55.67%). A supplementary grant of Rs. 163,000,001,000 was sanctioned but not included in supplementary schedule of authorized expenditure. An expenditure of Rs. 15,856,020,809 pertained to Grant No. 142 wrongly booked under this grant and expenditure of Rs. 39,331,000 was not booked due to non reconciliation by the department. Moreover, surrender of Rs. 3,870,000,000 was not taken into account.

The PAO explained reasons of saving/excess as below:-

i) The excess was on account of belated adjustment of debits on accounts of service charges from previous year on receipt of the same from the Military Accountant General, Rawalpindi.

ii) Saving pertains to Lump Provision for pay ect/Lump Provision for other government departments which is kept under Finance Division's demands for the Ministries/ Departments whose NIS received late and these funds are ultimately

surrendered in favour of Ministries/ Organization. Saving occurred due to non-receipt of demand from Ministries/ Divisions.

PAC DIRECTIVE

The PAC settled the grant with the direction that there should be zero saving/excess in future.

7. **GRANT NO.125-FEDERAL MISCELLANEOUS INVESTMENTS (PAGE 248-AA)**
(Saving of Rs 9,033,956,063)

The AGPR pointed out that the grant was closed with a saving of Rs. 9,033,956,063 which worked out to (46.61%) of the total grant. An amount of Rs.8,870,629,051 (45.76%) was surrendered leaving net saving Rs. 163,327,012(0.84%).

The PAO explained the reasons of saving that a sanction letter No.2(49)IDB/92 dated 22nd May, 2008 for partial payment of 4th Installment of Enhancement of "2nd General Capital Increase of Islamic Development Bank" for Islamic Dinars 3,210,353/- equivalent to Rs. 359,809,000/- @ 1 Islamic Dinar = Rs. 112/-but State Bank of Pakistan remitted the amount of ID 3,210,353 (ID = Rs. 110.09) equivalent to Rs. 353,432,399/- as is evident from the expenditure booked by AGPR for the month of June, 2008.

PAC DIRECTIVE

The PAC settled the grant.

8. **GRANT NO.126-OTHER LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT (PAGE 249-AA)**
(Saving of Rs 3,612,055,109)

The AGPR pointed out that the grant was closed with a saving of Rs. 3,612,055,109 which worked out to (35.38%) of the total grant. An amount of Rs.3,491,555,384 (34.19%) was surrendered leaving net saving to Rs. 120,499,725(1.18%).

The PAO explained that the saving on the part of Accounts Offices was not reported on due date and thus lapsed.

PAC DIRECTIVE

The PAC settled the grant.

9. **GRANT NO.140-DEVELOPMENT EXPENDITURE OF FINANCE DIVISION (PAGE 250-AA)**
(Saving of Rs. 11,936,879,537)

The AGPR pointed out that the grant was closed with a saving of Rs. 11,936,879,537 which worked out to (39.06%) of the total grant. An amount of Rs.9,445,693,711 (30.90%) was surrendered leaving net saving to Rs. 2,491,185,826(8.15%). A supplementary grant of Rs. 5,950,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that reasons of saving was due to slow performance of Business Support Fund (BSF) which is a Company registered under Companies Act.

PAC DIRECTIVE

The Secretary Finance was directed to resolve the issue in consultation with Controller General of Accounts and the Auditor-General of Pakistan in one month's time and submit a progress report to the PAC Secretariat.

10. **GRANT NO.141-OTHER DEVELOPMENT EXPENDITURE (PAGE 253-AA)**
(Saving of Rs 24,388,181,915)

The AGPR pointed out that the grant was closed with a saving of Rs. 24,388,181,915 which worked out to (66.95%) of the total grant. An amount of Rs.23,412,007,000 (64.27%) was surrendered leaving net saving to Rs. 976,174,915(2.68%). A supplementary grant of Rs. 100,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the saving pertains to Foreign Aid Grants which were expected during the year but not released the donor agency till close of financial year. Resultantly saving could not be surrendered.

PAC DIRECTIVE

The PAC settled the grant.

11. **GRANT NO.142-DEVELOPMENT EXPENDITURE OF OUTSIDE PUBLIC SECTOR DEVELOPMENT PROGRAME (PAGE 305-AA)**
(Saving of Rs 7,171,156,870)

The AGPR pointed out that the grant was closed with a saving of Rs. 7,171,156,870 which worked out to (29.28%) of the total grant. An amount of Rs.8,316,945,585 (33.96%) was surrendered resulting into net excess of Rs. 1,145,788,715(4.67%). A supplementary grant of Rs. 20,834,082,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the reasons of saving was due to the expenditure relating to subsidy given to the Importers of Phosphates Potassic, Fertilizer and others which was directly paid/debited by the SBP, therefore, saving could not be anticipated.

PAC DIRECTIVE

The PAC settled the grant.

12. **GRANT NO.170-CAPITAL OUTLAY ON FEDERAL INVESTMENTS (PAGE 307-AA)**
(Saving of Rs 648,236,000)

The AGPR pointed out that the grant was closed with a saving of Rs. 648,236,000 which worked out to (66.55%) of the total grant. An amount of Rs.494,378,000 (50.76%) was surrendered leaving net saving to Rs. 153,858,000(15.79%).

The PAO explained that saving occurred as the funds for 3rd quarter were not released by FA's organization as the codal requirements of release of PSDP, like proper utilization, were not completed by M/O Information & Broadcasting.

PAC DIRECTIVE

The PAC settled the grant.

13. **GRANT NO.171-DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT (PAGE 310-AA)**
(Saving of Rs 4,810,731,636)

The AGPR pointed out that the grant was closed with a saving of Rs. 4,810,731,636 which worked out to (11.50%) of the total grant. An amount of Rs. 7,095,659,750 (16.97%) was surrendered resulting into net excess of Rs. 2,284,928,144 (5.46%). A supplementary grant of Rs. 1,000,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained the reasons of saving that, as per advice of Finance Division, the State Bank of Pakistan Karachi, paid an amount of Rs. 40.00 million on 07-07-2008, however, the amount has not yet been adjusted. The excess expenditure has been booked against National Construction Company Limited on the basis of debit vouchers forwarded by State Bank of Pakistan, Karachi. This expenditure has neither been made by Finance Division nor did any allocation exist for the purpose. Since 2003-04 such kinds of expenditure against NCCL is being booked in Finance Division Demand "Development Loans & Advances by the Federal Government".

PAC DIRECTIVE

This Grant was clubbed with Grant # 140 with the same directions to complete the exercise within a period of one month and report to the PAC Secretariat.

14. **SERVICING OF DOMESTIC DEBT (PAGE 313-AA) (CHARGED)**
(Saving of Rs 527,847,801)

The AGPR pointed out that the appropriation closed with a saving of Rs. 527,847,801 which worked out to (0.11%) of the total grant.

The PAO explained that the saving was on account of Unfunded Debt (National Savings Schemes). The securities under Unfunded Debt (NSS) remained on tap during the whole year. Every one who is investor of NSS can be purchased and encashed at any time. Therefore the exact the estimation of interest payment is not possible. However, efforts are being made to improve the estimation.

PAC DIRECTIVE

The PAC settled the grant.

15. **REPAYMENT OF DOMESTIC DEBT (PAGE 314-AA) (CHARGED)**
(Saving of Rs 100,819,274,270)

The AGPR pointed out that the appropriation closed with a saving of Rs. 100,819,274,270 which worked out to (4.76%) of the total grant.

The PAO explained reasons of saving as below:-

i) The savings are mainly contributed by the repayments on account of Floating Debt (Market Treasury Bills SBP). Estimates are prepared on the basis of 9 months actual, however, expenditure remained less than estimates of Market Treasury Bills due to less foreign inflow and less privatization proceeds. Resultantly less retirement of MTBs was made.

ii) The savings in cash credit accommodation, occurred as this facility was used on need basis and less requirement by spending agencies caused saving.

iii) The estimates are worked out on the past trends. The exact estimation is not possible. However, efforts are being made to improve the estimation.

PAC DIRECTIVE

The PAC settled the grant.

16. **AUDIT (PAGE 315-AA)**
(Saving of Rs 4,712,257-(Charged)

The AGPR pointed out that the appropriation closed with a saving of Rs. 4,712,257 which worked out to (0.42%) of the total grant.

The PAO explained reasons of saving as below:-

i) Due to vacant posts.
ii) Due to salaries and allowances for the month of June booked in June which were normally booked in July.
iii) Due to revision o f Pay Scales, Up-gradation of posts.

PAC DIRECTIVE

The PAC settled the grant.

APPROPRIATION ACCOUNTS PAKISTAN MINT (VOL-II -2007-08)

17. **GRANT NO.38-(PAKISTAN MINT, LAHORE (PAGE 11-AA)**
(Saving of Rs 59,081,136)

The AGPR pointed out that the saving of Rs. 59,081,136 which worked out to (27.14%) of the total grant. Out of the total saving Rs. 54,312,000 was surrendered in time on 14-05-2008 and Rs. 4,769,136 lapsed on 30-06-2008 which is only (2.19%) of the total grant.

The PAO explained the reasons of saving as below:-

i) Less expenditure due to leave without pay/retirement etc.
ii) Less expenditure due to non-finalization of purchase cases of Machinery & Equipment

PAC DIRECTIVE

The PAC settled the grant.

APPROPRIATION ACCOUNTS NATONAL SAVINGS (VOL-VIII-2007-08)

18. **GRANT NO.39-(NATIONAL SAVINGS ORGANIZATION (PAGE 11-AA)**
(Saving of Rs. 711,006)(Other Than Charged)

The AGPR pointed out that the saving of Rs 711,006 relates to 45 budgetary units which worked out to (0.08%) of the Total Grant.

The PAO explained the reason of saving/excess as under:-

i) Due to revision of pay @ of 15% in the Budget 2008-09.

ii) Due to procedural formalities the required services could not be procured to the full extent which caused savings.

PAC DIRECTIVE

The PAC settled the grant.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on 18th January, 2011 pertaining to **Finance Division** on the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOLI-2007-08)

1. i) **GRANT NO.140-DEVELOPMENT EXPENDITURE OF FINANCE DIVISION (PAGE 250-AA)**
(Saving of Rs 11,936,879,537)

The AGPR pointed out that the subject grant was presented before the PAC on 21-09-2010. The Committee deferred the said Grant with the following directives:-

"The Secretary Finance was directed to resolve the issue in consultation with Controller General of Accounts and the Auditor General of Pakistan in one month's time and submit a progress report to the PAC Secretariat".

The grant was closed with a saving as of Rs. 11,936,879,537 which worked out to 39.06% of the total grant. An amount of Rs.9, 445,693,711 (30.90%) was surrendered leaving net saving to Rs. 2,491,185,826(8.15%). A supplementary grant of Rs. 5,950,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained the reasons of saving given below:-

i) Due to non receipt of demand from agencies (SMEs), an amount of Rs. 48.166 million could not be utilized.
ii) Payment of Rs. 12, 672,810/- was made to third party, i.e. Mott McDonald, through direct payment procedure which could not be accounted for.
iii) The Project Coordination Office for Financial Services Sector Reforms Programmes was closed at the end of September, 2007, and an amount of Rs. 2,877,805 remained unutilized.
iv) A saving of Rs. 88.563 (m) resulted since up-gradation process of 18 site of Balochistan Province got held up, at tender stage due to poor response from contractors, because of worsening law & order situation, prevailing in Baluchistan.
v) Expenditure of Rs. 200.131(m), as per department record was not booked in Appropriation Accounts and showed as saving according to Revolving Fund Operating Procedure dated 25-11-2002.
vi) The saving of HEC was due to the reason that the decision, for not releasing the funds worth Rs. 1467.499 million, was made in the last fortnight of June, 2008, therefore, no surrender could be issued at that time by HEC. So far foreign component is concerned, HEC waited for the reaming receipt of Rs. 42.046 million till the last week of June, from the donors. Hence no surrender order could be issued.

ii) **GRANT NO.171-DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT(PAGE 310-AA)**
(Saving of Rs 4,810,731,636)

Audit pointed out that the grant was closed with saving of Rs. 4,810,731,636 which worked out to 11.50% of the total grant. An amount of Rs.7,095,659,750 (16.97%) was surrendered leaving net excess to Rs. 2,284,928,114(5.46%). A supplementary grant of Rs. 1,000,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that excess expenditure has been booked against National Construction Company Limited on the basis of debit vouchers forwarded by State Bank of Pakistan, Karachi. This expenditure has neither been made by Finance Division nor any allocation existed for the purpose. Since 2003-04 such kinds of expenditure against NCCL is being booked in Finance Division's demand "Development Loans & Advance by the Federal Government.

PAC DIRECTIVE

The Grants were settled with the direction that systemic issues may be taken care of in future, no debits should be incurred without budget provisions and zero excess zero saving may be ensured.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. **PARA 7.1 (PAGE 50-AR)**
NON-MAINTENANCE OF PROPER RECORD OF GOP EQUITY AGAINST PAYMENT MADE FOR FEDERAL MISCELLANEOUS INVESTMENT

Audit pointed out that during audit, it was noted that the Federal Government invests annually in different Companies and Corporations through Finance Division since the budget Grant for the purpose was being administered by the Finance Division. Audit observed that Finance Division was making payment directly to the Companies/Corporations but it did not keep track of its stakes in those Companies and Corporations, even though Finance Division established an Investment Wing to maintain record of all the investment made by Finance Division.

The PAO explained that the responsibility of keeping the record of investment rest with administrative Ministry, as all the proposals regarding privatization of unit's disinvestment of shares were initiated by concerned Ministry/Division. However, with the essence of para 07 of GFR, funds cannot be allocated to Ministry concerned for investment.

PAC DIRECTIVE

The para was remanded back to the DAC with the direction that required information, regarding details of subsidies and ongoing programms, may be provided to Audit.

3. **PARA 7.2 (PAGE 51-AR)**
NON RECVOVERY OF LOAN – RS. 487.345 MILLION FROM PAKISTAN OIL SEED DEVELOPMENT BOARD AND HEAVY ELECTRICAL COMPLEX (HEC)

Audit pointed out that M/s Habib Bank Ltd. provided loan facility to Pakistan Oilseed Development Board (PODB) and Heavy Electrical complex (HEC) under the guarantee of Government of Pakistan. The PODB and HEC could not repay their loans and the amount of Rs. 487.345 million was outstanding on 30-06-2004. In view of the impending privatization of Habib Bank, Finance Division after approval of Economic Coordination Committee (ECC), picked up the liability of these loans through issuance of GOP bonds to the bank payable through the budget of GOP. At the time of issuance of bonds, it was confirmed the PODB and HEC would reimburse the amount of loans to the GOP. But Finance Division neither set any time period, nor any modus operandi for the recovery of these loans. Consequently, recovery of the loans could not be effected.

The PAO explained that ECC vide case No. 113/11/2008 dated 15-07-2008 approved that the amount of Rs. 323.177 million by the GOP on account of HBL loan may be converted in to Government Equity in the share Capital of HEC and therefore there is no question of recovery of the amount. However, PODB had been asked to repay loan. Last reminder to PODB was issued on 10-12-2009.

PAC DIRECTED

The PAC directed that Recovery status report be sent to Audit and report may be discussed at Departmental Accounts Committee level.

4. **PARA 7.3 (PAGE 51-AR)**
INJUDICIOUS PAYMENT OF RS. 30 MILLION TO GOVERNMENT AGENCY AS SUBSIDY FOR PROVISION OF THE ELECTRICITY TO AGRICULTURIST IN DERA BUGTI

Audit observed that Finance Division re-appropriated Rs. 30 million from the object head "Subsidy to WAPDA on account of tariff differential for Agriculture Tube wells in Balochistan" and released it to another government agency (Military Intelligence, Rawalpindi) as a subsidy for reimbursement of amount already spent on the installation of transformers and provision of electricity to agriculturist in Dera Bugti Balochitan for one year. Since the supply of electricity and claim of tariff differential is the sole prerogative of WAPDA and the budget was kept for payment to WAPDA, the payment to the other government agency was not justified. Moreover, no accounts of the expenditure reimbursed were available with the Finance Division.

The PAO explained that the Finance Division released Rs. 30 million to Military Intelligence (MI) Directorate on the directives of Prime Minister, issued dated 19-11-2007, for reimbursement of amount already spent. Finance Division requested various time to MI Directorate to provide detailed accounts of expenditure of Rs. 30 million already incurred but no response received so far.

PAC DIRECTIVE

The para was kept pending and the PAO was directed to provide complete record of expenditure of Rs. 30 million to **Audit for verification within one month.**

5. **PARA 7.4 (PAGE 52-AR)**
NON-RECOVERY OF RS. 1,890.5 MILLION FROM A COMMERCIAL ENTITY

Audit pointed out that in 2007-08, an amount of Rs. 854.394 million was allocated for payment to the Fauji Fertilizer Bin Qasim Ltd (FFBQL), as part of the financial restructuring package of Rs. 5.00 billion approved by Government of Pakistan as compensation to the company against the losses it suffered in 2001-2002 under the Government's Fertilize Policy 1989. The Policy protected the Di.Ammonium Phosphate

(DAP) producers against imported fertilizer. The package was awarded because the Government did not protect the interests of DAP producers when the international prices of DAP fell considerably, thus making domestic products less attractive. Under the package, the FFBQL was required to share its profit with the Government if its Return of Equity (ROE) rose to above 15%. Audit observed that FFBQL's ROE had been in excess of 15% from FY 2004/05 to 2007/08 but Finance Division did not claim outstanding Government's share worked out to be Rs. 1, 890.5 million in the profit as per the terms & condition of the package.

The PAO explained that the Finance Division accepted the view point of audit as per its working that the cumulative outstanding Government share is Rs. 1,890.5 million. However, share could not be claimed, as the following items have not yet been determined by the third party as envisaged in the Finance Division's letter dated 10th May, 2002:-

1. i) Debt servicing (Principal + Interest)
   ii) Working Capital (to be determined by the third party auditors at the cost of Fauji Jordan Fertilizer Company)
   iii) Dividends { on the scales given at para 3 (f) of Finance Division letter dated 10th May, 2002}
   iv) CAPEX (for normal Maintenance of the Plant and Machinery) (Subject to verification by the third party at the cost of FJFC)

2. FFBQL has been advised to furnish audited account vide letter dated 10th May, 2002.

ii) **PARA 7.5(PAGE 53AR)**
IRREGULAR EXPENDITURE OF UK POUNDS 10, 500 AND RS 698,261 ON FOREIGN TRAINING OF CONTRACT EMPLOYEES.

Audit pointed out that the Finance Division launched the "Institutional Strengthening and Capacity Building Project" with the goal of enhancing the capacity, skills, knowledge, and attitude of the public sector. As per the approved PC I of the Project, contract employees and ones nearing retirement were not eligible for foreign training. However, in 6th National Steering Committee (NSC) meeting held on 17-01-2008 it was agreed to include contract employees in the scope of the project for short term trainings (up to two

weeks duration) subject to the condition that a clarification for M/o Law and Establishment Division would be obtained regarding the competency of NSC to take such a decision. Contrary to the above, it was noted that three employees were deputed on foreign trainings in violation of the original project design without obtaining the above-mentioned clarification from the quarters concerned. One of them attended training during 16th to 27th April, 2004 in United Kingdom which cost Pound 3,500 and Rs. 220,000. The officer was supposed to retire after four months of the completion date of training. Second employee attended training during 12th to 23rd March 2007 at Washington, DC and an amount of UK Pound 3, 500 and Rs. 266, 000/- was spent on her training. The officer did not return for duty after completing training till the completion of audit. Third employee attended training 11th to 22nd June 2007 in UK and an amount of UK Pound 3, 500 and Rs. 212,261 was made on this training.

The PAO explained that the relevant record of three employees deputed on short term foreign training is available with PCU and can be examined at any convenient time as directed by the DAC. Regarding seeking clarification from Law and Establishment Division, it is added that the decision of NSCC is very clear and explicit. The Chair agreeing with the proposal floated by Secretary EAD, directed Ministry of Finance to include contract employees (with 2 years contract) in this program, for any focused training. The Minister further asked to seek clarification, <u>if necessary</u>, from the Law Division and Establishment Division. The above decision as such in this regard was not binding in nature and it was not felt necessary to seek any clarification. However, the progress/ update position of the employees deputed on foreign training was given as below:-

i) Mr. Abdul Sattar Sadiq (first employee), who was deputed on training have been re-employed as Section Officer vide Notification dated January 11, 2010.
ii) Similar is the position with regard to the other officer (second employee) who has applied for the posts advertised by the Establishment Division.
iii) In case of Ms. Saima Farooqi (third employee), she has been granted ex Pakistan leave by the Finance Division she has recently sent expenditure statement with an unspent balance of Rs. 28000/-.

PAC DIRECTIVE

The above paras were remanded back to the DAC with the direction that an updated report on amounts recovered and pending recovery be sent to Audit and the PAC Secretariat in **one month's time.**

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

SMALL AND MEDIUM ENTERPRISES BANK LIMITED

6. **PARA 64 (PAGE 83-84-ARPSE)**
LOSS DUE TO IMPROPER MANAGEMENT OF EQUITY PARTICIPATION FUND – RS. 82.230 MILLION

Audit pointed out that SME Bank is operating three Equity Participation Fund (EPF) Accounts. These accounts have been maintained for provinces of Khyber Pakhtunkhua (NWFP) Balochistan and AJK. These Equity Participation Fund accounts were being managed since 1986 by Regional Development Finance Corporation (now SME Bank Limited) in collaboration with Industrial Development Bank of Pakistan (IDBP). These Equity Participation Funds were to be governed by the instructions of Ministry of Planning and Development issued vide D.O No.(30)/PD/I&C/88, dated August 04, 1988. According to these instructions, the Fund management should be as follows:-

i) The fund shall remain invested by RDFC in Government Treasury Depository Receipts (GTDRs) or in such other manners as may be required by the Federal Government.
ii) In order to meet day to day commitments the RDFC, on the basis of estimated disbursement requirements of RDFC and IDBP for a financial year, shall encash the GTDRs and keep the fund in a Special Account namely "Equity Fund for Industrial Projects".
iii) All incomes from investments shall be deposited by RDFC in the Special Account and income from GTDRs will be reinvested in GTDRs.

An Amount of Rs. 173.621 million was granted to RDFC (defunct) during the years from 1986 to 1993 for industrial development of Khyber Pakhunkhua (NWFP), Balochistan and AJK jointly with IDFP. The management of SME Bank Limited did not invest the said amount in GTDRs and placed in SME Bank Branch, Blue Area, Islamabad, Account No.

DDA.50 (NWFP), Account No. DDA.473 (Balochistan) and Account No. DDA-337 (AJK) and only a nominal profit was credited to Equity Participation Fund. This resulted in estimated loss of Rs. 82.230 million in terms of interest income, to the respective Equity Participation Fund. It was observed that since July 1999, there were no disbursements from the Equity Participation Fund Accounts. It was decided in Management Committee joint meeting held on May 23, 2003 to discontinue the scheme, off load the fund and place them back with the Government of Pakistan. But the same amount was not surrendered to the Finance Division.

The PAO explained that EPF was responsible for investment of fund. A Sub-Committee had been constituted to examine the whole issue. The Sub-Committee after thorough examination of all relevant documents recommended the following:-

i) As the funds were very much invested in GTDR just after receipt of 1st tranche according to rules but, due to discontinuation of GTDR scheme and flow of sanctioning at that time, no decision was taken by the Managing Committee for the investment of available funds therefore the Sub-Committee did not see any individual or group to be held responsible.

ii) The loss was related to non-investment of available funds into GTDR scheme which was in fact invested till the scheme discontinued by the Govt. in 1991.

PAC DIRECTIVE

The para was remanded back to the DAC for final resolution **within one month.**

7. **PARA 65 (PAGE 84-85-ARPSE)**
MISUSE OF PUBLIC FUNDS BY EX-MANAGING DIRECTOR – RS. 368 MILLION

Audit pointed out that in accordance with Memorandum & Articles of Association, main functions of the RDFC were to provide industrial loans. As per Non Banking Financial Institutions (NBFI) Regulation No. 13(i) circulated by the SBP on December 05, 1991 the Managing Director was not authorized to disburse funds to business being run by his relatives. The Managing Director of Regional Development Finance Corporation (now SME Bank) managed the unauthorized with drawal of Rs. 368 million through treasury with two firms namely M/s. TAAS and M/s. RAVI Securities, being run by his son.

Later, on September 28, 2000 another firm was incorporated as M/s. RAVI Securities (Pvt.) Ltd. In addition to above a sum of Rs. 45.000 million was illegally drawn from November, 2000 to January, 2001, purportedly to be used for the business of Carry Over Transactions in the name of RDFC for equity trading and badla financing in violation of the rules. The Board of Directors of RDFC in its 33rd meeting held on September 05, 2000 took serious notice of these financial irregularities and asked Managing Director to resign from the post. However, the officer succeeded to get his tenure extended till February 12, 2001 and during this extended period, also continued to finance both the companies. Finally, the company owed a principal sum of Rs. 177 million to SME Bank. As a result of amalgamation of SBFC & RDFC, SME Bank was formed in January 1, 2002. The management of SME Bank referred the matter to the Governor State Bank for recovery of Rs. 142.056 million including mark up 18% to 20% per annum. A formal reference at NAB against ex-MD, RDFC, including his son and 09 other officials of defunct RDFC, highlighting their alleged role in illegal treasury transactions was made. The NAB offered plea bargain opportunity. As a result the accused agreed to pay Rs. 112 million under a plea bargain agreement which was signed at NAB HQ on April 12, 2005. According to this agreement, 3 months were granted to pay the agreed amount. The accused failed to abide by the time frame even in extended period and could arrange to pay Rs. 76.284 million. Thus the Bank suffered a loss of Rs. 65.772 million (Rs. 142.056 million – Rs. 76.284 million).

The PAO explained that in view of the seriousness of this issue, Ex-President SME Bank, Mr. Kaiser Naseem, lodged a formal reference with NAB on 05.03.2002 against Mr. Tahir Abbas and his son Mr. Unib Abbas. NAB did not take any action against Mr. Tahir Abbas and without consent of Bank Management, Plea Bargain was offered to Unib Abbas on 12.04.2005. Bank lodged a claim of Rs. 142.056 million, but NAB while acting as a 3rd party between Bank and Unib Abbas, settled the claims for Rs. 112 million, to be paid in 03 months. If the Bank had not agreed and went for litigation, the matter would have still be pending in the courts. Rs. 76.284 million have been recovered. The remaining amount of Rs. 30 million is to be recovered with the transfer of LSE Membership owned by Unib Abbas. As per the agreement, SME Bank has lodged its

claim for transfer of Membership of M/S Ravi Securities with Lahore Stock Exchange. This claim is for realization of remaining Rs. 30 million against Mr. Unib Abbas.

PAC DIRECTIVE

The Committee observed that the Board of Directors of the SME Bank was not authorized to ask the Ex-managing Director to resign and also wanted to know as to which authority gave him extension, despite the fact that the person was guilty of financial irregularities. It was directed that copies of both decisions may be sent to the PAC Secretariat within 03 days.

The Committee called the concerned NAB official to the meeting to enquire abut case against the Ex-managing Director and his son and to find out abut the recoveries made and whether these were made with the consent of the SME Bank Management, It was directed that the PAO may write to the State Bank of Pakistan/other concerned Organizations to ban the Ex-Managing Director, Mr. Tahir Abbas and his son Unib Abbas for employment in any Banking Organization or elsewhere.
It was also directed that Mr. Tahir Abbas and Unibh Abbas may be placed on the ECL, the Passport Officer may be asked not to renew their Passport and NADRA may be asked not to renew their NIC.

The PAO was also directed to report progress on recoveries within one week to the PAC Secretariat.

The para was kept pending and it was decided that NAB will also attend the next meting.

8. **PARA 66 (PAGE 85-86-ARPSE)**
NON-RECOVERY OF BANK DUES – RS. 34.327 MILLION

Audit pointed out that according to para 4.65 of SME Credit Manual, responsibility of settlement of accounts lies primarily with the concerned credit officers. However in case of default of the loan by 180 days past due, the legal action was to be initiated for recovery within 30 days by the Bank Management.

SME Bank granted bank loans to different borrowers during 1980-2008 but the loanees failed to repay their dues within the scheduled time. The Bank did not initiated actions as per procedure prescribed in the credit manual, despite the fact that 180 days limit was passed. This resulted in non-recovery of Rs. 34.327 million.

The PAO explained that it is in the knowledge of the MOF that the Bank is in restructuring process. The Recovery Division has ceased to function since December 31, 2009 and the old portfolio is in the process of out-sourcing.

PAC DIRECTIVE

PAC directed the management to recover the entire amount and get it verified from audit.

9. **PARA 67 (PAGE 86-87-ARPSE)**
REDEMPTION OF SECURITIES WITHOUT RECOVERY OF BANK DUES – RS 29.047 MILLION

Audit pointed out that as per para 4.63 of SME Credit Manual, the securities are allowed to be released, only on completion of full re-payment. As per para 4.64 of SME Credit Manual the responsibility of settlement of accounts lies primarily with the concerned credit officers. However, in case of default of the loan of 180 days, it is mandatory to initiate the legal action for recovery within 30 days by the Bank Management. SME Bank redeemed securities without recovering the complete Bank dues. The bank did not initiate action as per procedure prescribed in the credit manual, despite the fact that 180 days limit was passed. This resulted in non-recovery of Rs. 29.047 million.

The PAO informed that the matter was in courts and vigorously perusing the cases in court of Law.

PAC DIRECTIVE

The para was settled subject to verification of Audit of the amount recovered.

10. **PARA 68 (PAGE 87-88-ARPSE)**
LOSS DUE TO IMPRUDENT INVESTMENT -RS 28.579 MILLION

Audit point out that in term of Government of Pakistan, Finance Division (Budget Wing) OM No.6(4) B.R.11/96-Vol-111-424, dated May 31, 1977, surplus funds over and above the requirement were required to be invested in Government Securities/ Pakistan/Federal Investment Bonds, National Saving Schemes of CDNS through National Saving Centers. SME Bank invested Rs. 10.00 million in Indus Bank Ltd, on September 20, 2000 at interest rate of 13 ½ % per annum (daily basis). The license of Indus Bank was cancelled by the State Bank of Pakistan on September 22, 2000 just after 2 days of opening of account on one pretext or the other. Due to non-observation of above rules, the dues of the Bank to the tune of Rs. 28.579 million on December 31, 2008 were blocked.

The PAO explained that the Management of Regional Development Finance Corp used to invest its funds with the approval of an Investment Committee headed by the then Managing Director. In line with approved Investment Policy the Management kept a deposit of Rs.10 Million with the Indus Bank earning profit of Rs.489, 611 up to 02.02.2001. Subsequently, however, liquidation of the Indus Bank had been ordered by the Peshawar High Court. The Management of the RDFC had filed a claim on 24.02.2001 with the official Liquidator. Joint official liquidator was reminded on April 22, 2002 & September 23, 2002 for an early adjustment. On 27.12.2004 we again contacted the management of M/S Indus Bank on the subject. All appeals against the liquidation had been turned down by the Supreme Court. The liquidator of the Bank is expected to make the payments to the depositors. The Bank has reported enough assets to liquidate its liabilities.

PAC DIRECTIVE

The Committee observed that the investment made by the SME Bank in Indus Band Limited, which was liquidated just after 02 days of the investment was not only imprudent but illegal and directed that inquiry may be conducted for fixing responsibility. Actions taken/proposed to be taken may be reported to the PAC Secretariat in **03 weeks time.**

11. **PARA 70 (PAGE 89-90-ARPSE)**
NON-RECOVERY OF HOUSE BUILDING LOANS FROM EX-CONTRACT EMPLOYEES – RS. 3.53 MILLION

Audit pointed out that as per Acts/Ordinance of SME Bank 2001, vide clause 12, "rules are required to be got approved from the Federal Government". According to Section 15-B, clause 11(9) (a&b) of SME HR Manual, in case of expiry of contract or termination of contract before expiry, the employee concerned will be liable to pay the entire loan in lump sum within a period of 30 days. At the end of 30 days the mark up will be charged @ 18% per annum till the adjustment of loan and revised schedule will be devised. However, legal proceeding may be initiated after lapse of 120 days from grace period of 30 days. SME Bank granted house building loans to two contract employees. An Amount of Rs. 2,656,357 was outstanding against Mr. Khalid Masood and Rs. 874.398 against Mr. Tariq Mehmood. Both employees had resigned since June, 2007 and April 2008 respectively but no recovery was effected from them. As per agreement, both loans were secured against the mortgage of the property. However, property papers pertaining to Mr. Tariq Mehmood were not obtained from the ABL at the time of picking the liability. The Bank management had not taken any legal action against employees to recover the amount due.

The PAO explained that Mr. Tariq Mehmood, Operation Manager, Rawalpindi, was inducted in SME Bank from ABL, under a contract signed between the Bank and Mr. Tariq. His HBL liabilities were taken over by SME Bank. After payment of HBL, Mr. Tariq was to obtain property documents from ABL and create fresh mortgage in favor of SME Bank. Orignal property documents have been obtained from ABL and Mr. Tariq has paid an amount of Rs. 251,800. The balance amount is being recovered in installments. Mr. Khalid Mehmood, Manager Gujranwala, filed a suit against SME Bank in Banking Court Gujranwala and is subjudice. After the decision, next step for recovery shall be initiated and communicated for information.

PAC DIRECTIVE

The Committee remanded the para back to the DAC as there was clear negligence of the SME Bank in allowing House Building Advances, without mortgaging the property documents, however, the amount recovered and verified by audit was settled to that extent. It was also directed that the stay order should be got vacated and recoveries completed. The SME Bank may request assistance from the Attorney General/Advocate General for early settlement of Court cases.

ZARAI TARAQIATI BANK LIMITED

12. **PARA 72 (PAGE 94-96-ARPSE)**
WASTEFUL EXPENDITURE DUE TO MISMANAGEMENT–US$ 5.820 MILLION (PAK – RS. 400.415 MILLION)

Audit pointed out that according to the Asian Development Bank Loan No. 1988 PAK, the main objective of the Project was to support the implementation of the ZTBL Restructuring covering; the establishing an environment facilitates, modernizing of operations, streamlining products and delivery systems, introducing products and services that are financially and economically viable, improving standards and skill of management, establishing new hardware and software platform, upgrading office equipment/facilities and hiring of specialists in the relevant fields. Under the Asian Development Bank's Laon, Rural Finance Sector Development Project (RFSDP), a project started to upgrade the management information system & communication infrastructure and Core Banking Application System (CBAS) at ZTBL. The RFSDP was approved on December 23, 2002. The loan was originally planned to be released over a period of 3 years up to December, 2005, and the same was extended on the request of ZTBL up to June 30, 2008 by the Asian Development bank. Total funds utilized under CBAS Project till June 30, 2008 only amounted to US $ 5,819,986 i.e. 25% of the total allocated loan of US $ 23,048,000.

The PAO explained that application suit would satisfy and meet the objectives of the restructuring plan and the RFSDP. Accordingly with the President's approval a Core Banking Application System was selected for deployment.

PAC DIRECTIVE

The Committee observed with concern the mismanagement and lack of seriousness by the ZTBL management with regard to imprudent utilization of Asian Development Bank Loan money. The Committee directed that the internal inquiry repot, conducted by M/s Ferguson, Chartered Accountant, on the expenditure incurred on CBAS, not provided to the Audit inspite of the directions of the PAC may be provided **within one week**. An inquiry may also be conducted by the department to fix responsibility and propose action. The para was remanded back to DAC.

13. **PARA 73 (PAGE 96-97-ARPSE)**
BLOCKAGE OF FUNDS DUE TO NON-RECVOERY OF LOANS – RS. 31.680 MILLION

Audit pointed out that according to clause 14.1 of Credit Manual, Special Assets Management (SAM) loans include all loans and return thereof, charged off after completion of 3 years in default. All possible measures will be taken up by Zonal Chief and filed functionaries to maximize recovery of SAM loans. In ZTBL, Nankana Sahib Branch 49 Special Assists Management (SAM) loan cases were stuck-up for more than 10 years. No tangible effort towards recovery of outstanding amount was made by the management. In most of cases, no recovery notice or information about SBP Settlement Schemes was conveyed to the borrowers concerned. As the pursuance/notice SBP settlement scheme was not brought to the notice of the defaulting loanees, therefore, defaulted amount of Rs. 31.680 million could not be recovered and resultantly amount was blocked un-necessarily.

The PAO explained that out of 49 loan cases, the total recovery of Rs. 8.577 million has been affected in 30 loan cases and that all these cases stood closed.

PAC DIRECTIVE

The Committee directed that the recovered amount may be got verified by Audit and the remaining amount may be recovered as early as possible. A report may be submitted to the PAC Secretariat and Audit in **one week's time.**

14. **PARA 74 (PAGE 97-98-ARPSE)**
APPOINTMENT ON FAKE DOCUMENTS – RS. 2.248 MILLION

Audit pointed out that the post of CFO was advertised by ZTBL on August 14, 2005. The prescribed qualification in advertisement was CA/MBA (Finance) with 10 years experience and at least 3 years in a similar position in a medium to large financial institution. Zarai Taraqiati Bank Limited (ZTBL) appointed Mr. Imtiaz Lodhi as CFO vide letter dated July 22, 2006 from February 15, 2006 with gross salary of Rs. 200,000 per month. State Bank of Pakistan was informed that the candidates including Mr. Imtiaz A.K. Lodhi were referred by M/s Sidat Hayder, Morshed Associates after completing all the formalities and as such antecedents were not required to be verified. Later, it was came to notice that Mr. Imtiaz A.K. Lodhi had misstated the facts about his last employer in his application and found his appointment on fake documents which re-secured in irregular amount of Rs. 2,248,387 an account of salary.

The PAO explained that initially, Mr. 1.A. K. Lodhi was inducted as Company Secretary in the Bank on contract basis for a period of two years. During the currency of Company Secretary, position of CFO occurred on resignation of Ex-CFO and he accordingly applied for the same against the advertisement released by the Bank in the press and was interviewed by the Selection Board alonghwith other short-listed candidates and was accordingly recommended for appointment as CFO from the back date i.e. 15-02-2006, the date of Acting CFO on monthly salary of Rs. 200, 000 according to the approved Bond of Salary of EVPs duly approved by the Bank's BOD. No specific instructions regarding verification of antecedents of the newly recruited employees are existed. When mis-statement of facts came into the knowledge of the management, the same was probed into to ascertain the factual position. In the meantime, Mr. A. K. Lodhi submitted

resignation which was accepted by the Bank's BOD. His degree of ACCA from Institute of Chartered Accountant in England & Wales was referred for verification. Status of last experience as well as membership of ICAEW has not been testified as genuine. Legal Notice was sent to Mr. I.A. K. Lodhi on available address through L.A. regarding refund of dues received in the shape of salary allowances and other perks failing which recovery of said amount will be arranged through Court of Law, at his risk & cost which was received back undelivered. Later on, Civil Suit filed in Islamabad was transferred to Lahore High Court, Rawalpindi Bench, Rawalpindi but date of hearing has not yet been fixed in this case. Since the officer has resigned and left the bank and the case is under litigation regarding to which the case of Mr. Imtiaz A.K Lodhi was filed in the Islamabad High Court, Islamabad on 28-07-2008 and now the same has been transferred to District Court, Islamabad and being pursued vigorously.

PAC DIRECTIVE

The Committee was informed that Mr. Imtiz Ahmed Khan Lodhi, who was appointed in ZTBL as CFO and resigned from service on discovery of fake documents submitted to the Bank and who was responsible for irregular payment of Rs. 2.248 million on account of salary, was at present employed as Chief Executive Officer in the Pakistan Steel Mills. The Committee directed the PAO to immediately send a Summary to the Prime Minister in this regard, bringing the factual position regarding Mr. Imtiaz Ahmed Khan Lodhi to his notice.The management may also be directed to black list M/s Sidat Hayder, Morshed Associates, the head hunting firm which picked up Mr. Imtiaz Ahmed Khan Lodhi for appointment in ZTBL and the amount of fee paid to them may be recovered. The Committee further directed that responsibility may be fixed and disciplinary action taken against those who issued appointment letter without verification of the antecedents along with recovery, fix responsibility regarding negligence in not filing FIR.

15. **PARA 75 (PAGE 98-99ARPSE)**
NON-RECOVERY OF OUTSTANDING ADVANCES FROM EX-EMPLOYEES – RS. 1.717 MILLION

Audit pointed out that according to para-3(v) Personnel Manual "if the employee resigns from services or his services are terminated before its complete recovery, the amount outstanding against him shall be recovered in lump sum with interest before his services are dispensed with. ZTBL, Zonal Office, Lahore sanctioned personal advance of Rs. 1.413 million to 06 Officers/Officials from May 1996 to April 2003 for purchase of house, car and motor cycle. The advances of Rs. 1.908 million (principal & mark-up) could not be recovered from the employees as they were terminated from the service during 1996 to 2003. Audit was of the view that the amount of loan should have been recovered in lump sum from the employees as per provision of above said manual. A considerable period had since elapsed, the chances of recovery were remote and ZTBL may sustain loss on this account.

The PAO explained the reasons as under:-

i) The recovery suit against Mr. Najeeb Ullah Wahid, Ex-AD was filed on 16-03-2005 and decreed in Bank's favour for Rs. 8,82,376/-. The execution petition has been filed by Bank for location of mortgaged property and intimation to the Court about the other property of the ex-employee to put the same in auction.
ii) The recovery suit against Mr. Tanveer Ahmed Dar to the tune of Rs. 1,31,669/- was filed by the bank on 15-02-2005 and decreed in Bank's favour.
iii) The bank filed recovery suit against Mr. Miraj Din, ex-Driver for Rs. 68266/-. The Ex-employee has filed PLA in the Court which is being contested by Bank.
iv) The bank filed recovery suit against Mr. Muhammad Irfan Malik, ex-employee amounting to Rs. 4,03,345/- on 11-12-2008 and was decreed in Bank's favour on 19-03-2009. The execution petition has been filed which is pending adjudication in the Banking Court.

PAC DIRECTIVE

The para was settled to the extent of amount recovered and verified by Audit, with the directions that the PAO/ZTBL may investigate the matter, fix responsibility and pursue the Court cases vigorously for early recovery. A report may be sent **within one week.**

16. **PARA 76 (PAGE 99-ARPSE)**
APPOINTMENT OF SENIOR VICE PRESIDENT ON FAKE DOCUMENTS – RS. 0.875 MILLION

Audit pointed out that as per advertisement dated October 30, 2005, the candidates for the post of Senior Vice President should be BA with 15 years experience or at least recent five years in similar role in a medium/large Commercial Bank of MBA (Marketing) with 10 years experience or at least recent three years in a similar role in a medium/large Commercial Bank. ZTBL appointed a Senior Vice President (SVP) in August, 2006 having qualification of BA without any experience at monthly salary of Rs. 120,000. He was dismissed from service on March, 14, 2007 on the ground that the documents provided by him were found fake. The officer received Rs. 874,600 till his termination from service.

The PAO explained that the all recruitments in ZTBL are being made on the approval of the Bank's Board of Directors. Bank advertised the post in the Press, Mr. Khaild Javed Sheikh also applied and he was selected by the Selection Board for the post of SVP. As per CV, he had practical experience of more than 15 years of commercial banks. However, on verification of documents, it was revealed that he had misstated the facts while applying for the post. As such, his services were terminated by the competent authority. The case of Mr. Javed Sheikh, Ex-SVP was filed during the year 2007 before the court of Civil Judge, Lahore for effecting recovery which is being pursed properly for effecting recovery of Bank's dues.

PAC DIRECTIVE

The Committee directed that the PAO/ZTBL may fix responsibility and take disciplinary action against those who issued appointment letter without verification of the antecedents, lodge an FIR against Mr. Khalid Javed Sheikh and his name may be placed on the ECL, the Passport Office may be asked not to renew his Passport and NADRA may be asked not to renew his NIC.

17. **PARA 77 (PAGE 100-ARPSE)**
MISAPPROPRIATION OF LOANS – RS. 0.526 MILLION

Audit point out that an amount of Rs. 526,270 was mis-appropriated by staff of Tandlianwala Branch, Faisalabad on fake documents. An enquiry was conducted on the request of the loanee that loan was withdrawn by the bank staff by putting fake signature and thumb impression on the loan form and an amount of Rs. 562,270 was shown outstanding against him. An enquiry was conducted in April 24, 2008. The findings of enquiry revealed that 9 loans were sanctioned during 1998 to 2004 in favour of the loanee, who owned land measuring 27K-02 M with a credit limit of Rs. 200,000. Out of these 9 cases, 4 cases were closed, remaining 5 loans were outstanding with balance of Rs.526,270 as on December 31, 2007. Thus loans sanctioned in favour of the loanee were in excess of his repayment capacity.

The PAO explained that formal inquiry proceedings under RSO-2000 have been completed by the Inquiry Officer. The Inquiry Officer recommended following penalties to be imposed upon the accused on account of serious irregularities of over-financing, adjustment lending, loans to defaulters and other procedural lapses during the inquiry proceedings.

Sr. No.	Name of Accused	Penalties recommended by the Inquiry Officer
1.	Mr. Nazir Ahmed, PP. No. 082696, Sr. Assistant, ZTBL, Satiana, the then MCO ZTBL, Tandlianwala.	Major Penalty of removal from bank's service. Also held him responsible for recovery of outstanding loan.
2.	Muhammad Aslam Javed, PP.No. 050760, Officer, ZTBL Jaranwala, the then Accounts Officer, ZTBL Tandlianwala	Major penalty of reduction by 7% in monetized salary for one year.
3.	Mr. Liaqat Ali, Sr. Officer, PP. No. 068102, Audit Zone, Lahore, the then MCO ZTBL, Tandlianwala.	Minor penalty of Censure. Also held him responsible for recovery of outstanding involved loan cases with upto date mark-up

PAC DIRECTIVE

The Committee observed that there was a failure of internal and supervisory control as the mis-appropriation amounting to 0.526 million has been made with the help of Bank

employees and action was taken after ten years of the incident, perhaps when it was pointed by Audit. The Committee directed that recoveries may be expedited and persons responsible may be removed from service as soon as recoveries are affected from them. It was desired that the ZTBL Rules and Regulations, regarding removal from service, may be sent to the PAC Secretariat and report may be submitted **in one week** to PAC Secretariat and Audit.

18. **PARA 78 (PAGE 101-ARPSE)**
FRAUD AT QAZI AHMED BRANCH – RS. 0.497 MILLION

Audit pointed out that as per para 9.42 Chapter IX, (Conduct of Employees) of Personnel Manual, Head of Department was bound to exercise utmost vigilance, analyze the cause and trace the source where incidence of corruption occurs. He will bear responsibility and be answerable to proven charges of corruption. In Qazi Ahmed Branch, Nawab Shah a fraud of Rs. 999,500 was detected by Internal Audit in May 2008. The matter was submitted to the higher management wherein President of Zarai Taraqiati Bank Limited directed the Zonal Chief on May, 06, 2008 to proceed under criminal act against the official, found guilty. Draft statement of allegations against Mr. Baseem Akhtar Memon, Assistant Vice President (AVP), the then Manger ZTBL, Qazi Ahmed Branch showed that he did not deposit the amount in Bank account by preparing fictitious pay-in-slips in connivance with the bank staff.

The PAO explained that Personnel Manual has been revised/ updated by the Policy & Regulations Department and new Human Resource 1983 has since been enforced w.e.f 30.06.2008. The accused have been charge sheeted on 13.02.2009 by the Inquiry Committee. The formal disciplinary action under Removal from Service (Special Powers) Ordinance 2000, against nine accused employees has been completed and report furnished by the Inquiry Committee on 24.10.2009. At present the case is submitted to the competent authority. Show cause notices have been served upon the accused employees.

PAC DIRECTIVE

The PAC directed that recovery of Rs. 5 lacs may be got verified from Audit, recovery of balance amount may be expedite and ZTBL may inform the latest status of the disciplinary proceedings against the 9 accused persons and Rules of ZTBL regarding removal from service of such persons.

SMALL AND MEDIUM ENTERPRISES BANK LIMITED

19. **PARA 69(PAGE 88-89-ARPSE)**
WASTEFUL EXPENDITURE DUE TO UN-NECESSARY DEPLOYMENT/ RETENTION OF SWIFT CONNECTIVITY AND PURCHASE OF MODULES – RS. 3.940 MILLION.

PAC DIRECTIVE

The PAC directed to consider the recommendations of DAC.

ZARAI TARAQIATI BANK LIMITED
AUDIT COMMENTS

20.
i) **PARA 71(PAGE 91-ARPSE)**
ii) **PARA 71.1(PAGE 91-93-ARPSE)**
iii) **PARA 71.2(PAGE 93-ARPSE)**
iv) **PARA 71.3(PAGE 93-ARPSE)**
v) **PARA 71.4(PAGE 94-ARPSE)**
vi) **PARA 71.5(PAGE 94-ARPSE)**
vii) **PARA 71.6(PAGE 94-ARPSE)**

PAC DIRECTIVE

The PAC directed to consider the recommendations of DAC.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on **5th May, 2011** pertaining to **Finance Division** on the Audit Report 2008-09 are given below:-

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

1. i) **PARA 51 (PAGE 70-ARPSE)**
NON-RECOVERY OF STUCK UP LOAN – RS.3.147 MILLION

Audit pointed out that Industrial Development Bank of Pakistan (IDBP), Islamabad sanctioned a loan of Rs. 2.0 million in 1994 to M/s. Neelum View Hotel, Muzaffarabad. The loan was stuck up for last many years and the outstanding amount was Rs. 3.147 million as on March 31, 2007. During the earthquake of October 08, 2005, the hotel collapsed and some of the Directors of the hotel expired. The project assets were insured with M/s United Insurance Company, for an amount of Rs. 11.236 million, as such the claim for losses was lodged with the Insurance Company by the Bank. The Insurance Company worked out an adjustment of Rs. 0.968 million against the losses,, but the Bank did not accept the offer of the Insurance Company. The record did not indicate resolving of the issue of recovery up to February 2009.

The PAO explained that a local currency financial assistance of Rs. 2.500 million i.e. Rs. 2.00 million for construction of hotel building and Rs. 0.500 million for purchases of equipment/furniture was sanctioned to the Company on 30-08-1987 for setting up a new hotel at Neelum Valley Road, Muzaffarabad. Later on the sponsors revised the scheme and increased the capacity of the hotel from 23 to 45 rooms. The change in the scheme had resulted in the cost over run, as such additional financial assistance of Rs. 1.500 million was sanctioned to the captioned borrower for meeting the same. The repayment performance of the

company remained satisfactory. However, it suffered set back due to depleted condition of road and infrastructure rendering the project sick. The hotel was badly damaged in the earthquake of 2005 which not only destroyed entire hotel building and machinery but three of the sponsoring Directors also died. The only remaining Director made partial constructions from his own sources and is operating only a restaurant and a marriage garden. Hotel Management filed insurance claim with the Insurance Company. They have committed to settle Bank's dues upon receipt of insurance claim. Due to dispute with the Insurance Company borrowers have also filed suit in the Court of Additional District Judge, Lahore wherein they have made IDBP also as one of the respondents. The case was fixed on 16-03-2011 wherein the judge directed the Bank to file replication on the plaint. Next date was fixed for 06-04-2011. On this date Bank's Legal Advisor submitted his Power of Attorney and next date fixed on 23-04-2011.

ii) **PARA 52 (PAGE 71-ARPSE)**
NON-RECOVERY OF DECREED AMOUNT AGAINST A DEFAULTING BORROWER- RS. 4.562 MILLION

Audit pointed out that as per Financial Institutions (Recovery of Finances) Ordinance, 2001, all the loans should be recovered immediately they become due. Industrial Development Bank of Pakistan (IDBP), Sukkur, sanctioned a loan of Rs. 1.5 million in 1988 to a firm, M/s. Aziz Asbestos Pipe Factory. Due to default in repayment by the borrower, the Bank filed a recovery suite of Rs. 4.562 million on March 28, 1992, which was decreed in Bank's favour in 1997. Meanwhile, Bank offered the borrower for settlement under SBP Incentive Scheme. The borrower made down-payment of Rs. 0.400 million against reduced liability of Rs. 1.898 million, but again he defaulted. Further, the borrower made a payment of Rs. 0.248 million under SBP scheme in the year 2003, but again defaulted.

The PAO explained that the case falls within the area affected by recent floods in Sindh. Further, the case has been assigned to the Bank's Legal Advisor to reactivate legal proceedings against the Company for ultimate auction of securities mortgaged with the Bank.

iii) **PARA 53 (PAGE 71-ARPSE)**
NON-RECOVERY OF LOAN FROM BORROWER – RS. 24.156 MILLION

Audit pointed out that as per Financial Institutions (Recovery of Finances) Ordinance, 2001, all the loans should be recovered immediately they become due. Industrial Development Bank of Pakistan (IDBP), disbursed a loan of Rs. 19.237 million to M/s. United Wood Ltd during 1983. The Company committed default in repayment of bank loan. Bank filed a suit against the company guarantors on April 07, 1988 for recovery of Rs. 26.291 million. The case was decided in Bank's favour on March 11, 1993 and inspection was carried out by the Bank on July 10, 1987. According to report, the machinery and other asset worth Rs. 3.965 were stolen. No criminal complaint was filed against the Directors of the Company. The Bank could only obtain Rs. 2.135 million from the sale of project assets against the net claim of Rs. 26.91 million. Thus Rs. 24.156 million were lying recoverable.

The PAO explained that the Bank recovered Rs. 2.135 million from sale of project assets. As there is no personnel guarantee as per terms of sanction, therefore, IDBP cannot recover any further amount. Recovery of Rs. 2.135 million has been verified by Commercial Audit on 12-05-2010.

iv) **PARA 54 (PAGE 72-ARPSE)**
NON-RECOVERY OF LOAN FROM BORROWER – RS. 12.560 MILLION

Audit pointed out that as per Financial Institutions (Recovery of Finances) Ordinance, 2001, all the loans should be recovered immediately they become due. Industrial Development Bank of Pakistan (IDBP), disbursed a loan of Rs. 8.660 million to M/s Eurasian Medical Complex for setting up Diagnostic Centre at Lahore. The fire broke out on September 04, 1991 and when the project was under construction damaged the building and machinery. The project remained incomplete and borrower failed to pay the installments as per Schedule. Insurance

claim of Rs. 11.021 million, against losses due to fire, was received by the Bank on December 29, 1999 and Rs. 0.808 million repaid by the borrower. The Bank filed a suit for recovery which was decreed for Rs. 2.706 million. The Bank had filed appeal in Lahore High Court against the lesser decree on June 21, 2003, which was sub-judice.

The PAO explained that an amount of Rs. 15.00 million was sanctioned on 27-01-1987 whereas an amount of Rs. 8.660 million was disbursed. Due to fire incident in 1991, the building was damaged and the project was not completed. Recovery suite was filed on 06-07-99 for the amount as under:-

(Rs in million)

Principal	Mark-up	Rupee charge	Total
12.104	15.043	0.210	27.357

An amount of Rs. 11.821 million has so far been received. The suit for recovery of Rs. 27.357 million was decreed for lesser amount i.e. Rs. 2.706 million in June 2003. An appeal was filed in Lahore High Court in October 2003, which is still pending in the Court. The last hearing of the case was fixed for 01-10-2010 and next date was in office.

v) **PARA 55 (PAGE 73-ARPSE)**
NON-RECOVERY OF DECREED AMOUNT FROM A DEFAULTING BORROWER – RS. 15.507 MILLION

Audit pointed out that, as per Financial Institutions (Recovery of Finances) Ordinance, 2001, all the loans should be recovered immediately they become due. Industrial Development Bank of Pakistan (IDBP), disbursed loan of Rs. 6.585 million, was paid under SBP's LMM Scheme for setting up the Cotton Yarn Doubling Unit at Khairpur. Subsequent to default towards Bank dues, the Bank filed a recovery suite of Rs. 15.507 million on April 21, 2001 which was decreed on February 25, 2006 in favour of the Bank. The execution application was filed

and process was under way for attachment of assets for subsequent auction of the unit, but the borrower managed to remove machinery and other items valuing Rs. 5.411 million from the premises.

The PAO explained that the Bank sanctioned an amount of Rs. 8.000 million under SBPs LMM Scheme for setting up a Cotton Yarn Doubling Unit at Khairpur. Out of total sanctioned amount of Rs. 8.000 million, an amount of Rs. 6.585 million was disbursed and the balance was withdrawn due to non fulfillment of terms & conditions of sanction subsequent to default towards Banks dues. Bank filed a recovery suit on 21-04-2001, the suit was decreed on 25-02-2006 and accordingly, execution application was filed. The process is under way for attachment of assets for subsequent auction of the unit. The Hon'ble Banking Court has ordered for attachment of properties mortgaged with the Bank. The captioned case stands decreed (Rs. 15.577 million) execution application has also been filed. Criminal complaint was also filed against the borrower for illegal removal of machinery from the project site and effect warrant of arrest was also issued by Banking Court-I, Sukkur. Efforts are being made through concerned authorities for implementing the warrant of arrest. The attachment formalities have been completed for auction of the project assets and process is underway for auction of the same.

vi) **PARA 56 (PAGE 73-ARPSE)**
LOSS DUE TO NON-RECOVERY OF LOAN FROM BORROWER – RS. 26.799 MILLION

Audit pointed out that, as per Financial Institutions (Recovery of Finances) Ordinance, 2001, all the loans should be recovered immediately they become due. Industrial Development Bank of Pakistan (IDBP), disbursed a loan of Rs. 18.152 million and paid to M/s Computer NIT Fabric & Garments (Pvt.) Ltd during 1986-89. The Borrower failed to pay loan, resultantly bank filed a suit against the borrower in the Court of District Judge, Lahore on March 03, 1991 for recovery of Rs. 26.799 million. The case was under consideration when the party removed mortgaged assets valuing Rs. 20.665 million from project site. FIR was lodged by

Bank on December 20, 1993. The remaining assets were auctioned and an amount of Rs. 4.500 million only recovered. The auction purchaser deposited the total amount in the Court had also backed out on the pretext that the title documents of the property were defective because the mutation of the property had been cancelled by the Revenue Department.

The PAO explained that multiple litigations (Four cases) is involved in this case which certainly requires substantial time for disposal. The matter was yet to be finally argued and decided by court.

vii) **ARA 57 (PAGE 74-ARPSE)**
LOSS DUE TO NON-RECOVERY OF LOAN FROM BORROWER – RS. 899.652 MILLION

Audit pointed out that, as per Financial Institutions (Recovery of Finances) Ordinance, 2001, all the loans should be recovered immediately they become due. Industrial Development Bank of Pakistan (IDBP), disbursed a loan of Rs. 224.306 million was paid to M/s Marhaba Textile Mills Limited during 1991-1993, out of which the payment of Rs. 74.537 million could be obtained. Bank filed a suit against the Company for recovery of Rs. 899.652 mortgaged property was carried out, which was found amounting to Rs. 153.73 million. Meanwhile, the borrower also offered to pay sum of Rs. 138.875 million as lump sum payment being full and final settlement of existing outstanding amount, which was not accepted.

The PAO explained that Bank has recovered Rs. 74.537 million, against disbursed amount of Rs. 222.386 million, while balance liability will be recovered through sale of project and collateral having forced sale value of Rs. 147.800 million and by invoking personal guarantees of the guarantors.

viii) **PARA 58 (PAGE 75-ARPSE)**
NON-RECOVERY OF LOAN AGAINST DEFAULTING BORROWER – RS. 960.056 MILLION

Audit pointed out that, as per Financial Institutions (Recovery of Finances) Ordinance, 2001, all the loans should be recovered immediately they become due.

Industrial Development Bank of Pakistan (IDBP), Regional Office, Lahore, following borrowers defaulted in repayment of loan. Consequently, the management filed recovery suits in the Courts of Law and obtained decrees in few cases against the defaulters. However, the recovery of decreed amount was outstanding as on June 30, 2008 as well as progress in the subjudice cases was made as detailed below:-

(Rs in million)

S.No.	Name of Party	Date of Sanction of Loan	Status	Outstanding amount as on June 30, 2008
1.	M/s. Hala Spining Limited	1987	Subjudice since 2003	712.261
2.	M/s. Delta Tyres & Rubber Company	1985-1993	Subjudice since 13-11-2001	137.200
3.	M/s. Mohib Export Limited	1991	Decreed on 17-12-1997	84.189
4.	M/s. Imperial Pipe Industries (Pvt.) Limited	N.A	Decreed since 06-04-2001	26.064
	Total			**960.053**

The non-recovery was pointed out to the management in February 2009. The Management in its reply dated March 27, 2009 stated that efforts for recovery were in progress.

The PAO explained that the recovery position has already been verified by Commercial Auditor on 12-05-2010. It is also informed that the hearing of the case could not be held on 12-05-2010 due to nationwide strike of Judiciary against the incident of 12-05-2007. Next date of the case was fixed for 08-07-2010. On this date, the opponent legal counsel requested for adjournment, but Bank's legal counsel opposed the request. However, Hon'ble Court adjourned the case to come up on 15-10-2010, for further proceedings. On 15-10-2010 the Judge was on leave and the case adjourned to 12-11-2010. The Bank has recovered total amount of Rs. 69.662 million. The recovered amount has been verified by the Commercial Auditor on 12-05-2010.

ix) **PARA 59 (PAGE 76-ARPSE)**
LOSS DUE TO NON-RECOVERY OF LOAN FROM BORROWER – RS. 227.937 MILLION

Audit pointed out that, as per Financial Institutions (Recovery of Finances) Ordinance, 2001, all the loans should be recovered immediately they become due. Industrial Development Bank of Pakistan (IDBP), disbursed a loan of Rs. 45.590 million and paid to M/s. ITAI PAK Marble Ltd during 1986-90 who failed to repay the loan. Consequently, Bank filed a suit against the borrower in Sindh High Court, Karachi for recovery of Bank dues. An Official Assignee was appointed headed by Additional Secretary to seal the mortgaged properties prior to this. MOU was to purchase assets and properties of fourteen companies for Rs. 1500 million. Finalization of agreement could not be materialized as Mr. Lakhani also defaulted to fulfill the agreed payment schedule.

The PAO explained that an amount of Rs. 45.590 million was sanctioned whereas an amount of Rs. 39.343 million was disbursed. Recovery suit was filed on 11-06-2001 for the amount as under:-

(Rs in million)

Principle	**Mark-up**	**Rupee charge**	**Total**
34.175	157.039	5.157	196.471

An amount of Rs. 31.185 million has so far been received. Project assets of the Company, situated at Hattar, has been sold out by the Sindh High Court against sale consideration of Rs. 31.500 million in December 2009 in the execution proceedings initiated by the Bank in suit No. B-60/2001 for recovery of Rs. 227.932 million. Net sale proceeds of Rs. 31.185 million have been received by the Bank. Mining area situated at Bunair (Sawat) is yet to be auctioned by the official assignee.

PAC DIRECTIVE

The above paras (51-52-53-54-55-56-57-58 and 59) were remanded back to the DAC with the directive to the PAO to form a Task Force of three/four member headed by Additional Secretary to follow all cases which are pending in various Courts to ensure early recoveries and also to fix responsibility. The PAO was directed to review such cases on a monthly basis, personally, and ensure that all such cases are settled in **three months time.**

The PAO was further directed to forward the names of members of all Board of Directors for each case. This information should reach the PAC Secretariat **in three days.**

PAKISTAN SECURITY PRINTING CORPORATION (Pvt) LIMITED

2. **PARA 61 (PAGE 78-ARPSE)**
LOSS DUE TO UN-NECESSARY PURCHASE OF DIFFERENT TYPE OF PAPERS RS. 38.602 MILLION

Audit pointed out that as per Rule 10 (i) and (ii) of GFR, every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money. (ii) the expenditure should not be prima facie more than the occasion demands. Pakistan security Printing Press, Karachi procured papers of different types valuing Rs. 38.602 million in the years 1992 to 2003 which were lying un-utilized. Now there were remote chances to utilize these types of papers, which was clear was clear loss to the public exchequer.

The PAO explained that papers were of security nature and could not be used elsewhere. These papers had longer shelf life and could still be utilized. It was also informed that they have fully utilized 48 different types of papers out of total 77 Nos. i.e. 62% 17 different papers have also been partly utilized. Efforts are being made to utilize these papers. Seven (07) request letters were also sent to SBP for placement of Fresh Print Order for Prize Bonds.

PAC DIRECTIVE

The PAC accepted the explanation given by the management and settled the para.

STATE BANK OF PAKISTAN

3. **PARA 63 (PAGE 81-ARPSE)**
UNDUE FAVOUR EXTENDED TO GRANT HOUSE BUILDING ADVANCE TO A CONTRACTUAL EMPLOYEE – RS. 9.000 MILLION

Audit pointed out that no provision of non-interest bearing (House Building Advance) staff loan to the contractual employees was available in the SBP Staff regulations. State Bank of Pakistan (SBP) appointed an employee for two years on contract basis on May 23, 2008 as Director, Infrastructure & Housing Finance Department. The management provided undue favor to the officer by entering a clause in the offer letter dated April 11, 2008 that House Building Advance (HBA) @ of 60 monetized salaries as per loan policy would be provided and repayable in equal monthly installment to be calculated from date of first re-imbursement until the date he attains 60 years of age (i.e., May 22, 2010). Subsequently, the management disbursed an amount of Rs. 9.000 million as non-interest bearing staff loan (House Building Advance) to the said officer in July 2008. The installment of repayment of advance was fixed as Rs. 41,860 per month. The management declined to submit personal record of the incumbent on the ground that "the information requested in the requisition fall beyond the scope of Government Audit".

The PAO explained that Mr. Rizwan Pesnani qualified preliminary and the panel interviewed. He was candidate with financial acumen and an immense experience of more than 20 years. To make him accept SBP's employment offer, various set of terms were negotiated with him. The benefit of interest free loan was used as an additional incentive and included in the package so as to meet his expectations and market worth, eventually he was hired on the following terms and conditions:-

i) A monthly salary of PKR. 425000/-
ii) 1300 cc Car with Chauffer or his salary @ 4,500/-p.m and 200 liters petrol per months.

iii) Medical facility for self, spouse and dependent children. (not exceeding the age of 25 years)
iv) 30 days leave as per bank's rules
v) Life Insurance Coverage under Group Life Insurance
vi) Interest Free loan @ 60 monetized salaries as per Bank's rules

The above terms and conditions were offered to him with the approval of the Governor. Further, staff loan has been granted to the officer against the property duly mortgaged in favor of the bank and the interest of the Bank is secured. Contract of Mr. Rizwan Pesnani can be considered for this. The terms and conditions, mutually agreed between the candidate and SBP (for contractual employment) at the time of appointment are treated as the policy governing the contract.

PAC DIRECTIVE

The Public Accounts Committee showed strong reservation on the use of discretion by the Governor, State Bank of Pakistan and observed that the Governor did not have any powers over and above the rules and regulations. Any irregular use of authority should not be got regularized, post facto, by the Board of Governors.

The para was kept pending with the directive that the matter should be taken to the Board of Governors, **within one month**, for settlement and it should be ensured that the loan is recovered/adjusted against dues as and when the incumbent leaves the Bank.

SMALL AND MEDUIM ENTERPRISES BANK LIMITED

4. **PARA 65 (PAGE 84-ARPSE)**
MISUSE OF PUBLIC FUNDS BY EX-MANAGING DIRECTOR – RS. 368 MILLION

Audit pointed out that in accordance with the Memorandum & Articles of Association, main functions of the RDFC were to provide industrial loans. As per Non Banking Finance Institutions (NBFI) Regulation No. 13(i), circulated by the SBP on December 05, 1991, the Managing Director was not authorized to disburse funds to business being run by his relatives. The Managing Director of Regional Development Finance Corporation

(now SME Bank) managed the unauthorized withdrawal of Rs. 368 million through treasury transactions with two firms namely M/s. TAAS and M/s. RAVI Securities, being run by his son. Later, on September 28, 200 another firm was incorporated as M/s. RAVI Securities (Pvt.) Ltd. In addition to above a sum of Rs. 45.000 million was illegally drawn from November, 2000 to January, 2001, to be used for the business of Carry Over Transactions in the name of RDFC for Equity Trading and Badla financing in violation of the rules. The Board of Directors of RDFC in its 33rd meeting held on September 05, 2000 took serious notice of these financial irregularities and asked Managing Director to resign from the post. However, the officer succeeded to get his tenure extended till February 12, 2001 and during this extended period, also continued to finance both the companies. Finally, the company owed a principal sum of Rs. 117 million to SME Bank. As a result of amalgamation of SBFC & RDFC, SME Bank was formed in January 1, 2002. The management of SME Bank referred the matter to the Governor State Bank for recovery of Rs.142.056 million including mark up @ 18% to 20% per annum. A formal reference at NAB against ex-MD, RDFC, including his son and 09 other officials of defunct RDFC, highlighting their alleged role in illegal treasury transactions was made. The NAB offered plea bargain opportunity and the accused agreed to pay Rs. 112 million under a plea bargain which was signed at NAB HQ on April 12, 2005. According to this agreement, 3 months were granted to pay the agreed amount. The accused failed to abide by the time frame even in extended period and could arrange to pay Rs. 76.284 million. Thus the Bank suffered a loss of Rs. 65.772 million (Rs. 142.056 million – Rs. 76.284 million).

The PAO explained that:-

i) RDFC was constituted under Regional Development Finance Corporation Ordinance, 1985. Under Clause 9 (1) power to appoint Management Director of RDFC was with Federal Government. As per clause 9(2) of the Ordinance the Managing Director shall unless the Federal Government otherwise directs, hold office for term of three years which the Federal Government may, from time to time, extended. Mr. Tahir Abbas was appointed as Managing Director RDFC on

December 24, 1998. He was not given an extension but allowed time within his tenure to be relieved of his charge.

ii) Copies of Plea bargain agreements dated 12-04-2005 and dated 12-08-2005 were executed between SME Bank Ltd, NAB accused Mr Tahir Abbass Ex MD RDFC.

iii) The compliance of PACs directive dated 18-01-2011 is as under:-

i) In pursuance to PAC directions State Bank of Pakistan has been requested accordingly vide letter F.4(1)-IF.III/2011-174 dated March 04, 2011.

ii) In pursuance of PAC directions, Ministry of Interior has been requested not to renew their NIC/Passport and to place their names on ECL vide letter No. F.4(1)-IF.III/2011-174, dated March 03, 2011.

iii) Details of repayment are given below:-

a) Payment though Cheque Rs. 20 Million, dated 5-10-2005

b) Payment though pay order Rs. 6 Million, dated 28-12-2006

c) Payment though Shares Rs. 38.284 M, (11—05-2005, 31/8/2005, 5/10/2005)

d) Payment accounted for Rs. 18 M, transfer of Islamabad Stock Exchange Membership of TASS Security Pvt (13/12/2005) Transfer of Lahore Stock Exchange Membership-Ravi Security has been made in the name of SME Bank Ltd, which was accounted for Rs. 30 million at the time of settlement agreement.

PAC DIRECTIVE

The PAO was directed to provide a copy of the orders of the then Secretary Finance reinstating the officials with full back benefits, copy of SME Bank's decision against the eight officers; copies of Board of Directors and State Bank of Pakistan decision; plea bargain arrangements of NAB and the criteria observed by State Bank of Pakistan in giving clearance may be forwarded on various Board of Directors. The information may be forwarded to the PAC Secretariat **within three days.**

It was also decided to call the representative of National Accountability Bureau in the next meeting.

HOUSE BUILDING FINANCE CORPORATION

5. i) **PARA 48 (PAGE 67-ARPSE)**
AUDIT COMMENTS

ii) **PARA 48.1 (PAGE 67-ARPSE)**
AUDIT COMMENTS

iii) **PARA 49 (PAGE 68-ARPSE)**
NON-RECOVERY OF OUTSTANDING LOANS – RS. 1.613 MILLION

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

iv) **PARA 50 (PAGE 69-ARPSE)**
AUDIT COMMENTS

v) **PARA 50.1 (PAGE 69-ARPSE)**
AUDIT COMMENTS

vi) **PARA 50.2 (PAGE 70-ARPSE)**
AUDIT COMMENTS

PAKISTAN SECURITY PRINTING CORPORATION (Pvt) LIMITED

vii) **PARA 60 (PAGE 77-ARPSE)**
AUDIT COMMENTS

viii) **PARA 60.1 (PAGE 77-ARPSE)**
AUDIT COMMENTS

ix) **PARA 60.2 (PAGE 78-ARPSE)**
AUDIT COMMENTS

x) **PARA 60.3 (PAGE 78-ARPSE)**
AUDIT COMMENTS

STATE BANK OF PAKISTAN

xi) **PARA 62 (PAGE 80-ARPSE)**
AUDIT COMMENTS

xii) **PARA 62.1 (PAGE 80-81-ARPSE)**
AUDIT COMMENTS

xiii) **PARA 62.2 (PAGE 81-ARPSE)**
AUDIT COMMENTS

xiv) **PARA 62.3 (PAGE 81-ARPSE)**
AUDIT COMMENTS

PAC DIRECTIVE

On the presentation of the above paras, the PAC directed the PAO to implement the DAC decision and report to PAC/Audit.

ACTIONABLE POINTS

The following are the Actionable points arising out from the discussion of the PAC meeting held on **25th June, 2011** pertaining to **Finance Division** for the Audit Report 2008-09:-

PARA 65 (PAGE 84-ARPSE)
MISUSE OF PUBLIC FUNDS BY EX-MANAGING DIRECTOR – RS. 368 MILLION

Audit pointed out that the para was earlier discussed in the PAC meetings held on 18-01-2011 and 05-05-2011 and gave the following directive:-

PAC DIRECTIVE

The PAO was directed to provide a copy of the orders of the then Secretary Finance reinstating the officials with full back benefits, copy of SME Bank's decision against the eight officers; copies of Board of Directors and State Bank of Pakistan decision; plea

bargain arrangements of NAB and the criteria observed by State Bank of Pakistan in giving clearance may be forwarded on various Board of Directors. The information may be forwarded to the PAC Secretariat **within three days.**

The PAO informed committee that:-

1. RDFC was constituted under Regional Development Finance Corporation Ordinance, 1985. Under Clause 9 (1) power to appoint Managing Director of RDFC was with Federal Government. As per Clause 9 (2) of the Ordinance the Managing Director shall unless the Federal Government otherwise directs, hold office for a term of three years which the Federal Government may, from time to time, extend. Mr. Tahir Abbas was appointed as Managing Director RDFC on December 24, 1998. He was not given an extension but allowed time within his tenure to be relieved of his charge.

2. Copies of Plea bargain agreements dated 12-04-2005 and dated 12-08-2005 were executed between SME Bank Ltd. NAB accused Mr. Tahir Abbas Ex-MD, RDFC.

3. The compliance of PACs Directives is as under:-

   i) In pursuance of PAC Directions State Bank of Pakistan has been requested accordingly vide letter F.4(1)-IF.III/2011-174 dated March 04, 2011..
   ii) In pursuance of PAC directions Ministry of Interior has been requested not to renew their NIC/Passport and to place their names on ECL vide letter No.F-4(1)-IF-III/2011-173 dated March 03, 2011.
   iii) Details of repayments are given below:-

      a) Payment through Cheque Rs 20 Million dated 5-10-2005
      b) Payment through pay order Rs. 6 million dated 28-12-2006
      c) Payment through Shares Rs. 38.284 M (11-5 2005, 31-8-2005, 15-10-2005)
      d) Payment accounted for Rs. 18 M transfer of Islamabad Stock Exchange Membership of TASS Security Pvt (13-12-2005)
      e) Transfer of Lahore Stock Exchange Membership –Ravi Security has been made in the name of SME Bank Ltd, which was accounted for Rs. 30 Million at time of settlement agreement.

PAC DIRECTIVE

The PAO was directed to hold a meeting with senior representative of NAB. SME Bank and Audit within the next two weeks on the issues raised by the Audit and the PAC directives dated 5th May, 2011, irrespective of the fact that the matter is subjudice. A report may be submitted to the PAC Secretariat and Audit **within one month.**

MINISTRY OF FOOD & AGRICULTURE

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil) and Audit Report on the Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Food & Agriculture were taken up for examination by the Public Accounts Committee (PAC) on **26th May, 2010.**

1.1 The PAC, having considered Audit's point of view as well as explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving irregular transfer of funds, loss due to defective planning, wasteful expenditure and blockage of public funds etc.

1.2 During the course of discussions in the meeting, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.

1.3 There were 25 paras and 7 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC. 18 paras were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave direction on 14 paras.

1.4 The Committee directed Audit to verify details/facts, given in certain cases by the Ministry in defence of their viewpoint.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 26-05-2010 on the Appropriation Accounts 2007-08 and Audit Report 2008-09 pertaining to M/O Food & Agriculture are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

1. i) **GRANT NO. 49-FOOD, AGRICULTURE AND LIVESTOCK DIVISION(PAGE 341-AA)**
(Excess of Rs 143,065,082)

AGPR pointed out that the grant closed with an excess of Rs 143,065,082 which works out to 20.854% of the total grant. An amount of Rs. 9, 844, 249 (1.43%) was surrendered increasing leaving net excess of Rs. 157,570,000 (22.28%). A supplementary grant of Rs,157,570,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the excess shall converted into saving of Rs. 4, 660, 669 (0.55%).

The PAO explained that the excess was due to revision of pay scales.

ii) **GRANT NO. 50- AGRICULTURE RESEARCH (PAGE 343-AA)**

The entire budget provision was fully utilized.

iii) **GRANT NO. 51-OTHER EXPENDITURE OF FOOD, AGRICULTURE AND LIVESTOCK DIVISION (PAGE 344-AA)**
(Saving of Rs 60,223,276)

AGPR pointed out that the grant closed with a saving of Rs 60,223,276 which works out to 6.73% of the total grant. An amount of Rs. 39,873,009 (4.45%) was surrendered leaving net saving of Rs. 20,350,267 (2.27%).

The PAO explained that the saving was due to vacant posts of staff in the Agricultural Policy Institute, non receipt of claims for purchase and repair and a case of encashment of leave of Ex-D.G. which was moved on 21-06-2008 for

sanction of competent authority, but this sanction was not received till the end of the financial ear i.e. 2007-08.

iv) **GRANT NO. 122- CAPITAL OUTLAY ON PURCHASE OF FERTILIZER (PAGE 349-AA)**
(Excess of Rs 2,556,562)

AGPR pointed out that the grant closed with an Excess of Rs 2,556,562 which works out to 31.41% of the total grant.

The PAO explained that the excess was due to payment of leave encashment of two retiring officers and absorption of the surplus staff in other departments.

v) **GRANT NO. 144- DEVELOPMENT EXPENDITURE OF FOOD, AGRICULTURE AND LIVESTOCK DIVISION (PAGE 350-AA)**
(Saving of Rs 3,835,479,987)

AGPR pointed out that the grant closed with a saving of Rs 3,835,479,987 which works out to 26.22% of the total grant. An amount of Rs. 1,428,916,893 (9.77%) was surrendered leaving net saving of Rs. 2,406,563,094 (16.45%). A supplementary grant of Rs. 175,120,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the saving shall be increased to Rs. 2,581,683,094 (17.44%).

The PAO explained that saving occurred under various projects which were not started/completed well in time and releases for certain projects were not made by the Finance Division.

vi) **GRANT NO. 145- DEVELOPMENT EXPENDITURE OF AGRICULTURE RESEARCH (PAGE 373-AA)**
(Saving of Rs 434,636,000)

AGPR pointed out that the grant closed with a saving of Rs 434,636,000 which works out to 36.94% of the total grant. An amount of Rs.429, 261, 000 (36.48%).

The PAO explained that saving occurred under various projects due to non release of funds by the FA's Organization/Finance Division.

APPROPRIATION ACCOUNTS OF FOOD DIVISION (VOL-IV) 2007-08

vii) **GRANT NO. 121- CAPITAL OUTLAY ON PURCHASE OF FOOD(PAGE 5-AA)**
(Saving of Rs 439,625)

The Director Accounts pointed out that the grant closed with a saving of Rs. 439,625 which works out to 2.24% of the final grant. However, the saving of Rs. 732,609 was surrendered in time.

The PAO explained that saving occurred due to economy measures as per policy of the Government of Pakistan.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above seven grants subject to verification of record by Audit. The PAC also directed that there should be zero saving and zero excess in future and also to adopt good budgeting principles to avoid saving/excess. The PAC further directed the PAO that once the target is set, this should be achieved at every cost. The PAC also directed the PAO to ensure the monitoring of the budget starting from the month of July and supplementary grants should only be demanded if the department has the capacity for its utilization.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. **PARA 8.1 (PAGE 59-AR)**
EXPENDITURE OF RS 125 BILLION IN AGRICULTURE SECTOR UNDER PSDP RISK OF DUPLICATION AND REDUDANCIES

Audit pointed out that as per the Constitution of the Islamic Republic of Pakistan, agriculture is a provincial subject since it is neither in Federal Legislative List nor in the Concurrent List. But a review of PSDP 2007-08 revealed that Federal Government approved and executed 66 development projects in the agricultural sector having a capital outlay of Rs 125 billion. Audit observed that development spending in agriculture sector

by the Federal Government directly was in violation of the above provision of the Constitution. Further, it gives rise to duplication and overlaps because provinces also spend heavily in agriculture sector. Following are some examples that bear this out:-

i) In the project titled "Special Program for Food Security and Productivity Enhancement of Small Farmers in 1012 Villages (Crop Maximization Project II)", the loans were being provided and the village organizations were being formed in the villages, while the same work was already being performed by the Provincial Governments through the Provincial Cooperatives Banks.

ii) The raised beds farming system for maize and cotton was introduced by the provinces and adopted by the farmers since long but Ministry of Food and Agriculture executed a project titled "National Project to Stimulate the Adaptation of Permanent Raised Beds in Maize-Wheat and Cotton-Wheat Farming System in Pakistan" during 2007-08 at a capital cost of Rs 474 million.

iii) In the scheme "Prime Minister Special Initiatives for Livestock" Rs. 1, 696 million were being released to the NGO "Rural Support Program Network" to supplement the Livestock execution services already being provided by the provincial Government at district level and fill up the gap left by the Govt. agencies.

iv) In certain cases office buildings, vehicles and staff were hired/purchased in the same districts/executing units by the various project authorities separately.

In order to utilize the funds in an economical and efficient manner, Audit recommended that instead of executing development projects directly, through the Ministry of Food and Agriculture, the funds should be allocated to the respective Provincial Government. This would enhance the Provincial Governments capacity to utilize development budget in an efficient manner and would enable them to identify and execute development projects effectively. Management agreed that agriculture was a provincial subject but argued the need for giving knowledge, policy guidelines, and funding to provinces for development purposes.

The PAO informed the PAC that though the agriculture is a provincial subject and therefore, MINFA is recognizing its importance in overall economic development especially ensuring food security, hence continuously supporting/complementing the sector through federal development funds. The project of MINFA are being implemented through provincial governments as funds are placed in their Accounts No. 1 and Account No 4 of the District Governments, while support and technologies are provided by the Federal Government. In this way some of the important high priority issues are highlighted by the Federal Government and projects are formulated and supported through federal funds. The philosophy of such approach is expediting the development of overall agriculture sector and especially the project areas which need immediate financial support and technical guidelines. The SPFS-CMP-II is technology led and heavily mandated for providing technical backstopping to village organizations for the enhancement of productivity and income of small farmers, while Cooperative Banks provide merely loans to farmers as other Commercial Banks do. In this way there is no comparison of actions between Cooperative Banks and project functions. Beside this, the area of command of the project is different from the area of command of cooperative banks. However, it has been noted that some cooperative are still active in the project area but they are very small minute in size and do not focus on small farmer community. Moreover, the SPFS Project is entirely different in nature, purpose, actions and outputs and as such it may not be termed as duplicity.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO that **instead of getting the development projects executed directly by the Federal Government, the funds should be allocated to the respective Provincial Governments to avoid duplications and utilization of development budget in an efficient manner. The PAC also directed the PAO to introduce new technology in the agriculture sector.**

3. **PARA 8.2 (PAGE 60-AR)**
IRREGULAR RETENTION OF TWO KIA SPORTAGE VECHICLES AND EXPENTIRUE OF RS 652,837 ON REPAIR & POL

Audit pointed out that there was no provision of vehicles in the PC-I of the project "Special Program for Food Security and Productivity Enhancement of Small Farmers in 1012 Villages (Crop Maximization Project-II)." Audit observed that the management retained and used two vehicles of a closed project and incurred an expenditure of Rs. 652,837 on their repair & POL. Audit held the retention and use of vehicles as irregular and unauthorized and recommended that these vehicles should be surrendered to the Cabinet Division's Central Pool of Cars. Further, the expenditure of Rs 652, 837 on POL & repair of vehicles should be got regularized from Finance Division. Management stated that the Crop Maximization Project II (CMP-II) was in the second phase and the vehicles of CMP-I were retained for use. DAC, in its meeting held on May 28, 2009 directed the project management to refer the matter to Planning Commission for condonation/regularization since there was no provision for repair and maintenance of vehicles in PC-I of the current project. No progress was intimated by the management till July, 2009.

The PAO informed the PAC that Crop Maximization Project II (CMP-II) is the extension of CMP-I with the same objectives and mandate but with expanded scope of work. In view of this, two vehicles were retained by the project for implementation of second phase. The CMP-II vehicles were purchased a little bit late and it took about nine months to complete the codal formalities for purchase of vehicles. During this period when no other vehicle was available, CMP-II started to use those vehicle in the best interest of the project. In view of the objection raised by Audit, and as directed DAC in its meeting dated 18-03-2010, a case is under process in the Ministry for its onward submission to the quarters concerned for regularization of the use of vehicles by the project during its early phase.

PAC DIRECTIVE

The Public Accounts Committee settled the para subject to verification of record by Audit. Report to PAC within a month.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

4. **PARA 79.5 (PAGE 108-ARPSE)**
AUDIT COMMENTS

Audit pointed out that financial results of the PASSCO showing increase in operational losses which are as under:-

(Rs in million)

	2007-08	% Inc/ (Dec)	2006-07	% Inc/ (Dec)	2005-06
Wheat export	1,089.158	(46.17)	2,023.278	-	-
Wheat local	17,418.661	89.79	9,177.643	8.55	8,454.676
Black gram	541.999	-	-	-	-
Rice and by product	-	-	309.698	3,094.08	9.696
Total sales	**19,049.818**	**65.50**	**11,510.619**	**35.99**	**8,464.372**
Cost of paddy powder and tips sold	-	-	292.091	1,955.10	14.213
Cost of Mung Sold	(28.202)		-		-
Total direct cost of sales	**19,254.410**	72.82	**11,141.053**	35.34	**8,231.636**
Gunny bags consumed	782.735	27.78	612.558	28.38	477.129
Labour charges	22.041	110.44	10.474	(12.53)	11.974
Market fee	10.412	15.46	9.018	(6.50)	9.645
Rent of sites	7.254	58.21	4.585	(1.69)	4.664
Tarpaulins expense	85.152	(5.94)	90.531	-	-
Other miscellaneous	16.928	(40.54)	28.471	77.98	15.997
Total operating expenses	**1,049.080**	**26.64**	**828.394**	**43.678**	**576.562**
Salary wages and other benefits	389.536	7.748	361.525	7.90	335.050
Others field office	33.309	(29.75)	47.416	142.66	19.540

expenses					
Total field offices - admn. and general Expenses	422.845	3.40	408.941	15.44	354.590
Total operating expenses including direct cost and field office expense	20,726.335	67.44	12,378.388	35.10	9,162.788
Gross profit / (loss)	**(1,676.517)**	**93.20**	**(867.769)**	**24.25**	**(698.416)**
Salary, wages and other benefits	190.150	11.02	171.273	10.06	155.615
Others	35.227	43.84	24.491	21.00	20.240
Head Office - admn. & general expenses	225.377	15.13	195.764	11.32	175.855
Operating profit / (loss)	**(1,901.894)**	**78.83**	**(1,063.533)**	**21.64**	**(874.271)**
Other expense					
Financial and other charges	1,629.552	0.62	1,619.559	106.90	782.789
Other income					
Allowance for incidentals	3,509.441	142.62	1,446.460	(10.28)	1,612.230
Cost differential	555.860	11.933	496.602	-	-
Profit / (loss) before tax	**629.486**	**-**	**(567.578)**	**-**	**41.773**
Taxation	80.329	10.13	72.940	57.09	46.431
Profit/(loss) after taxation	**549.157**	**-**	**(640.518)**	**-**	**4.658**

Although sales of the Corporation increased from Rs.8,464.372 million in 2005-06 to Rs.11,510.619 million in 2006-07 and Rs.19,049.818 million in 2007-08, registering an increase of 35.99% in 2006-07 and 65.50% in 2007-08, but the operational loss increased by 21.64% and 78.83% in the respective years. The operating loss was increasing due to loose control over expenditure and non-implementation of recommendations of HR study conducted during 1994 which recommended reduction in surplus staff, discontinuation or reduction of staff in un-economical zones, reduction of staff in liaison offices, reduction of staff in MD secretariat and abolishment of Commercial Wing and carrying out the whole activity in Field Wing. The PASSCO management was heavily dependent on the incidentals being received from the GoP which increased from Rs.1,446.460 million in

2006-07 to Rs.3,509.441 million in 2007-08, registering an increase of 142.62% in 2007-08. Similarly cost differential increased from Rs.496.602 million in 2006-07 to Rs.555.860 million in 2007-08 on the export of wheat below the cost price. The increasing trend in receipt of government funds in the shape of incidentals claims and cost differential was due to loose control over expenditure which needs justification.

The PAO informed the PAC that regarding operational loss of PASSCO in the financial years 2005-06, 2006-07 & 2007-08, the amount of loss mentioned by Auditors has been worked out without taking into account the effect of ‘Allowance for Incidentals' and 'Cost Differential' whereas, the figure of Operational Profit/Loss is worked out after taking into account the affect of' ‘Allowance for Incidentals' and 'Cost Differential' as shown in the Audited Accounts. As such the Operational loss pointed out by Auditors is actually operational profit. Regarding Auditor's comment on Corporation's reliance on Cost Differential receivable from Government, it was stated that PASSCO procures specified quantity of commodities at prices approved by MINFA, and, further the Corporation sells Commodities at prices approved by MINFA, therefore, receipt of cost differential under the above scenario is a normal financial transaction to off-set difference of cost incurred and sales. PASSCO being a Commercial organization is bound to act upon instruction of GoP.

PAC DIRECTIVE

The Public Accounts Committee observed serious irregularities, mismanagement in the affairs of PASSCO, especially relating to land issues excess receipt of incidentals claim and constituted a Sub/Special Committee under the Convenership of Sardar Ayaz Sadiq, MNA with Syed Ghulam Mustafa Shah, MNA & Mrs. Asiya Nasir, MNA as member, to probe into the affairs of PASSCO.

5. **PARA 80 (PAGES 110-111-ARPSE)**
EXPORT OF WHEAT @ US $ 185 PER M. TON AND SUBSEQUENT IMPORT @ US $ 400 PER M. TON – RS.25.800 BILLION

Audit pointed out that according to MINFA instructions dated April 23, 2005, PASSCO was advised in the light of ECC decision dated April 12, 2005 to maintain strategic reserve of 500,000 M. ton of wheat to meet the emergent situation in the country. PASSCO never succeeded to maintain a reserve as the reserve stock was 147,139 M. ton, 297,894 M. ton, 407,188 M. ton and 157 M. Tons at the end of 2004-05, 2005-06, 2006-07 and 2007-08 respectively. Despite this PASSCO proposed the export of 300,000 M. ton during January / February 2007 leaving a balance reserve of 157 M. ton only. The wheat was exported @ US $ 185 per M. ton to 13 private parties. PASSCO also claimed a subsidy of Rs.449.268 million on this export. Next Wheat Crop 2008 in the country was short and PASSCO could procure only 853,983 M.ton against the target of 1,400,000 M. ton. Resultantly, GoP had to import approximately 1,500,000 mt wheat @ US $400 during 2008-09 which resulted into loss of US $ 322.500 million (US $ 215 * 1,500,000 M. ton) equivalent to Rs.25.800 billion. The loss was due to non-maintenance of strategic reserves by PASSCO management.The matter was brought to the notice of management on February 20, 2009. The management in its reply dated April 01, 2009 intimated that due to prolonged storage in the open, the stock was prone to infestation and other climatic effects and resultant qualitative loss. The maintenance of stocks in the open was burden due to additional expense i.e. on land rent, fumigants, polythene jackets, tarpaulins and watch and ward. In addition, carrying cost, which was payable to banks if stocks were detained till arrival of new crop. Keeping in view the situation, in a meeting dated May 03, 2007 attended by Federal Minister for Food, Agriculture and Livestock, Minster for Commerce, Minister for Industries, Production and Special Initiatives and Secretary MINFA it was decided to export 0.5 million m ton of wheat with immediate effect. Audit was of the view that factual position was not communicated to the concerned authorities with regard to coming crop 2008 and even the strategic reserves were exhausted due to export of wheat during 2007-08, which caused a huge shortage and an extra ordinary increase in rates of wheat in the country due to ill planning, resulting in import of

1,500,000 m. ton of wheat @ US $ 400 per m. ton. The loss due to export at lower rates and import of wheat at much higher rates was to be justified.

The PAO informed the PAC that MINFA was requested to dispose off wheat through local sale/export. PASSCO did not insist on export but suggested for local sale also. The decision was taken by MINFA vide letter No.F.6-2/2006-wheat -1 dated 10th March 2007 for export of 0.300 million tons wheat from PASSCO's stocks through Private Sector. The directions-of MINFA were implemented by PASSCO as such. Tenders were called through press as per approval of Competent Authority. Agreements for the sale of 0.300 million metric tons were executed with thirteen parties @ Rs.l 1260/- per metric ton in March 2007 on ex-Godown basis for onward export. Wheat was lifted by the parties from PASSCO storage point's up-to the end of May 2007. PASSCO merely implemented the decisions / directions of the Federal Government / MINFA and has only secondary / peripheral role in the actual process of decision-making. It is not therefore, understood as to have a deliberate decision made by the Federal Government (export / import of wheat) is being ascribed to PASSCO. This Audit Para can only be replied by the Federal Government. PASSCO has no concern with export of remaining quantity of wheat (i.e. over and above 0.300 (M) metric tons and then import of wheat at higher rates.

PAC DIRECTIVE

The Public Accounts Committee pended the para and **directed the PAO to submit the record by Ministry, State Bank of Pakistan and Federal Board of Revenue separately within 15 days. The PAC also directed the PAO to investigate the matter, fix responsibility and report to PAC for final decision.**

6. **PARA 81 (PAGES 111-112-ARPSE)**
EXTRA EXPENDITURE ON PURCHASE OF BLACK GRAMS AT HIGHER RATES– RS.763.954 MILLION

Audit pointed out that in response to letter dated March 03, 2007, MINFA intimated that ECC had decided in its meeting dated April 02, 2007 that the PASSCO may procure gram at intervention price of Rs.21,250 per m. ton for crop-2007. As per clause-08 of the

Gram Procurement Policy 2007, PASSCO staff at Procurement Centers will accept stock of gram tendered for sale at the support price by growers / sellers, while issuing Bardana, preference will be given to genuine growers and principle of first come first served will be followed. As per clause-12 of the policy, sites for purchase centers will be selected where sufficient covered accommodation for temporary storage of gram is available. MINFA intimated the purchase price of black grams from growers @ Rs.21,250 per M. Ton. The PASSCO management incurred an amount of Rs.722,034 on establishment of purchase centers for purchase of black grams directly from farmers but not a single gram was purchased at intervention price directly from the farmers. Thus, the expense incurred on establishment of purchase centers had gone waste. Later on, PASSCO purchased 86,079.366 m. ton on different rates ranging from Rs.29,900 to Rs.30,000 per m. ton through floating rates; thus an extra expense of Rs.763.954 million (Rs.2,593.141 – Rs.1,829.187 million) was incurred. The matter was brought to the notice of the management on February 20, 2009. The management, in its reply dated April 01, 2009, stated that PASSCO was assigned to procure at least 100,000 m. ton of black gram during Crop-2007 on floating market rates vide letter dated June 12, 2007. In the light of the directions, PASSCO purchased 86,079.366 m. ton black gram from different parties @ ranging from Rs.29,900 to 30,000 per m. Ton. Audit was of the view that due to delay in establishment of procurement centers the whole crop was purchased by the local dealers, and the Government had no option except to ask PASSCO to procure the grams on floating market rates at intervention price. PASSCO failed to safeguard the farmers and end users from dealers (middle men) who made profit first by purchasing the grams from farmers at lower rates and secondly selling the same to PASSCO at higher rates.

The PAO informed the PAC that in response to the query of the Audit on the subject matter, it is clarified that on the directions of MINFA, PASSCO intervened the market for purchase of Black Gram crop 2007 as buffer stock at mandated price ofRs.850/- per 40 Kgs with a view to stabilize the market prices under Government support price policy. PASSCO established Zones, Projects and Purchase Centres, deployed manpower and provided logistic at each Purchase Centre for the purpose. PASSCO's intervention in the market resulted in rise in market rates of Gram and farmers/growers succeeded to fetch a

reasonable price of their produce ranging from Rs.990/- to Rs.1020/-per 40 Kg. This was only due to PASSCO's presence in the market. It is evident from the result that PASSCO fully watched the farmer's interest. PASSCO therefore, has not failed to safeguard the interest of farmers as presumed by the Auditors. As a consequence of PASSCO's presence to purchase the Gram, the market prices of Gram had gone up. Resultantly, No farmers of the areas contacted PASSCO to tender their crop on Government support price policy. The detail of the market was submitted to MINFA for information. Later on PASSCO was directed to procure 1,00,000 m. tons Gram at market floating rate vide letter No. F.1-10/2007/CMC dated 12th June, 2007. PASSCO procured 86079.366 m. tons to maintain buffer stock. Storage of 86079.366 M.Tons by PASSCO resulted stability of Gram price i.e. gram price ranged from Rs. 3000/- to Rs. 3200/- per 100 Kg against previous year price gone up to Rs. 4000/- to Rs. 4500/- per 100 Kg and PASSCO succeeded to safeguard the interest of consumer also. As regards incurrence of Rs. 7,22,034 on establishment of PCs without any purchase is concerned, it is submitted that establishment of Zones, Projects, PCs, deployment of manpower, supply of logistic affected the market towards rise in market rates. Farmers were benefited and prime objective of the Government stands achieved. Incurrence of Rs. 7,22,034 is therefore, justified.

PAC DIRECTIVE

The Public Accounts Committee directed **the PAO to look into the issues again at DAC level and report to PAC by end of June, 2010. The para will be discussed again in the next PAC meeting.**

7. **PARA 82 (PAGES 112-113-ARPSE)**
UNJUSTIFIED PURCHASE OF RESIDENTIAL PLOTS – RS.415.674 MILLION

Audit pointed out that as per section-I (5) of delegation of powers, the Managing Director of PASSCO is empowered to sanction an amount up to Rs.0.200 million per transaction, whereas BoD has full power in this regard and as per Section-X (1) BoD (through Investment Committee) was competent to make investment of funds lying with the Corporation. PASCCO, Board of Directors (BoD) approved Rs.208 million on April 12,

2008 for purchase of land in Punjab Industrial Estates for construction of silos / godowns and purchase of land in DHA, Lahore for construction of MD's residence. The Board desired that capital expenditure proposed to be incurred by PASSCO may be submitted in next meeting together with financial plan and cost benefit analysis justifying the capital outlay. PASSCO management made payment of Rs.41.567 million on August 18, 2008 being 10% cost of 5 residential /commercial plots measuring 7,200.95 Sq. yard in the cantonment area, Lahore. Managing Director, PASSCO through an open auction held on August 15, 2008 purchased 05 plots with the cost of Rs.415.674 million for construction of PASSCO's Protocol Office, space / building structure for mechanical fleet and MD House. The said purchase was in contravention of its scope of work as the basic objective of the Corporation was to provide the food commodities at lower cost to the public and play role as bridge to save the farmers from any loss by the market forces through maneuvering etc. The surplus funds, had to be utilized on enhancement of storage capacity as PASSCO can store less than 300,000 M. ton wheat in covered stores against the minimum strategic reserves of 500,000 M. ton. The Managing Director was not authorized to make such a strategic decision without involving the BoD and Ministry of Food and Agriculture. The matter was taken up with the management on February 20, 2009. The management in its reply dated April 01, 2009 stated that to cater for the requirement of PASSCO, five plots were purchased from Ministry of Defence at Rs.415.674 million through open auction and 10% payment of Rs.41.567 million was made from own funds whereas the balance payment shall be effected from available surplus funds. It was stated that the matter was put up in 96th BoD meeting and BoD formed a Sub Committee to see the pros and cons of the Project. Meeting of the requisite Sub Committee could not be arranged because the M.D. remained busy in managing the paddy operation. As and when the said Committee meeting is held, its minutes will be put up in the BoD meeting for approval. Audit was of the view that the surplus funds were to be utilized to enhance storage capacity. Moreover, the Managing Director was not authorized to make such a strategic decision without involving the BoD and Ministry of Food, and Agriculture.

The PAO informed the PAC that to cater for the requirement of PASSCO Training Center / Food Security Institute, Protocol Office space / building of structure *for* PASSCO Mechanical Fleet and residence for MD, bids tor five plots were offered to Ministry of Defense @ Rs.415,674,100/-through open auction which was held in Garrison Officers Mess Tufail Road, Lahore on 15 August 2008. Details are as under:-

Plot #	**Area in Sq. yds**	**Total Amount (Rs)**
46 (Residential)	1000 Yards	4,000,000/-
47 (Residential)	1000 Yards	4,000,000/-
50 (Residential)	1000 Yards	42,000,000/-
61 (Residential)	1000 Yards	44,000,000/-
A/2 (Residential)	3200.95 Sq. Yards	249,674,100/-
	Total	**415,674,100/-**

10% Payment that comes to Rs.41,567,410/- was made to MKO Lahore from PASSCO's own funds whereas case for approval for the remaining funds was put up in 96th meeting of BOD held on 11.10.2008. A sub-Committee was formed by the BOD to evaluate the matter. PASSCO's Board of Directors, during its 97th meeting held on 14 May 2009, decided that PASSCO may defer / postpone such ventures and we must retrieve funds from the Ministry of Defense/GHQ and the available money be reallocated for construction of Grain Storage to avoid loss/damage to our precious commodities/cereals. Within this backdrop, PASSCO has already asked QMG Branch. GHQ Rawalpindi to refund its amount of Rs.41.5d7 Million expeditiously and to cancel PASSCO's participation in auction proceedings dated 15 Aug 2008. The QMG has also been requested to refund the amount, which he has graciously conceded in principle. The PAO further informed that the PASSCO was directed to take the money back from DHA/Ministry of Defence.

PAC DIRECTIVE

The Public Accounts Committee took **a serious note for waste of public money in violation of all rules & regulations and directed the PAO to hold inquiry, fix responsibility against those who violated the rules/BoD's decision and also to find out that how the amount can be recovered from DHA/Ministry of Defence. Report to PAC within one month.**

8. **PARA 83 (PAGES 1113-115-ARPSE)**
UNDER-UTILIZATION OF CONCRETE SILOS AND PAYMENT OF FIXED ELECTRICITY CHARGES – RS. 104.163 MILLION

Audit pointed out that as per para-1 of the minutes of meeting held on September 27, 1983, under the Chairmanship of Additional Secretary, Food and Agriculture in connection with silos, it was advised by MINFA that PASSCO was entrusted with the task of exporting wheat and also maintaining the national wheat security reserves and it was decided that all the silos should be given to the PASSCO who would develop the silos expertise. As per para-10 of minutes the meeting it was also decided that PASSCO might be allocated certain areas in the Punjab like Multan, Vehari, Bahawalpur, Rahim Yar Khan, Okara and Sahiwal for the procurement of wheat on permanent basis so that PASSCO could establish their infrastructure in that areas on regular basis. As per para-09 of minutes of meeting it was also advised by the Ministry that PASSCO should have its own godowns within the areas which were being allocated to them. PASSCO and Punjab Food Department should explore the possibilities of exchanging the godowns i.e. PASSCO should take over the godowns from Punjab Food Department, which are in PASSCO procurement areas while Punjab Food Department should take over godowns from PASSCO which were in their areas.

PASSCO management took over 14 concrete silos constructed by the National Logistic Cell in 1983 costing Rs.82.400 million having storage capacity of 50,000 M. ton at each station at Khairpur and Chichawatni. PASSCO also spent an amount of Rs.6.067 million during 1990-91 on up-gradation of silos at Chichawatni through World Bank loan. These silos were constructed for bulk storage of wheat for maintaining the strategic reserves on long term basis. The said silos have never been fully utilized since 1984 and average utilization of the silos at Chichawatni and Khairpur remained 28% and 14% respectively during last 25 years. PASSCO paid fixed electricity charges of Rs.84,000 per month for concrete silos at Khairpur from June, 1984 to June, 1997 which came to Rs.13.104 million and Rs.18,000 per month from July, 1997 to February, 2009 which came to Rs.2.592 million. Thus an amount of Rs.15.696 million was paid during June, 1984 to February 2009 with only 14% utilization of silos at Khairpur and Chichawatni.

The PAO informed the PAC that 14 x Concrete Silos having storage capacity of 50,000 M.Tons each, located at Khairpur and Chichawatni, were handed over to PASSCO in the year 1983. These Silos were constructed for bulk storage of wheat for maintaining the Strategic Reserves. PASSCO had started its utilization in 1984 onward. During the period from 1984 to 2008 (25 years) wheat stored at Chichewatni and Khairpur silos was 0.332 million M.Ton and 0.174 million M.Ton respectively. Silos are being loaded with crop-2009 during the current year. Till 17 June 2009, following quantity of wheat had been loaded in these silos:-

a. **Chichawatni Silos.** 39,954.6 M. Tons (79.9% of total capacity)
b. **Khairpur Silos**. 7,293.2 M. Tons (14.58% of overall capacity)

PAC DIRECTIVE

The Public Accounts Committee after hearing the PAO gave following directions:-

i) **To resolve the issue with the Provincial Governments on give and take basis or at a proper price of silos after approval from the competent forum**.
ii) **To ensure the utilization of these storages and also to propose measures to enhance the utilization of these storages.**
iii) **Report to PAC/Audit within one month.**

9. **PARA 84 (PAGES 115-116-ARPSE)**
NON-RECOVERY FROM EMPLOYEES ON ACCOUNT OF DAMAGED/ SHORTAGE/ PILFERAGE OF WHEAT– Rs.21.154 MILLION

Audit pointed out that as per Section-04 (y) (b) of PASSCO Staff Service Regulations 1999, a person found guilty of theft, fraud and misconduct shall be terminated from service under section-14(III) & (IV). As per procurement policy of PASSCO, the officer / officials, in-charge of Purchase Centre-cum-Reservoirs will personally be held responsible for security of wheat purchased at their storage points. Zonal / Project Managers are responsible for operation and will adopt ways and means to avoid any pilferage / deterioration and ground shortage. An amount of Rs 25.698 million was outstanding against 75 officers/officials of PASSCO on account of

shortage/damages/pilferage of wheat and other items on February 07, 2009. The management failed to institute any proper recovery mechanism to safeguard the interest of the organization. As a result of slack recovery process certain employees succeeded in getting the relief from court of law. The matter was taken up with the management on February 20, 2009. The management in its reply dated April 01, 2009 stated that in 24 cases, an amount of Rs 4.544 million had been recovered / written off, in 09 cases the recovery was being effected on monthly basis. In 18 cases the matter was in court of law whereas position regarding remaining 24 cases would be intimated in due course of time. Audit was of the view that recovery could not be effected due to delayed action of the management during which the employees succeeded in getting relief from the courts of law, hence the responsibility for the delayed action was required to be fixed. Recovery was being made on monthly basis at meager rates that may take a long period, thus undue favour was being extended to the defaulting employees.

The PAO informed the PAC the Court case PASSCO Vs Employees or Employees Vs PASSCO of Ex-employees as well as serving employees has since been vigorously pursued. However, in view of the existing legal procedure, a lot of time is required for the out come / decision of the Court.Proper system exists in the Corporation to affect the recoveries on regular basis to make up the loss of Corporation. PASSCO is mindful regarding timely recoveries and efforts will be made to effect recoveries in time according to Industrial Relation Act in vogue in Pakistan wherein it has been mentioned that reasonable amount should be deducted from the monthly salary of employee. In some cases Competent Court of law has mentioned that @ 50% deduction of recoveries from the monthly salary is harsh and ordered to deduct their amount of recovery @ 20% of their gross salary of employees whereas in cases under reference almost 50% recovery is being made from the monthly salary of employees. Recoveries deducted from the monthly salaries of defalcated amount from serving employees are totally in accordance with rules in vogue in Pakistan. Corporation is bound to implement the law/orders of the court of Pakistan and in this regard all efforts are being made for the early recovery of defalcated money.

PAC DIRECTIVE

The Public Accounts Committee deferred the para with the direction **to PAO to take up dated report from NLC. After receipt of report from NLC the Public Accounts Committee shall discuss again this para.**

10. **PARA 85 (PAGES 116-117-ARPSE)**
LOSS DUE TO PAYMENT OF TRANSPORTATION CHARGES– RS.14.621 MILLION

Audit pointed out that as per wheat procurement policy, crop-2007 circulated on April 05, 2007 there was no provision regarding payment of transportation charges to growers. Only delivery charges @ Rs.3 per 100 kg were allowed vide para-11(b), which were enhanced to Rs.5 per bag of 100 kg from May 15, 2007.

The PASSCO management allowed the transportation charges @ Rs.10 per 40 kg vide letter dated May 22, 2007 which were not mentioned in wheat procurement policy and cancelled it just after two days vide letter dated May 24, 2007. This resulted in an extra payment of Rs.14,621,000 (58,484,000 Kg procured / per 40 kg x Rs.10) to the sellers on account of transportation charges on the purchase of 58,484 M. ton wheat in two days. The excess expenditure was incurred by PASSCO management in violation of wheat policy.The matter was brought to the notice of management on February 20, 2009. The management in its reply dated April 11, 2009 stated that transportation charges were granted with the approval of the Secretary, MINFA, to achieve the procurement targets. However on the objection of the Food Department the same was ceased vide letter dated May 24, 2007. Total procurement during couple of days was 4,277.5 Metric ton of wheat. Audit was of the view that the management allowed transportation charges without prior approval of the competent authority which caused a loss of Rs.14.621 million to public exchequer. Moreover, it was observed that PASSCO had claimed incidentals amounting to Rs.16.748 million on account of transportation vide para 4.4(c) of letter dated August 12, 2008 which indicated that excess transportation charges @ Rs.10 were paid on 58,484 M. ton instead of 4,277.5 M. ton as intimated by management in its reply. It indicates that

either the claim lodged by the PASSCO with MINFA was not based on facts or incorrect figures were being communicated to audit.

The PAO informed the PAC during Wheat Procurement Operation 2007 a very transparent and farmers friendly policy was formulated and implemented at each Purchase Centre. Besides this, wide publicity was given through loud speakers and electronic media, inviting farmers to come forward and tender their wheat directly at PASSCO Purchase Centers to curtail the role of middle man. Moreover, Public meetings with the farmers and notables of the area were held by the MD to encourage them to tender their wheat at PASSCO's Purchase Centers so as to get Government support price. In order to meet the target of 1.3 million M. Ton Authority decided to pay transportation/allied charges to the farmers in addition to cost of wheat & delivery charges already paid to them. M.D PASSCO is fully authorized by BOD to approve any operational expenses which are beneficial to Department.

PAC DIRECTIVE

The Public Accounts Committee directed **the PAO to get the stay orders vacated expeditiously to recover the extra payment made by PASSCO. The PAC also directed the PAO to take up the issue with the Advocate General for early finalization of such cases. Report to PAC/Audit within one month.**

11. **PARA 86 (PAGES 117-118-ARPSE)**
PAYMENT OF PENALTY DUE TO DEVIATION FROM CONSTRUCTION PLAN - RS.9.391 MILLION

Audit pointed out that Lahore Development Authority (LDA) approved the building plan for construction of PASSCO Plaza at 11-Kashmir Road, Lahore vide letter dated April 11, 2005. As per condition-19 of the approval,the design must ensure that windows may not directly overlook the Governor House, Lahore. All the construction would be started after release of approved drawings by LDA.The PASSCO authorities violated the approved building plan and continued the construction of upper ground, first ground and second ground without release of approved drawings by LDA. Resultantly LDA imposed

a penalty of Rs 9.391 million vide letter dated January 05, 2008. The payment was made on May 28, 2008. The matter was discussed in 94th BoD meeting held on April 12, 2008 and the BoD directed to conduct an enquiry for fixing the responsibility as to why the penalty was imposed by LDA but enquiry was not conducted. The matter was brought to the notice of the management on February 20, 2009.The management in its reply dated April 01, 2009 stated that efforts were made to control the loss and penalty was paid. It was also stated that the matter was presented to BoD in 95th meeting and the Board had approved the expenditure incurred on account of penalty imposed by LDA. Audit was of the view that PASSCO management continued the construction of building without releasing the drawings by LDA and the contractor who continued to work without detailed drawings even then could not complete the building in scheduled time and also got escalation by refunding 2/3 of the rebate agreed upon; on the ground that the work was delayed due to non-issuance of drawings by LDA and some other factors.

The PAO informed the PAC the total amount of penalty imposed by L.D.A was Rs.9,390.567/- detail is as under:-

a. Projection of main building towards the Front space Rs.114,375
b. Construction of AC Plant and Stores in mandatory spaces in basement Rs.1,173,392
c. Construction without approval of plans of Upper Ground Floor, 1st & 2nd Floor Rs.8,101,800
d. Departmental Charges Rs.l,000

Total Rs.9,390,567

Out of the above, penalty amounting to Rs.1,173,392 was against construction of essential stores, AC Plant room and installation of' generators in basement and sub-basement. In addition to above Rs.114.375 were charged as penalty for projection of windows in front of building, which were considered essential by the Consultant to maintain the ambiance of the offices in view of the restriction imposed not to have direct opening at front due to close proximity of Punjab Governor House. These penalties had been accepted by PASSCO but the imposition of penalty by LDA amounting to Rs.8,101,800 regarding construction without approval of drawings was unjustified. PASSCO does not agree with the contention of LDA and Petition has been filed on

10.08.2009 in Lahore High Court. The fact finding inquiry was convened and explained to BOD who accepted and approved the expenditure. Financial approval of Board of Directors for payment of penalty has been accorded in BOD 96th meeting dated 11-10-2008. PASSCO has exercised due diligence and perseverance, to have the penalty dropped/mitigated. The matter is being pursued further.

PAC DIRECTIVE

The Public Accounts Committee directed **the PAO to enquire the matter, fix responsibility and report to PAC within one month. The PAC also directed the PAO to sit together with LDA to settle the issue out of court within 30 days.**

12. **PARA 87 (PAGES 118-119-ARPSE)**
LOSS DUE TO NEGLIGENCE OF CENTRE IN-CHARGES - RS.7.421 MILLION

Audit pointed out that as per Section-04 (y) (b) of PASSCO staff service regulations 1999, a person found guilty of theft, fraud and misconduct shall be terminated from service under section-14(III) & (IV). As per procurement policy of PASSCO, the officer / official, in-charge of Purchase Centre-cum-Reservoirs will personally be held responsible for security of wheat purchased at their storage points. Zonal / Project Managers are responsible for operation and will adopt ways and means to avoid any pilferage / deterioration and ground shortage. Assistant In-charge, Purchase Centre, Veneke Tarar, Jalalpur Bhattian Project, Hafizabad Zone (Crop-2005) was proceeded against under Removal from Services (Special Powers) Ordinance, 2000 vide letter dated March 09, 2006 on account of quality losses of 1,965.673 M. ton of wheat. The Board of Inquiry (BOI) observed that the In-charge was responsible for purchase of below specification wheat and he did not apply protective measures in time, resultantly wheat was damaged. The BOI considering the climatic effects involved in the losses, recommended 0.5% rebate on the balance stock along with major penalty to be imposed on the official. The management, without considering the findings of BOI, took very lenient view against the accused as administrative and storage charges of Rs.0.865 million (1,965.673 M. ton x Rs.440) and cost differential for Rs.6.801 million (1,965.673 M. Ton x Rs.3,460) were dropped and management recovered an amount of Rs.0.245 million only, thus it caused a

loss of Rs.7.421 million to the Corporation.The matter was brought to the notice of management on February 20, 2009. The management in its reply dated April 01, 2009 stated that the recommendations of Inquiry Board had never been final and mandatory for the management as the authority may differ to the same because it has its own version and mental approach rather prerogative to decide the cases at its own will and in this regard neither any interruption would be plausible nor the Authority could be dissuaded in the exercise of its powers Some individuals entered in the plea bargaining during the course of inquiry to the effect that if they make good PASSCO's loss of their share, the Management, in on its part, will take lenient view. The management acceded to the commitment and accordingly, some individuals deposited the amount of their share.In-charge Procurement Centre (PC), Vaneke Tarar, PC Kaleki and Incharge PC Bhobra along with his Assistant In-charge were reluctant to pay amount of loss of their share so they were dismissed from PASSCO service. In addition to filing civil suits for the recovery of PASSCO losses FIRs were also registered against them while the employees who fulfilled their commitment and made good PASSCO's loss, they were, accordingly, dealt leniently. The decision of PASSCO management should be treated as final because any revision in the recovery will vitiate PASSCO's case in the court. The audit was of the view that there was no justification to upkeep the promises with criminal employees causing loss of millions of rupees to the public exchequer as they were granted undue favour just to avoid criminal proceedings against them.

The PAO informed the PAC that as a result of plea bargain by the accused officers/officials, PASSCO had recovered Rs.39,64,2747- from the following:-

1.	Mr. Pervaiz Khalid, ZH. Hafizabad	a.Deposited share of PC Vaneki Tarar b.Share of PC Kaleki c. ShareofPCBhobra	Rs.l 1,02,206.00 Rs. 2,51,350.00 Rs. 58,789.00 **Rs.l4.12J45.00**
2.	Mr. Mushtaq Ahmed Malik, PM,	Share of PC Vaneki Tarar	Rs. l 6,53,310.00
3.	Mr. Muhamrnad Zaman Khan, PM,	Share of PC Kaleki	Rs 3,77,025.00
4.	Mr. Bashir Ahined. PM. Pindi Bhattian	Share of PC Bhobra	Rs. 88,184.00
5.	Mr. Sajid Muhammad Sial, API	Share of PC Vaneki Tarar	Rs. 2,44,897.00
6.	Mr. Abdul Rashccd, API	Share of PC Kaleki	Rs. 1,88.513.00
		Total:	**Rs.39,64,274.00**

No undue favour was extended to the defaulting employees except for dropping the fixed charges being the indispensable. If PASSCO Management does not honour its commitment with the accused employees, the amount of Rs.39,64,274 would never have been recovered from them. It is further added that the employees who did not enter in the plea bargain were dismissed from PASSCO services and Civil Suits were constituted for the recovery of PASSCO losses in addition to lodging the FIRs, against them, with Police authorities of District Hafizabad. The details of which are given below:-

Sr.#	Name of Ex-Official	FIRs lodged for causing loss
a.	PT No. 18557 Mr. Nisar Abbas S/0 Nabi Bukhsh R/0 Shah Jcvana City, Tehsil & District Jhang, ex-API, PASSCO	Rs.3,540,454.00
b.	PT No. 18542 Mr.Ghulam Shabbir S/0 Khan Muhammad R/0 Village Walike, Tehsil Pindi Bhattian, Distt: Hafizabad ex-AP1, PASSCO.	Rs. 1,880,070.00
c.	PT No. 18350 Mr. NasrullaH Bhatti S/0 Maula Khan, R/0 Village Dera Khialika, Tehsil & Distt Hafizabad ex-API, PASSCO	Rs.714,919.00
d.	PTNo. 18781 Mr.Muhammad Amin S/0 Muhammad Ibrahim, R/0 House No.177 C/B, Kashmir Road, Kashmir Colony, Gujranwala Cantt. Ex-API, PASSCO.	Rs.215,622.00

PAC DIRECTIVE

The Public Accounts Committee pended **the para with the direction to PAO to look into as to that why the person (s) is/are still in service. The PAC also directed the PAO to ensure the recovery and to lodge revised FIR against the accused.**

13. **PARA 88 (PAGES 120-121-ARPSE)**
UNDUE RELEASE OF FORFEITED SECURITIES TO JUTE MILLERS– RS.3.070 MILLION

Audit pointed out that as per clause-17 of the agreement dated March 01, 2007 in case the supplier fails to deliver the agreed quantity beyond 15 days of the final delivery date PASSCO may rescind the agreement and forfeit security deposit proportionate to the late delivered quantity. Additionally, the PASSCO shall purchase defaulted quantity at risk and cost of seller and extra expenses incurred by PASSCO shall be recoverable from the defaulting supplier either from the pending bills, payments, dues / security or through legal recourse. PASSCO executed agreements for procurement of 44,500 bales of jute bags with 08 jute millers. According to the schedule, bales were to be supplied up to May 15, 2007 with 20% (+/-) in quantity. PASSCO increased the quantity to be procured by

9,100 bales which were to be supplied by May 31, 2007. Six out of eight jute millers failed to supply 3,865 bales. As a result, PASSCO forfeited the security of the defaulted millers. Later on, 03 millers represented on the ground that original quantity allocated to them was supplied during the validity period. However, enhanced quantity could not be supplied due to some unavoidable circumstances. PASSCO accepted their plea and released the forfeited security of these three millers. Even those millers who did not apply for refund of forfeited security were given the benefit. In fact, there was no provision in the rules regarding refund of forfeited security. As a result, PASSCO suffered a loss of Rs.3.070 million.The irregularity was pointed out to the management on February 20, 2009. The management in its reply dated April 01, 2009 intimated that contracts regarding purchase of 44,500 (20 % +/-) bales were awarded in favour of eight jute millers. Delivery period without LD charges was up to May 15, 2007. PASSCO had exercised (20 % +/-) option, accordingly jute millers were asked to supply enhanced quantity of 8,900 bales up to 31 May 2007. All jute millers were reminded vide letter dated May 16, 2007 to ensure provision of 20% extra quantity up to 31 May 2007. Accordingly 5% security against 3,865 bales was forfeited in favour of PASSCO. Against the above decision, applications from some of the affected jute millers were received requesting reconsideration of the decision of security forfeiture for the defaulted quantity. The case was discussed with MD on June 21, 2007, wherein it was highlighted that despite simultaneous demand by Provincial Food Departments and PASSCO, jute millers delivered 100% contracted quantity of 44,500 bales in time. It was only the additional quantity (20%), out of which 42% could not be supplied by 31 May 2007 the dead line given to millers (due to urgent demand by Punjab Food at that point of time). The proportionate 5% security forfeiture on the defaulting mills was imposed. Considering the response and overall performance of jute millers to meet PASSCO's demand of jute bags and in the spirit of good business relationship it was recommended that earlier decision be rescinded and 5% security of all effected mills be released. The minutes of Tender Committee were approved by MD and accordingly 5% proportionate security of the effected jute millers was released. The audit is of the view that there was no reason for refund of forfeited security it was just undue favour to the suppliers at the expense of public exchequer. No contractor requested for extension in the delivery period during

currency of due date of delivery. Moreover the Managing Director was not empowered to refund the forfeited security.

The PAO informed the PAC that contracts regarding purchase of 45,500 (20 % +/-) bales of jute bags were awarded in favour of nine different Jute Millers. Delivery period without LD charges was upto 15'"May 2007.PASSCO had exercised 20 % plus option. Accordingly following nine Jute Millers were asked to supply enhanced quantity i.e. 9100 bales upto 31 May 2007 but the Millers could not deliver 3,865 bales of jute bags as detailed below:-

Name of Jute Mill	Contracted Quantity	Delivered Quantity	Defaulted Quantity
Thai Ltd	1843	1843	-
Madina Jute Mill	799	-	799
Sargodha Jute Mill	1470	230	1240
Pioneer Jute Mill	379	330	49
Crescent Jute Products	866	500	366
Habib Jute Mill	761	350	411
White Pearl Jute Mill	1782	1782	-
Amin Jute Products	200	200	-
Suhail Jute Mill	1000	-	1000
Total:-	**9100**	**5235**	**3865**

eld) recommended that the defaulted quantity i.e. 3865 bales be rescinded and 5 % proportionate security against 3865 bales of the above mentioned defaulted firms may be forfeited in favour of PASSCO. The minutes of TC were approved by MD. Accordingly 5% security against 3865 bales was forfeited in favour of PASSCO.Some affected jute millers discussed the case with MD on 21 June wherein it was highlighted that despite simultaneous demand by Provincial Food Departments and PASSCO, jute millers delivered 100 % contracted quantity (45,500 bales) in time to PASSCO. Timely supply made it possible for PASSCO to achieve its procurement target. It was only the additional quantity (20 %) part of which (42 %) could not be supplied by 31 May 2007 for which proportionate forfeiture of 5 % security on the defaulting mills was imposed in the spirit of good business relationship and the recommendation of TC Committee the MD agreed to release 5% proportionate security of the affected Jute Mills. The PAO further informed that the PASSCO Board has regularized the issue.

PAC DIRECTIVE

The Public Accounts Committee settled **the para with the direction to PAO to avoid violation of Rules and Regulations and follow the Rules strictly in future.**

14. **PARA 90 (PAGES 123-124-ARPSE)**
IRREGULAR PAYMENT TO EX-GENERAL MANAGER RE-EMPLOYED AFTER SUPERANNUATION – RS.1.767 MILLION

Audit pointed out that as per Section-14 of Civil Servants Act 1973 a retired civil servant shall not be re-employed under the Federal Government, unless such re-employment is necessary in the public interest and is made with the prior approval of the authority next above the appointing authority. As per Establishment Division O.M. dated December 12, 1990 the Cabinet in its meeting held on November 12, 1990 decided that no re-employment beyond the superannuation should be allowed except in very exceptional cases for which approval of the Prime Minister would be obtained. This decision was also applicable to Autonomous Bodies / Semi-Autonomous Bodies. Brig. (Retd.) M. Pervaiz Akber, General Manager was retired from PASSCO on April 02, 2006 on superannuation and re-appointed for one year on contract basis from April 03, 2006 to April 02, 2007 and for further one year from April 03, 2007 to April 02, 2008 without the approval of Prime Minister. Thus the payment amounting to Rs.1.767 million made @ Rs.73,630 per month on account of pay and allowances from April 03, 2006 to April 02, 2008 (24 months) was considered irregular. The matter was brought to the notice of management on February 20, 2009. The management in its reply dated April 11, 2009 intimated that due to shortfall of experienced officers in PASSCO, the ex-officer was appointed as General Manager (Grade-20) on contract for utilization of his services. Appointment beyond the age of superannuation was made as per revised Schedule of PASSCO Employees (E&D) Regulations, 1997 and in accordance with para-5 of Establishment Division, letter dated October 09, 2001. Audit was of the view that the said officer was not to be re-employed on contract unless approved by the Prime Minister.

The PAO informed the PAC that due to shortfall of experienced officers in PASSCO, Brig ® M. Parwaiz Akbar was initially appointed as General Manager (Grade-20) on Contract for a period of one year w.e.f 03.04.2006. His contract was further extended for one year up to 03.04.2008 beyond the age of superannuation to utilize his services. Appointment was inescapable due to certain ongoing projects of PASSCO. Appointment of the Ex-Officer beyond the age of superannuation was made as per Revised Schedule of PASSCO Employees (E&D) Regulations, 1997 according to which Executive Committee of BODs PASSCO is authorized to appoint / extend contract employment of BPS-20 Officers and consultation of Para 5 of Establishment Division, Cabinet Secretariat, Govt. of Pakistan-OM NO.I/4/97/RW-III/CP.9 dated 09.10.2001 received through MINFA under endorsement No.F.3-6/2000-Coord dated 22.10.2001. Hence the payment of Rs. 1.767 Million is justified Owing to service exigencies, only two ex-officers were re-employed beyond the age of superannuation and generally this practice is discouraged. The Managing Director, PASSCO further informed that the extension was given for utilization of experience of Officer and the case has been sent to the Ministry for getting ex post facto approval from Establishment Division.

PAC DIRECTIVE

The Public Accounts Committee settled the para subject to ex-post facto approval from the competent forum verified by Audit. Report to PAC within one month.

15. **PARA 91 (PAGES 124-125-ARPSE)**
IRREGULAR APPOINTMENT OF EX-DGM (FINANCE) ON THE BASIS OF FAKE DEGREE–RS.0.832 MILLION

Audit pointed out that as per appointment policy of the PASSCO, the Deputy General Manager (DGM), Finance, must have CA/ACMA qualification or MBA (Finance) with 07 year post qualification experience in maintaining and keeping of commercial accounts and dealing with finance matters and having age of 45 years. Mr. Zafar Iqbal, having ACMA from ICMAP, Lahore, MBA Finance from Lawrence Institute of Management & Computer Science (PLI), Lahore with 18 years experience in Private Sector was selected as DGM (Finance) in B-19 at basic pay of Rs.24,885 (with 15 advance increments plus

usual allowances) on contract for a period of three years The officer joined duty on April 17, 2006. The certificates of the officer were sent to respective institutions for verification on June 26 and 28, 2007. The MBA (Finance) degree, the PLI management confirmed that it was not a degree but merely a certificate having passing the examination in 1997, while the institute got its affiliation with a University of Al-Khair in 2002. As regard, ACMA certificates it was intimated by ICMAP, Lahore vide letter dated July 12, 2007 that examination result cards submitted by Mr. Zafar Ibqal were not genuine and was tampered to show passing remarks 'P' for all parts. As per ICMAP record he had passed only Part-I under old syllabus. The officer in question was B. Com and he got employment in showing ACMA qualified by deceiving the management had committed "misconduct" by providing a fake academic credentials. As per terms and conditions of his appointment, he was liable to be dismissed from service. Thus, payment made to him amounting to Rs.0.832 million was considered irregular. The officer submitted his resignation on July 31, 2007 which was accepted on August 03, 2007. It indicated that degrees were not verified promptly from the concerned institutions. This exercise needs to be done for all employees of PASSCO.

The PAO informed the PAC that in addition to our comments sent on the subject observation vide our letter No. PASSCP/CAC/09/8087 dated 01.04.2009, it is further submitted that Mr. Zafar Iqbal was appointed Deputy General Manager (Finance) after proper interview by the Board and due approval by the Competent Authority. The said officer worked in PASSCO from 17.04.2006 to 02.08.2007. After detection of his degree as fake & non-genuine, lie was asked to resign from service or PASSCO would terminate his services. Accordingly he resigned from service which was accepted by the MD and he was paid upto the acceptance of his resignation i.e. 02.08.2007 till the date he served. As far as the regularization of actions/decisions taken by the ex-officer, it is staled that he was merely working as Deputy General Manager under the supervision and control of a General Manager(Scale-20) who is a Chartered Accountant and responsible for overall working of the Finance & Accounts Wing. Therefore, he was working as a staff and not in any decision making authority. It is added that all the educational degrees/certificates

of the staff are being got verified from the respective institutions. The Managing Director, PASSCO further informed that FIR has been lodged to recover the amount.

PAC DIRECTIVE

The Public Accounts Committee directed **the PAO to enquire the matter, fix responsibility, ensure recovery and report to PAC within one month. The PAC also directed to fix responsibility against General Manager (Admin), take action who committed abnormal delay in verification of the academic certificates of the officer.**

16. **PARA 92 (PAGES 125-126-ARPSE)**
LOSS DUE TO AWARD OF CONTRACT ON SINGLE SOURCE BASIS- RS 0.975 MILLION

Audit pointed out that as per Rule 2 (l) and Rule 4 of the Public Procurement Rules (PPR)-2004 "Value for Money" means best returns for each rupee spent in term of quality, timeliness, reliability and quality to meet the procuring agency's requirements. As per Rule–15 a procuring agency, prior to the floating of tenders, invitation to proposal may engage in pre-qualification of bidders in case of service, procurement and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. The PASSCO entered into an agreement with M/s. AZM Computer Services (Pvt.) Ltd., Lahore on December 16, 2004 for preparation of 10 modules on single source basis for Rs.0.975 million. The work was to be completed up to June 30, 2005 with 6 months as warrantee period. The PASSCO paid Rs.0.592 million up to March 31, 2008; the job in question was shown as Work-in-progress-ERP Computerization. Out of ten modules, only 03 could be completed by January, 2009. The work on remaining 07 could not be started even after lapse of four years.

The PAO informed the PAC that ERP Software purchase contract was awarded to M/S AZM Computer Systems after due scrutiny of the bids received from different software vendors. M/S AZM Computer Services was the lowest. The contract was finally awarded

to M/S AZM Computer Services after due deliberations and recommendations of a Committee of Executives based on the following:-

a. M/S AZM computer Services were the lowest bidders.
b. PASSCO had prior working relationships with AZM Computer Services and a mutual comfort level already existed.
c. The features of software modules were duly presented to the PASSCO management and got approved for purchase.
d. Since PASSCO had opted to purchase an Off the Shelf' ERP Software and vendor remained fully involved in it customization, prior need of SRS was not mandated.

The salient features of the mutual contract concluded between PASSCO and M/S AZM Computer Services were as under:-

a. The best available software selected after viewing the software modules prototypes.
b. This was the most cost effective option available.
c. A robust and tested software development platform, at that time, was chosen for PASSCO HO (since connecting with the field offices was not considered viable at that stage).
d. Since a software maintenance contract shall be concluded with the vendors for its smooth functioning in future (details being worked out), the purchase of source code was evaded to keep the total cost low.
e. The contract clearly spells out the need for customization of all modules to the client acceptability.
f. The contract does not prohibit filing of a law suite against the vendors in a court of law if so necessitated.
g. After further negotiations with M/S AZM Computer Services, they also provided with the User Manuals for all software modules.

As true to the implementation of any software of this magnitude, delays were caused due to the lack of client understanding of the software modules and lack of professional IT team in PASSCO (The same has now being taken care of, whereby a qualified Manager IT has been appointed and efforts are in hand to augment the team with better trained staff as well). The vendor was paid 30 percent at the time of signing contract and remaining module wise payments were made gradually only after testing the delivered software modules. All the purchased software modules have been handed over to PASSCO, implemented and they are functional. Listing and specimens of printed reports have already been shown to the auditors.

PAC DIRECTIVE

The Public Accounts Committee took serious note for violation of PPRA Rules and directed the PAO to enquire the matter, fix responsibility and report to PAC within one month.

17. **PARA 93 (PAGES 126-127-ARPSE)**
UNJUSTIFIED SALE OF VEHICLE TO EX-MANAGING DIRECTOR AT BOOK VALUE – RS.0.354 MILLION

Audit pointed out that as per memo dated December 12,1995 the PASSCO BoD in its 60th meeting held on December 12, 1995 resolved that one vehicle in the use of Chief Executive be sold to him on book value at the time of his retirement. The officers of Grade-20 and above in the regular service of PASSCO may also be allowed to purchase vehicle in their personal use at the time of their retirement against payment of book value at the discretion of the Managing Director. Pakistan Agricultural Storage and Services Corporation Limited management sold out a Honda Civic car for Rs.0.245 million on book value to ex-Managing Director who was on deputation with the Corporation and repatriated to GHQ on January 4, 2008. As the officer was on deputation from GHQ and retired there from, he was not entitled for the benefits of retiring employees of PASSCO. The management had worked out the value of vehicle Rs.0.245 million as on January 31, 2008 @ 25% instead of Rs.0.354 million on the basis of prevailing deprecation policy of 20%.

The PAO informed the PAC that in addition to our comments sent on the subject observation vide our letter No.PASSCO/CAC/09/80S7 dated 01.04.2009, it is further submitted that since approval by the PASSCO Board of Directors during its 60"' meeting held on 05.12.1995, it has been the practice to offer / sell the vehicle under use of the Chief Executive of the Corporation/MD on his retirement. In consonance with the approval of the PASSCO BOD (the Body empowered to make and approve relevant rules / regulations of the Corporation) the subject vehicle was offered / sold to Ex-Managing Director, on retirement. It is pertinent to mention that this practice is being followed and

no observation/objection has ever been raised by the Commercial Auditors prior to the subject case.

PAC DIRECTIVE

The Public Accounts Committee taking a serious view directed **that the vehicle should be recovered from the ex-Managing Director within one month. The PAC further directed the PAO to ensure a uniform policy and also do not repeat this in future.**

18. **PARA 94 (PAGES 127-128-ARPSE)**
IRREGULAR OUT OF TURN PROMOTION RESULTING INTO RECURRING LOSS – RS.0.215 MILLION

Audit pointed out that as per Promotion Policy / Criteria for PASSCO employees issued vide letter dated October 10, 2007, the overall strength of the Corporation would be 330 Officers and 1320 officials. As per clause-4 of the promotion policy the criteria of promotion is based on seniority cum fitness, performance, qualification, experience and personal conduct of the officers. In PASSCO, six officers were promoted on out of turn basis in June 2007 without keeping in view their seniority cum fitness as required under the PASSCO service rules. The officers were promoted on pick and choose basis without prescribing any reasons for ignoring the senior most officers in the promotion zone. In addition they were granted cash award for achievement of targets during Crop 2007. There was no extra ordinary direct contribution of the officers in the improvement of PASSCO business / achievement of procurement targets as only two officers out six were working in the field operations.

The PAO informed the PAC that Board was constituted to evaluate the good performance of staff in the field as well all wings in the Head Office, during the period June 2006 - May 2007. The Board observed performance of certain officers/officials as outstanding and to encourage honest & devoted workers and to create a healthy competition, board recommended the names of six employees for promotion. These employees performed well and provided financial benefits during crop 2006 to PASSCO. As per promotion policy their ACRs for the last five years were free from any adverse entry/remarks. They

also possessed requisite qualification and length of service in accordance with the promotion policy. As far as seniority is concerned the promotion policy clearly spells out that promotion within officers cadres will be strictly governed by merit and no officers will have claim for promotion on the basis of seniority alone.

PAC DIRECTIVE

The Public Accounts Committee took serious note for misuse of powers exercised for out of turn promotion cases and directed the PAO to re-visit to streamline the whole system and also to investigate the issue by the M/O Food and Agriculture and report to PAC within one month. The PAC further directed that discretionary powers should not be used in future.

19. i) **PARA 79 (PAGES 105-ARPSE)**
AUDIT COMMENTS

ii) **PARA 79.1 (PAGES 105-106-ARPSE)**
WORKING RESULTS

iii) **PARA 79.2 (PAGE 106-ARPSE)**
AUDIT COMMENTS

iv) **PARA 79.3 (PAGE 106-ARPSE)**
AUDIT COMMENTS

v) **PARA 79.4 (PAGES 106-108-ARPSE)**
AUDIT COMMENTS

vi) **PARA 79.6 (PAGE 109-ARPSE)**
AUDIT COMMENTS

vii) **PARA 79.7 (PAGE 109-ARPSE)**
AUDIT COMMENTS

viii) **PARA 89 (PAGES 121-123-ARPSE)**
AUDIT COMMENTS

PAC DIRECTIVE

On the presentation of above 8 audit paras, the PAC directed the PAO to implement he recommendations of the DAC. These paras are considered to be settled subject to verification/satisfaction of Audit Department.

MINISTRY OF FOREIGN AFFAIRS

1. OVERVIEW

Appropriation Accounts 2007-08 and briefing on Sale of Pakistan Embassy Building in Tokyo (Japan) pertaining to the Ministry of Foreign Affairs were taken up for examination by Public Accounts Committee (PAC) on **12th March, 2010 and 10th May, 2011.**

1.1 The PAC, having considered Audit's point of view as well as explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving financial indiscipline, non-deposit of Government money, overpayments of allowances, excess expenditures, unlawful transfer of councilor fees, non-credit of surplus amount into Federal consolidated Fund and non-recovery of telephone charges, etc.

1.2 During the course of discussion in the meetings, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 4 Grants reported by AGPR and the PAC after hearing the PAO the PAC regularized the grant.

1.4 The Committee directed Audit to verify details/facts, given in certain cases, in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

A meeting of the Public Accounts Committee was held on **12-03-2010** at 10:00 am in Committee Room No. 2 Parliament House Islamabad to discuss the following:-

1) Briefing on Sale of Pakistan Embassy Building, in Tokyo (Japan)
2) Appropriation Accounts (VOL-V) (2007-08)

Actionable points arising from the discussions from the PAC meeting are as under:-

1) **BRIEFING ON SALE OF PAKISTAN EMBASSY BUILDING, IN TOKYO (JAPAN)**

The Secretary, Ministry of Foreign Affairs briefed the Public Accounts Committee that the expenditure on hiring premises for our Chanceries and residential accommodation including Embassy Residences for the Pakistan based officials of the Missions constitutes a major burden on the government exchequer. Owing properties abroad has, therefore been a priority. To ensure expeditious processing of proposals about government owned properties abroad, it was decided by the Government that such matters be taken up and approved by an Inter Ministerial Committee (IMC).

The Inter-Ministerial Committee (IMC) in its meeting held on 19 September, 2006 considered the Tokyo Embassy Complex proposal and agreed that the price of the then current property should be ascertained through a recognized Evaluator, after which the IMC would take a decision in the matter. The IMC also highlighted that the need to know the value of the existing property was felt to ensure that the government interests were safeguard and that it did not incur any loss in the construction of the new Complex in exchequer of the old compound.

The Inter-ministerial Committee (IMC) in its report dated December 8, 2006 approved 8 apartments for Officers and 14 apartments for Pak-based Staff. After moving into the new Embassy Complex the Government of Pakistan is saving around one million Dollar annually which was earlier being paid on renting accommodation for Officers and members of the Staff.

After briefing by the Ministry of Foreign Affairs, the members of the Public Accounts Committee raised certain observations on Sale/Purchase of the embassy complex in Tokyo (Japan). The Public Accounts Committee desired that the whole process should be very transparent and this should have to be done through open bidding. Evaluation process should be transparent manner. There are very serious questions which need to be

answered. Thereafter, the Public Accounts Committee constituted a Sub-Committee to probe into the entire process adopted was under the rules/regulations. The Sub-Committee will also look into the other properties whether the rules were followed or not while selling/purchasing the properties by the Ministry of Foreign Affairs in the past. The Sub-Committee will submit its report to PAC within three weeks. The composition of the Sub-Committee will be as under:

i) SardarAyazSadiq, MNA/Convener
ii) Mr. Nadeem Afzal Chan, MNA/Member
iii) Mr. Hamid Yar Hiraj, MNA/Member

APPROPRIATION ACCOUNTS OF THE FOREIGN AFFAIRS (VOL-V 2007-08)

2. i) **GRANT NO. 52-FOREIGN AFFAIRS DIVISION. (HEADQUARTER) (PAGE 09-AA)**
(Saving of Rs 81,429,763)

The Director Finance pointed out that saving worked out to 14.15% of the total grant. A supplementary grant of Rs. 10,100,000 was sanctioned but could not included in the supplementary schedule of authorized expenditure. After taking into the account the saving shall be increased to Rs. 91, 529, 763 (15.63%). An amount of Rs 86,620,281 was surrendered resulting in net saving of Rs 4,909,482 (0.98%).

ii) **GRANT NO. 53-FOREIGN AFFAIRS (PAK. MISSIONS ABROAD) (PAGE 15-AA)**
(Excess of Rs 143,174,088)

The Director Finance pointed out that excess worked out to 2.57% of the total grant. A supplementary grant of Rs. 56,199,000 was sanctioned but could not include in the supplementary schedule of authorized expenditure. After taking into the account the Excess shall be decreased to Rs. 86,975,088 (1.55%). An amount of Rs. 25,100,000 was surrendered resulting in net Excess of Rs. 112,075,088 (2.00%).

iii) **GRANT NO. 54-OTHER EXPENDITURE OF FOREIGN AFFAIRS DIVISION (PAGE 22-AA)**

(a) (Saving of Rs. 90,150,634-Charged)
(b) (Saving of Rs. 65,328,670-OTC)
Total Saving of Rs. 155,479,304

The Director Finance pointed out that saving worked in charged portion saving of Rs. 90,150,634 is 39.54% of the Final Grant. In the Other Than Charge (OTC) grant closed with the saving of Rs. 65,328,670 which worked out to be 6.23% of the Final Grant. A supplementary Grant of Rs. 15,000,000 was sanctioned but could not included in the supplementary schedule of Authorized Expenditure. After taking in to the Accounts the saving shall be increased to Rs. 80,328,670 (7.55%). An amount of Rs 37,062,000 was surrendered, resulting in net saving of Rs. 43,266,670 worked out to 4.22% of the total Final Grant.

PAC DIRECTIVE

After hearing the PAO, the PAC settled/regularized the above 3 grants. However, directed the PAO that re-conciliation must be made constantly on a monthly basis. DAC meetings should be held regularly. Much more strict control should be exercised over the budget to ensure the sanctity of budget figures. Every effort should be made to ensure that accurate budget estimates are made while formulating budgets, so that at the end of the every financial year, there should be zero excess and zero saving.

3. **GRANT NO. 172 CAPITAL OUTLAY ON WORKS OF FOREIGN AFFAIRS DIVISON (PAGE 26-AA)**
(Saving of Rs 424,239,009)

The Director Finance pointed out that saving worked out to 73.23% of the total grant. An amount of Rs. 407,171,488 was surrendered resulting in net saving of Rs 17,067,521 (9.92%).

The PAO explained the Public Accounts Committee that this grant was meant for additional block. The project was delayed due to some design problems and some other issues like law and order situation in Islamabad etc.

PAC DIRECTIVE

After hearing the PAO, the PAC observed that Ministry of Foreign Affairs is very week in planning and development and its internal control is not fully functional. The Public Accounts Committee taking a very serious view and constituted a Sub-Committee under the Convenership of Mr. Aftab Shahban Mirani, MNA comprising Mr. Saeed Ahmed Zafar MNA, and Rana Mahmoodul Hassan MNA, as members. The Sub-committee will examine the entire system of the Ministry and submit its report to PAC within one month. However, the PAC settled the grant.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on **10-05-2011** pertaining to M/o Foreign Affairs.

1. **PARA 28 – LOSS DUE THE GOVERNMENT ON ACCOUNT OF SALE OF EMBASSY COMPLEX TOKYO ¥ 6.30 MILLION**

(REPORT OF THE SUB-COMMITTEE OF PAC ON SALE/PURCHASE OF EMBASSY OF PAKISTAN TOKYO)

According to the Rule-12(2) of Public Procurement Rules, 2004, all procurement opportunities over two millions rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. Contrary to the above, the old Chancery and Embassy Residence located in a post area of Tokyo were sold under swap arrangement to get new Embassy Complex with greater facilities without its proper advertisement.

The PAO informed the PAC that the decision was taken on the Summary put up to the Prime Minister of Pakistan. The size of present Complex is 200 meter bigger than the previous plot.

PAC DIRECTIVE

The PAC recorded its disapproval for non observance of transparency and total disregard of PPRA rules & desired that this may be conveyed to all concerned.

The Public Accounts Committee directed that the PAO may investigate the matter and fix responsibility on persons at fault for not following due procedures and not ensuring transparency. Reports in the above matters may be submitted **within two weeks,** which should clearly mention the names of all concerned.

2. **PARA 1.7 – NON-CREDIT OF GOVERNMENT MONEY INTO MISSIONS ACCOUNT £135,000 (RS. 11,589,750).**

An amount of £ 135,000 refunded by Mr. George Galloway, (MP) which was paid to him out of Pakistan Projection fund by the Pakistan High Commission, London was not credited to the Government Account in deviation of Rule-7 of FTR Vol-I.

The PAO informed the PAC that since the matter is sensitive nature and needed to be discussed in-camera.

PAC DIRECTIVE

After hearing the PAO, the PAC decided to discuss the same in an in-camera session to be called in **15 days.**

3. **REPORT OF THE SUB-COMMITTEE OF PAC ON SALE OF EMBASSY OF PAKISTAN JAKARTA**

The Government of Pakistan had purchased Embassy Residence and Chancery building in 1972 and 1973 for Rs. 1.485 and Rs. 1.683 million respectively. In February, 2002, the Pakistan's Ambassador in Indonesia divested Chancery building at a cost of US$ 1.320 million and remitted the same to Pakistan and credited into the Federal Treasury. The property was disposed off in a non-transparent manner

PAC DIRECTIVE

While examining the report of the Sub-Committee of PAC on sale of Embassy of Pakistan Jakarta, it was brought to the notice of the PAC that some more irregularities, of similar nature, have also emerged which needs to be probed by the same Sub-Committee of the PAC. The irregularities are as follows:-

i) Purchase of Consul General Residence and Consulate at Frankfurt (Germany)
ii) Sale of embassy Residence at Manila (Philippine)
iii) Construction of Chancery Building and Embassy Residence at Abuja (Nigeria)
iv) Sale / purchase of Embassy Residence and Chancery Buildings at Nairobi (Kenya).

The PAC deputed the Sub-Committee, comprising of Sardar Ayaz Sadiq, MNA, Mr. Nadeem Afzal Chan, MNA and Mr. Hamid Yar Hiraj, MNA to examine the above issues, on the same line as done for Embassy of Pakistan Tokyo and Embassy of Pakistan Jakarta.

MINISTRY OF KASHMIR AFFAIRS & GILGIT-BALTISTAN

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Public Sector Enterprises and Pakistan Civil Works (NAPWD) for the year 2008-09, pertaining to Kashmir Affairs & Gilgit-Baltistan were taken up for examination by the Special Committee-I of the Public Accounts Committee on **29th June, 14th October, 2010 and 24th January, 2011.**

1.1 The Special Committee-I considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving non-realization of late fee, unauthorized payment/ expenditure, non deposit of late fee, procurement of non custom paid vehicles, non recovery of electricity charges/insurance premium, short recovery, overpayment due to incorrect application of rate and non-recovery of rental charges etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 24 paras and 5 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of Special Committee. 17 paras/grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Division. The Committee gave direction on 10 paras. The Special Committee-I directed the PAO to implement the DAC recommendations on 2 paras. The Special Committee-I ordered recoverable sums amounting to Rs ---------- out of which a sum of Rs ---------- had been realized. For the remaining amount, the Committee directed the Division to affect recoveries within the stipulated time in each case. It was also decided that the progress of

recovery/implementation of the PAC directives and that these would be reviewed in future sessions.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/o Kashmir Affairs and Gilgit-Baltistan held on 29th June, 2010 at 3:30 p.m in Parliament House, to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

2. **GRANT NO.79-KASHMIR AFFAIRS AND NORTHERN AREAS DIVISION (PAGE 545-AA)**
(Excess of Rs.778,849)

AGPR pointed out that the grant closed with an excess of Rs.778,849 which works out to 0.37% of the total grant.

The PAO informed the Committee that excess in the grant was due to increase in pay and allowances. This money was transferred to concerned Department.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant subject to verification of the stated facts/record by Audit with a report to the Committee.

3. i) **GRANT NO.80-OTHER EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AREAS DIVISION (PAGE 546-AA)**
(Excess of Rs.229,261,384)

ii) **GRANT NO.81-NORTHERN AREAS (PAGE 551-AA)**
(Excess of Rs.354,331,494)

iii) **GRANT NO.123-CAPITAL OUTLAY ON PURCHASES BY KASH (PAGE 558-AA)**
(Saving of Rs.42)

iv). **GRANT NO.150-DEVELOPMENT EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AREAS (PAGE 559-AA)**
(Saving of Rs.34,353,677)

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

As the DAC meeting on the above mentioned grants was not held, the Committee pended these grants till its next meeting on the Ministry.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NORTHERN AREAS TRANSPORT CORPORATION (PVT) LTD.

4. **PARA 148.3 (PAGE 16-ARPSE)**

Audit pointed out that Trade debts of the Company increased by 47.57%(2008:63.312 million.2007:42.902 million, whereas the sale of the Company increased by 27.625%. The Company operated for passenger and cargo booking on cash basis as such the increase in trade debts was not justified.

The PAO informed the Committee that some amount has been recovered.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to make all possible efforts to recover the remaining amount from the concerned Govt. Departments and report to the Committee.**The Committee also directed that the M/o Food & Agriculture, M/o Defence and M/o Finance should also try to facilitate the NATCO.**

5. i) **PARA 148 (PAGE 215-ARPSE)**

ii) **PARA 148.1 (PAGE 215-ARPSE)**

iii) **PARA 148.2 (PAGE- 15-ARPSE)**

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the above mentioned three Audit paras.

AUDIT REPORT ON ACCOUNTS OF GOVERNMENT OF PKISTAN CIVIL WORKS (NAPWD) FOR THE YEAR 2008-09

NORTHERN AREAS PUBLIC WORKS DEPARTMENT

On the presentation of the above mentioned Audit Report, the Audit pointed out that on this report no DAC has been held yet.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended this report till its next meeting on the Ministry.

ACTIONABLE POINTS

Report of the 2nd Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/o Kashmir Affairs & Gilgit-Baltistan held on 14th October, 2010 to discuss the pended Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I - 2007-08)

1. **GRANT NO.79-KASHMIR AFFAIRS AND NORTHERN AREAS DIVISION (PAGE 545-AA)**
(Excess of Rs.778, 849)

AGPR pointed out that the grant closed with an excess of Rs.778,849 which works out to 0.37% of the total grant.

The PAO informed the Committee that excess in the grant was due to increase in pay and allowances. Moreover, this grant was received and sent to concerned quarters.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant.

2. **GRANT NO.80-OTHER EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AREAS DIVISION (PAGE 546-AA)**
(Excess of Rs.229,261,384)

AGPR pointed out that the grant closed with an excess of Rs. 229,261,384 which works out to 2.56% of the total grant. An amount of Rs.144,000 was surrendered increasing net excess of Rs.229,405,384 (2.57%)

The PAO (Gilgit Baltistan) informed the Committee that the excess in the grant was due to revision of pay scales w.e.f. 1-7-2007 and also due to payment of leave salary.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant with the direction to the PAO to revisit the H.R policy of the Ministry.

3. **GRANT NO.81-NORTHERN AREAS (PAGE 551-AA)**
(Excess of Rs.354,331,494)

AGPR pointed out that the grant closed with an excess of Rs.354,331,494 which works out to 13.34% of the total grant. A supplementary grant of Rs.56,400,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO (Gilgit Baltistan) informed the Committee that excess in the grant was due to revision of pay scales of the Govt Employees w.e.f.1-7-2007, purchase of computers and printers.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant. However, on the issue of Cadet College Skardu, the Committee directed the PAO to hold an inquiry on it regarding opening of two bank accounts of the College and desired a report till its next meeting on the Ministry.

4. **GRANT NO.123-CAPITAL OUTLAY ON PURCHASES BY KASH (PAGE 558-AA)**

(Saving of Rs.42)

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant.

5. **GRANT NO.150-DEVELOPMENT EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AREAS (PAGE 559-AA)**

(Saving of Rs.34,353,677)

AGPR pointed out that the grant closed a saving of Rs.34,353,677 which works out to 0.75% of the total grant. An amount of Rs.11,700,000 (0.25%) was surrendered leaving net saving of Rs.22,653,677 (0.49%).

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant subject to verification of record by AGPR/Audit. The Committee also directed the PAO that in future, there should be zero saving and zero excess in the grant.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NORTHERN AREAS TRANSPORT CORPORATION (PVT) LTD

6. **PARA 148.3 (PAGE 16-ARPSE)**

Audit pointed out that Trade debts of the Company increased by 47.57%(2008:63.312 million.2007:42.902 million, whereas the sale of the Company increased by 27.625%.

The Company operated for passenger and cargo booking on cash basis as such the increase in trade debts was not justified.

The PAO informed the Committee that some amount has been recovered.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to implement PAC's decision of 29-6-2010 given in its previous meeting on this para and also pursue summary sent to Finance Division.

AUDIT REPORT ON ACCOUNTS OF GOVERNMENT OF PKISTAN CIVIL WORKS (NAPWD) FOR THE YEAR 2008-09

NORTHERN AREAS PUBLIC WORKS DEPARTMENT

7. i) **PARA 2.3.1.1 (PAGE 21-AR)OVERPAYMENT OF RS.12.00 MILLION**

   ii) **PARA 2.3.1.2 (PAGE 21-AR)OVERPAYMENT OF RS.5.50 MILLION**

   iii) **PARA 2.3.1.3 (PAGE 22-AR)OVERPAYMENT OF RS.0.208 MILLION**

On the presentation of above mentioned three audit paras, the PAO informed the Committee that the issue of these paras has been taken up with P.W.D and meeting are being held with them.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended above mentioned three audit paras till its next meeting on the Ministry.

8. i) **PARA 2.3.2.1 (PAGE 22-23-AR)**
   OVERPAYMENT OF RS.3.6 MILLION

   ii) **PARA 2.3.2.3 (PAGE 23-24-AR)**
   OVERPAYMENT OF RS.2.200 MILLION

The PAO informed the Committee that an amount of 4 lac has been recovered and efforts are being made for further recovery.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to ensure recovery in the said paras. The Committee however pended both audit paras till its next meeting on the Ministry.

9. i) **PARA 2.4.1.1 (PAGE 26-AR)**
NON RECOVERY OF GOVT DUES OF RS.4.3 MILLION

ii) **PARA 2.4.1.2 (PAGE 26-27-AR)**
NON RECOVERY OF GOVT DUES WORTH RS.2.7 MILLION

iii) **PARA 2.4.1.3 (PAGE 27-AR)**
NON RECOVERY OF RS.1.5 MILLION

iv) **PARA 2.4.1.4 (PAGE 27-28-AR)**
NON RECOVERY OF RS.507,130

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended above mentioned four audit paras till its next meeting on the Ministry.

10. i) **PARA 2.4.2 (PAGE 28-AR)**
NON RECOVERY OF COST OF STONE-RS-3.3 MILLION

ii) **PARA 2.5 (PAGE 29-30-AR)**
IRREGULAR RELEASE OF SECURITY DEPOSIT

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to implement the recommendations of the DAC and report to the Committee within one month.

LIST OF AUDIT PARAS SETTLED BY THE SPECIAL COMMITTEE:

11. i) **PARA 2.1 (PAGE 19-AR)**
IRREGULAR AWARD OF WORKS WITHOUT ADMINISTRATIVE APPROVAL/ TS ESTIMATE-RS.94.1 MILLION

ii) **PARA 2.2 (PAGE 19-20-AR)**
RECURRING LOSS DUE TO DEFICIT IN OPERATIONAL EXPENSES OF ELECTRICITY GENERATION AND RECEIPT-RS.52.4 MILLION.

iii) **PARA 2.3.3.3 (PAGE 23-AR)**
OVERPAYMENT OF RS.2.9 MILLION

iv) **PARA 2.3.3.4 (PAGE 24-AR)**
OVERPAYMENT OF RS.1.00 MILLION

v) **PARA 2.3.2.5 (PAGE 24-25-AR)**
OVERPAYMENT OF RS.0.118 MILLION

vi) **PARA 2.3.3 (PAGE 25-AR)**
OVERPAYMENT DUE TO NON-DEDUCTION OF VOIDS-RS 228,263

vii) **PARA 2.4.3 (PAGE 28-29-AR)**
NON RECOVERY OF RENT FROM OCCUPANTS OF NA REST HOUSE AT CHILAS-RS.1.1 MILLION

viii) **PARA 2.6 (PAGE 30-AR)**
LOSS OF GOVT REVENUE DUE TO NON INSTALLATION OF ENERGY METERS-RS.2.5 MILLION

ix) **PARA 2.7 (PAGE 31-AR)**
UNAUTHORIZED PAYMENT/IRREGULAR ENHANCEMENT OF CONTRACT-RS.1 MILLION

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee on the recommendation of Audit settled the above mentioned nine audit paras.

ACTIONABLE POINTS

Actionable points of the meeting of Special Committee # 1 of PAC, under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/o Kashmir Affairs & Gilgit-Baltistan, held on 24th January, 2011 attended by Sardar Ayaz Sadiq, MNA, Mr. Saifullah Chattha, the Chief Secretary (Gilgit Baltistan) and Mr. Tahir Saeed, Deputy Auditor General (FAO) Audit Department, to discuss the pending Accounts for the Audit year 2008-09 and financial year 2007-08 are as under:

1. **INQUIRY REPORT ON CADET COLLOGE SKARDU:**

DIRECTIVE:

On the issue of Cadet College Skardu, the Committee directed the PAO to hold an inquiry regarding opening of two bank accounts of the College and submit its report to the Committee within one month.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NORTHERN AREAS TRANSPORT CORPORATION (PVT) LTD.

2. **PARA 148.3 (PAGE-16-ARPSE)**

The PAO informed the Committee that some amount has been recovered.

DIRECTIVE:

The Special Committee directed the PAO to make all possible efforts to recover the remaining amount and report to the Committee within one month.

AUDIT REPORT ON ACCOUNTS OF GOVERNMENT OF PKISTAN CIVIL WORKS (NAPWD) FOR THE YEAR 2008-09

NORTHERN AREAS PUBLIC WORKS DEPARTMENT

3. i) **PARA 2.3.1.1 (PAGE 21-AR)**
OVERPAYMENT OF RS.12.00 MILLION

ii) **PARA 2.3.1.2 (PAGE 21-AR)**
OVERPAYMENT OF RS.5.50 MILLION

iii) **PARA 2.3.1.3 (PAGE 22-AR)**
OVERPAYMENT OF RS.0.208 MILLION

On the presentation of above mentioned three audit paras, the Chief Secretary, Gilgit Baltistan informed the Committee that efforts were being made for recovery from the contractors. Now some contractors have gone in the court and the matter is subjudice. The next date of hearing is 2nd February, 2011.

DIRECTIVE

The Special Committee directed the PAO to initiate the procedure of recovery and submit its progress report to the Committee, recover the amount from the running bills of the present contractors and pursue the court case with a report to the Committee within one month.

4. i) **PARA 2.3.2.1 (PAGE 22-23-AR)OVERPAYMENT OF RS.3.6 MILLION**

ii) **PARA 2.3.2.3 (PAGE 23-24-AR)OVERPAYMENT OF RS.2.200 MILLION**

The PAO informed the Committee that some amount has been recovered and the remaining amount will be recovered within one week.

DIRECTIVE:

The Special Committee settled the para subject to verification of full recovery within one month.

5. i) **PARA 2.4.1.1 (PAGE 26-AR)**
NON RECOVERY OF GOVT DUES OF RS.4.3 MILLION

ii) **PARA 2.4.1.2 (PAGE 26-27-AR)**
NON RECOVERY OF GOVT DUES WORTH RS.2.7 MILLION

iii) **PARA 2.4.1.3 (PAGE 27-AR)**
NON RECOVERY OF RS.1.5 MILLION

The PAO informed the Committee that some amount has been recovered and efforts are being made to recover the remaining amount.

DIRECTIVE:

The Committee directed the PAO to recover the remaining amount within three months.

6. **PARA 2.4.1.4 (PAGE 27-28-AR)**
NON RECOVERY OF RS.507,130

DIRECTIVE:

The Committee settled the para subject to verification of recovery by audit with a report to the Committee.

GENERAL DIRECTION:

The Committee directed the Chief Secretary to take action on the directions of the PAC on all audit paras for compliance and report to the Committee.

MINISTRY OF HEALTH

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Federal Government (Civil) for the year 2008-09, pertaining to the Ministry of Health were taken up for examination by the Public Accounts Committee on **22nd April, 2010**.

1.1 There were 4 Grants and 07 paras reported by the AGPR/Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter were discussed in the meeting of the PAC. 4 paras were recommended for settlement by the PAC either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directive on 07 Audit paras.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 22-04-2010 pertaining to Ministry of Health on the Appropriation Accounts 2007-08 and Audit Report for the year 2008-09 are as under:-

APPROPRIATION ACCOUNTS (CIVIL)VOL-I- 2007- 08)

1) GRANT NO. 55-HEALTH DIVISION (PAGE 377-AA) (SAVING OF RS. 59,840,238)

The AGPR pointed out that the grant closed with a saving of Rs. 59,840,238 which worked out to 27.28% of the total grant. An amount of Rs. 16,000 was surrendered leaving net saving of Rs. 59,824,238 (27.27%). The department pointed surrender of Rs. 11,541,000 was not taken into account by AGPR. After taking the effect of above variation the net saving comes to Rs. 48,283,238 (22.02%).

The PAO explained that the saving was due to 17 vacant posts under drug control organization and Central Research Fund and repair and maintenance of official vehicles, Photostat etc.

PAC DIRECTIVE

The PAC observed that budgetary system in the Ministry was not working properly directed the Ministry to surrender the saving of the grant in time. There should be zero saving/excess in future.

2. **GRANT 56-MEDICAL SERVICES (PAGE 380-AA)**
(SAVING OF RS.54,585,411)

The AGPR pointed out that the grant was closed with a saving of Rs. 54,585,411 which worked out to 1.60% of the total grant.

The PAO explained that the saving was due to vacant posts in Federal Govt. Hospitals and Dispensaries.

PAC DIRECTIVE

The PAC directed the PAO to make sure that proper monitory system should be done in the Ministry. However, the committee regularized the saving of the grants with direction to be careful in future.

3. **GRANT NO.57-PUBLIC HEALTH (PAGE 383-AA)**
(SAVING OF RS. 843,808)

The AGPR pointed out that the grant was closed with a saving of Rs.843, 808 which worked out to 0.32% of the total grant.

The PAO explained that the saving was due to less amount of utility charges from the expectations.

PAC DIRECTIVE

The PAC regularized the saving of the grant with direction, there should be zero excess/saving in future.

4. **GRANT NO.146-DEVELOPMENT EXPENDITURE OF HEALTH DIVISION (PAGE 386-AA)**
(SAVING OF RS. 3,900,677,096)

The AGPR pointed out that the grant was closed with a saving of Rs. 3,900,677,096/- which worked out to 27.04% of the total grant. An amount of Rs. 3,094,908,956 (21.45%) was surrendered leaving net saving of Rs. 805,768,140 (5.58%). A supplementary grant of Rs.675,004,000 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account the saving shall be increased to Rs.1,480,772,140 (9.80%). The department pointed out less booking expenditure amounting to Rs.414,475,937 by AGPR. After taking the affect of said expenditure net saving shell be come to Rs. 1,066,296,203 (7.06%).

The PAO explained that the saving was due to non releasing the funds by Finance Division and JICA Authority. The saving was also due to not participation of the trainers from foreign country.

PAC DIRECTIVE

The PAC regularized the saving of the grant with direction the PAO to improve the financial control and budgetary discipline. However, the Committee directed the PAO to arrange briefing for the Committee on the health related issue/projects within three weeks.

AUDIT REPORT ON THE ACCOUNTS OF FEDERA GOVERNMENT (CIVIL) FOR THE YEAR 2008-2009

5. **PARA 9.1 (PAGE 66-AR)**
UNNECESSARY WITHDRAWAL OF RS. 15 MILLION IN JUNE 2008 AND ITS TRANSFER INTO NON-LAPSABLE ACCOUNT OF PAK. PWD.

The Audit pointed out that under rule 290 of FTR provides that no money shall be drawn from Govt. treasury unless it is required for immediate disbursement. Contrary to above, the PIMS management has drawn Rs. 15 million on June 30, 2008 without any definite requirement and deposited the same in a non-lapsable account of Pak. PWD for utilization in the next financial year. The amount remained un-utilized till the date of DAC meeting on April 16, 2009. The amount was released by the PM as a special grant for PIMS, Islamabad.

The PAO explained that the PM has nominated Ms. Mehreen Razaq Bhutto, Parliamentary Secretary as coordinator for utilization of funds. In a meeting held in the M/O Health chaired by the Secretary, Health and the Parliamentary Secretary for Health decided to open an Assignment Account and funds with PWD be transferred to this account. Therefore, a case was submitted for seeking permission of Finance Division to open the bank account. However, it was decided to purchase the PCR kits on open tender basis, as per approved policy.

PAC DIRECTIVE

The PAC expressed its concern over allocation of Rs.15 million by the Prime Minister of Pakistan to a Public Representative at the end of financial yea (i.e. on 28th June, 2008) without any definite requirement/purpose vis-à-vis permission for utilization of the same according to her/his own sweet will, Moreover, the Committee also showed its annoyance for depositing the said amount into a non-lapsable account of Pak. PWD for utilization in next financial year by the Ministry. The Committee has desired that Principal Secretary to the Prime Minister may examine the issue and submit report in 15 working days.

6. **PARA 9.2 (PAGE 66-AR)**
UNDER-UTILIZATION OF PRIVATE MEDICAL WARD-II

The Audit pointed out that a private medical ward having capacity of 40 beds (single bed rooms) for entitled patients i.e. Govt. Servants in BPS-17 to BPS-19 officers and private/panel patients on payment of Rs. 500 per day. In addition to utilizing 6 rooms for ward related administration purposes, the hospital management was using 07 rooms for purely administrative purpose and one room was out of order. The management's action denied a large number of entitled patients access to basic health facilities. It resulted in under-utilization of 2920 (365X8) bed days during the year 2007-2008.

The PAO explained that an administrative block was not in place as per minimum basic requirement for smooth functioning of the PIMS and to facilitate the public. There is a planning to have a separate Admin Block in future and rooms currently used would also be given for patients. The PAO also explained that there are only 35 rooms.

PAC DIRECTIVE

The PAC directed the PAO to look into the matter personally and efforts be made to improve maximum facilities to maximum patients. A senior officer of the Ministry may visit the PIMS and suggest how many rooms in the block and report to PAC within two weeks. The para was deferred for the next meeting.

7. **PARA 9.3 (PAGE 67-AR)**
NON-UTILIZATION OF 13 VEHICLES DONATED BY ISLAMIC REPUBLIC OF IRAN.

The Audit pointed out that thirteen (13) vehicles, including 10 Ambulance, one X-Ray Plant and operation theatre and one Mercedes Bus were donated by the Islamic Republic of Iran in the year 2005 in connection with rehabilitation of earthquake effectees handed over to PIMS in the year 2006. All the above vehicles have neither been utilized nor surrendered to Cabinet Division Car Pool for their distribution to any other agency. This

is at risk of loss in term of productively because of continuous negligence on the part of PIMS.

The PAO explained that the vehicles could not be used due to shortage of funds for POL and maintenance. Further, the letters of donation/documents of the vehicles were also not provided by the donor's country. Now out of 13 vehicles 6 vehicles (Ambulances) has been got registered from ETO, Islamabad and are available to use for emergency duty. Now we decided that the remaining vehicles should be handed over to Cabinet Division.

PAC DIRECTIVE

The PAC directed the PAO to inquire the matter, fix responsibility, take action against the person (s) held responsible. Utilization of remaining vehicles should be determine and report to PAC within one month.

8. **PARA 9.4 (PAGE 67-AR)**
LOSS OF RS. 34.148 MILLION DUE TO NON-ACCEPTANCE OF THE LOWEST RATES OF THE MEDICINES.

The Audit pointed out that the management of Federal Govt. Services Hospital; Islamabad has rejected the lowest rates of medicines quoted by the bidders violating the requirement of Rule-38 of Public Procurement Rule 2004 which provides that the procurement contract should be awarded to the lowest evaluated bidder. This caused a loss of Rs.34,148,579 in the purchase of medicines costing Rs. 58,228,980 during the financial year 2007-08.

The PAO explained that the Federal Government Polyclinic provides medical treatment to 2.5 millions patients annually including 65% entitled patients who surrender a huge amount under head of medical allowance in lieu of treatment from the Hospital. The Drug Selection Committee unanimously decides the medicines to be purchased for the year. Previously the selection of drugs was based on restricted open tenders i.e. pre-qualification of manufacturer and then the pre-qualified firms including the year 2007-08. However, open tenders will be called for financial year 2010-11. The method of selecting

medicine on the lowest rate was adopted by the Central Procurement Committee for the year 2007-08.

PAC DIRECTIVE

The PAC observed that this is a violation of PPRA Rules and these rules should be followed. The PAO should review overall policy of medicines and have uniformity in the policy. Further, the Ministry should come with a clear cut policy at the time of presentation of briefing on health related issues in next meeting. The para was deferred for the next meeting.

9. **PARA 9.5 (PAGE 68-AR)**
NON-OBTAINING OF AUDITED ACCOUNTS STATEMENTS OF GRANT-IN-AID AMOUNTING TO RS. 158.225 MILLION

The Audit pointed out that Rule 207 of GFR VIl-I provide that every order relating the grant-in-aid should clearly specify the eligible items of expenditure and the conditions that will govern its expenditure. All bodies and institution receiving the grant-in-aid is justified by the financial position of the guarantees and that the previous grant was spent for the intended purpose. M/O Health released grants-in-aid amounting to Rs. 158.22 million to different agencies, association/institutions and societies during 2007-08 without specifying the objects and without obtaining the audited accounts statements.

The PAO explained that during the financial year 2007-08, the Ministry released the grant-in-aid to the institutions/organizations on quarterly basis subject to receipt of utilization report on prescribed Performa. The releases were made duly approved by the Principal Accounting Officer. On the completion of the financial year 2007-08, the audited accounts/statements have been received and provided to the Audit.

PAC DIRECTIVE

The PAC settled the para subject to verification of the record/stated facts by Audit. However, the Committee directed the PAO to provide a list of that beneficiary who has obtained the grant-in-aid in last five years.

10. **PARA 9.6 (PAGE 68-AR)**
NON-FORFEITURE OF PERFORMANCE SECURITY OF RS 3.136 MILLION FROM SUPPLIERS

The Audit pointed out that the National Program Manager, Expanded Program on Immunization (EPI), entered into a contract with M/s Pharma Links, on February 7, 2008 for supply of 645,000 Safety Boxes as per prescribed delivery schedule against the payment of Rs. 48,375,000. As per contract 10% Performance Guarantee (Bank Guarantee) of Rs. 4,837,500 was obtained from the supplier. The contractor did not fulfill his obligation as it supplied 226,000 boxes instead of 645,000 boxes as per the contract agreement. The shortage worked out to be 418,200 boxes. Under Clause 9 of Special Conditions of the Contract, the management could forfeit performance security of the contractor to the extent of non-delivered portion of supplier. Audit observed that the proportionate amount of performance Guarantee/Security, which came to Rs. 3,136,500 (4837500/645,000 X 418,200), was not forfeited as required under the contract.

The PAO assured the Committee that criminal proceeding was instituted against the person involved and recovery process is underway. It should be completed within a week.

PAC DIRECTIVE

The PAC took a serious notice and directed to lodge an FIR against the person(s) involved including beneficiary. Place the name of the person(s) on ECL and recover the amount from the firm. The name of the company should be blacklisted with a report to PAC within two weeks.

11. **PARA 9.7 (PAGE 69-AR)**
LOSS OF RS. 12.924 MILLION DUE TO NON-DEDUCTION OF TAX AT SOURCE FROM THE SUPPLIER

The Audit pointed out that in term section 153 of Income Tax Ordinance 2001. The every person making the payment for supply of goods is required to deduct income tax @ 3.5 % from the gross amount payable to the supplier. The Federal EPI Cell under the Ministry

made a payment of Rs.369,253,929 to M/s Strongman Medifur System (Pvt), Islamabad for purchase of 73,345,600 imported disposable syringes. It was observed by the Audit that the public exchequer was put to a loss of Rs.12.924 million (369,253,929 x 3.5%).

The PAO explained that the case will refer to FBR for the advice; if FBR suggest recovery then we will recover the amount.

PAC DIRECTIVE

The PAC directed the PAO to look into the matter at his own level if supplier fail to provide a bill of entry then recovered the amount. The Ministry should finalize its action within three weeks and pended the para for next meeting.

HIGHER EDUCATION COMMISSION

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the Higher Education Commission were taken up for examination by the Public Accounts Committee (PAC) on **15th June, 2010.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in number of cases.

1.2 There only 01 grant presented by AGPR for which the PAC settled with the direction that there should be zero saving and zero excess in future

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on **15-06-2010** to examine the Appropriation Accounts for the year 2007-08 are as under.

APROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO. 30-HIGHER EDUCATION COMMISSION (PAGE 195-AA)** (Saving of Rs 3,225,854,673)

AGPR pointed out that the grant closed with a saving of Rs 3,225,854,673 which works out to 20.45% of the total grant. A supplementary grant of Rs. 4,072,827 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The Executive Director, Higher Education Commission explained that the installment of HEC recurring grant Rs. 3,229,927,500/- was withheld by the Finance Division as one of the measures taken due to financial constrains. The Executive Director further informed the PAC that the allocation made for International Islamic University was not released to the HEC.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budgeting principles to avoid saving/excess. The PAC further directed the PAO that once the target is set, it should be achieved at every cost. The PAC also took serious note of lack of good budgeting with the direction also to M/o Finance to release the funds well in time to ensure the better financial management.

MINISTRY OF HOUSING & WORKS

1. **OVERVIEW:**

Appropriation Accounts 2007-08, Audit Report on Accounts of Government of Pakistan Civil Works (Pak PWD) and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Housing & Works were taken up for examination by Public Accounts Committee on **16th June, 2010, 12th May, 14th & 25th June, 2011.**

1.1 The PAC having considered Audit's views as well as explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving mismanagement of grants, overpayments, lack of internal control, unauthorized payments and non-recovery of rent in the Estate Office. The Committee also noticed numerous irregularities in the allotment of residential accommodations through the Estate Office and losses due to irregular awarding of contracts.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 5 Grants and 33 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC. 22 paras were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directions on 06 paras and 10 paras the Committee directed the PAO to implement DAC reformations. PAC also ordered recoverable sums amounting to Rs. ---------- million out of which a sum of Rs. ---------- has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of

recover/implementation of the PAC directives would be reviewed in future sessions.

1.4 In certain cases the Committee directed Audit to verify details/facts, given by the Ministry in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on **16th June, 2010** pertaining to **Ministry of Housing and Works** for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:-

APPROPRIATION ACCOUN TS (CIVIL) VOL-I- 2007- 08)

1. **GRANT NO.58-HOUSING AND WORKS DIVISION (PAGE 425-AA)**
(Saving of Rs 146,668,765)

Audit pointed out that the grant was closed with a saving of Rs.146,668,765 which worked out to (72.94%) of the total grant. An amount of Rs.240,000 (0.12%) was surrendered leaving net saving of Rs.146,428,765(72.82%). A supplementary grant of Rs.1,949,821 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the saving was due to the following reasons:-

i) Funds amounting to Rs.148 million were provided by Finance Division on 17-09-08 through Technical Supplementary Grant for payment to Capital Development Authority, Islamabad in respect of cost of construction of 200 flats in Sector G-6, Islamabad under Prime Minister's directive Subsequently, a meeting was held on 3rd April, 2008 in the Works Division to draw modus operandi for implementation of the approved proposal which, among others, was attended by Chairman CDA and DG, Pak PWD. It was concluded that:

a) A joint team comprising of Pak PWD & CDA will explore the possibility of making alterations in 03 blocks for allotment to the F.G. Officers on their posting to Islamabad.
b) Reassessment of actual expenditure will be carried out within 10 days.
c) 24 flats will be utilized by CDA for allotment to their officers.

2. Pak PWD estimated the expenditure as Rs.23.59 million for restoration/renovation of 09 Blocks containing 200 flats as CDA could not participate due to legal dispute with contractor regarding stolen, missing/damaged items. However, CDA was requested to ratify the estimates, which they have ignored till date.

ii) The FA organization was requested to endorse the sanction for release of Rs. 148 million to CDA. The said organization showed inability to concede the request of the Ministry and observed as under:-

a) All disputes may be resolved.
b) Codal and other formal requirements may be completed.
c) Payment will be considered in next financial year through technical supplementary grant.

CDA was requested till June, 2008 to handover the vacant position of flats to Estate Office, Islamabad, which they did not comply with. In view of the above, the non-utilization of funds may be ascribed to the factors, which were beyond the control of the Ministry.

PAC DIRECTIVE

The PAC regularized the saving with the direction that there should be zero saving/excess in future. However, The PAC further directed that:-

i) A Committee will be constituted which will look into misuse of plots. It was decided that Mr. Saeed Ahmad Zafar, M.N.A, Mian Riaz Hussain Pirzada,

M.N.A and Mr. Nadeem Afzal Chan, M.N.A will consult the Provincial Governments regarding Policy guideline

ii) The Ministry of Housing will provide the details incidents of selling of one plot in one sector and purchasing of another plot in the other more lucrative sector by officer/allottees. The PAC unanimously decided that the policy of allotment of two plots to Federal Secretaries/Grade 22 Officers should be immediately reviewed.

iii) The PAC unanimously decided that the policy of allotment of two plots to Federal Secretaries/Grade 22 Officers should be immediately reviewed.

iv) M/o Housing and Works will provide the list of all the allotments made to Politicians, Judges, Military Officers, Media, Government Officers and Members of Civil Society.

v) Data regarding allotment of more than one plot under any discretionary powers and the plots allotted to the above categories under the relevant terms and conditions/rules be provided separately with full particular of allottees in the first phase from November, 1996 to date and in the second phase from 1985.

vi) The number of illegal allotment of houses to the non-entitled people be provided to the PAC. It was observed by the Honorable members that the retired employees get stay from the court and do not attend the courts on the given dates due to which quarters remain un-vacated. Take action against such people and report them to NAB.

vii) Provide the detail of performance of the Legal Wing of the department.

viii) Provide a list of showing the number of employees and quarters available.

ix) How many staff members have been served with Show Cause Notices and provide the detail of action taken against them during the last three years. Why such cases are not got registered in court of Law by the Ministry.

x) The number of quarters allotted on seniority basis and in relaxation of rules using discretionary power.

xi) What is the system of allotting plots to Defence personnel. Report to the PAC **within one month.**

2. **GRANT NO.60-ESTATE OFFICES (PAGE 427-AA)**
(Saving of Rs 19,939,370)

Audit pointed out that the grant was closed with a saving of Rs. 19,939,370 which worked out to 21.81 percent of the total grant. An amount of Rs. 17,385,204 (19.02%) was surrendered leaving net saving of Rs. 2,554,166 (2.79%). A supplementary grant of Rs.1,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. The PAO explained that the saving occurred due to the following reasons:-

i) Salary of 06/08 paid in 07/08 has been booked by AGPR, Karachi in 06/08.

ii) A sum of Rs. 2,300,000 was re-appropriated by Estate Offices, Karachi on 27/06/2008 for purchase of vehicle (Toyota Hilux for conveyance of Police Squad) which could not be utilized and has been lapsed due to non issuance of Token supplementary grant of Rs. 1,000/-

PAC DIRECTIVE

The PAC regularized the saving with the direction that there should be zero saving/excess and surrender in time in future.

FEDERAL APPOROPRIATION ACCOUNTS OF PAKISTAN PUBLIC WORKS DEPARTMENT (VOL-VI) FOR THE YEAR 2007-08

3. **GRANT NO.59- CIVIL WORKS (PAGE 10-AA)**
(CHARGED) (Saving of Rs. 20,428,854)

OTHER THAN CHARGED

(Saving of Rs. 12,240,896)

Audit pointed out that in compliance of DAC's recommendations dated 19-05-2010, the D.G, Pak. PWD furnished object-wise justification of each Head in respect of Final Grant, actual expenditure and excess/saving incurred thereof. The DAC observed that Supplementary Grant of Rs. 41 million was obtained under the charged expenditure but was not utilized fully which resulted in saving of Rs. 20 million.

The PAO explained that Additional funds, through supplementary grant, amounting to Rs 45.520 million, for Repair & Maintenance of Aiwan-e-Saddar, President Camp Office, President Lodge (Ex-Army House, Rawalpindi) were demanded on 13.02.2008 under the Chairmanship of Deputy Military Secretary, Aiwan-e-Saddar, Islamabad and these funds were sanctioned by the Finance Division on 27.03.2008. Major part of the lapsed budget (i.e 20.000 million) pertains to Ex-Army House (President Lodge, Rawalpindi) which was Rs. 17.555 million. Major amount of Rs. 11.300 million pertains to utility charges in respect of Ex-Army House, Rawalpindi. Since the above saving was identified at belated stage and on the other hand the Presidents Sectt: (Aiwan-e-Saddar, Islamabad) issued instructions not to surrender any saving but was turned down by the Finance Division. After repeated rejection of the said case and standing instruction of the President's Sectt: (Aiwan-e-Saddar) not to surrender any amount, the department could not take any further action except to let thing take their natural course.

PAC DIRECTIVE

The PAC regularized the Charged and Other than Charged saving with the direction to ensure due care in future following the finical rules. No public office can interpret by it self and the surrender should be made up to 15th May of the financial year and for any irregularity in future, the PAO will be held responsible.

4. **GRANT NO.61-FEDERAL LODGES (PAGE-16-AA)**
(Saving of Rs 3,214,540)

Audit pointed out that keeping in view the negligible saving the Grant was recommended for settlement by the DAC in their meeting held on 19.05.2010. The PA0 requested for settlement as recommended by the DAC in their meeting held on 19.05.2010.

PAC DIRECTIVE

The PAC regularized the saving with the direction that there should be zero saving/excess in future.

5. **GRANT NO.173-CAPITAL OUTLAY ON CIVIL WORKS (PAGE 19-AA)**
(Saving of Rs.938,999,866)

The Audit pointed out that keeping in view the department view point that funds allocated under KPP-II were remitted to non-lapsable account of PLA-III, the grant was recommended for settlement by the DAC in their meeting held on 19.05.2010.

The PA0 requested for settlement as recommended by the DAC in their meeting held on 19.05.2010.

PAC DIRECTIVE

The PAC directed to reconcile this with Audit and report to the PAC **with in one moth.**

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NATIONAL CONSTRUCTION LIMITED

6. **PARA 98 (PAGE 136-137-ARPSE)**
NON-RECOVERY OF SCAFFLODING PIPES AND JOINTS WHITHY RENTAL CHARGES RS.0.839 MILLION.

Audit pointed out that as per Charter of the Company, in case, the management can spare any machinery/ material for a specific period, the same was required to be rented out after signing a formal agreement and securing the interest of the Company. National Construction Limited (NCL) during the construction of Aiwan-e-Iqbal Complex, Lahore handed over scaffolding pipes and joints to M/s. Mark Development (Pvt.) Limited on their request in February / March,1990. M/s REMCO (the Consultant of the Aiwan-e-Iqbal Complex) was the guarantor in this deal. The firm failed to return the material worth Rs. 0.436 million plus rental charges of Rs.0.31 million up to June 23, 1998 and interest of Rs.0.093 million from June 22, 1998 to April 30, 2001. The company handed over construction material to the firm without entering into formal agreement and securing the interest of the Company in violation of the Charter of the Company, resulted into non-recovery of Rs.0.839 million. The management filed a case in the Court of Law in 2001 but decision of court was awaited.

The PAO explained that National Construction Limited (NLC) during construction of Aiwan-e-Iqbal Complex, Lahore handed over material like scaffolding pipes and joints to M/s Mark Development (Pvt) Limited on rental basis on their request in February/March, 1990 on the guarantee of M/s REMCO (the consultant of the Aiwan-e-Iqbal Complex). The Position of materials still to be received from M/s Mark Development is as under:-

Sr. #	Name of items of stores	Material handed over	Material received back	Balance material to be received back
1.	Scaffolding Pipe	50,001.5 Rft	44,425 Rft	5,577.5 Rft
2.	Scaffolding Joints	9,325 Nos.	6,359 Nos.	2,966 Nos.

NCL has pursued hard to get the above material returned. In this respect the Consultant M/s REMCO and M/s NESPAK were also involve and M/s Mark Development were directed to return the above material vide decision taken and as per minutes of meeting held on 27-05-1998. Ultimately for recovery of material, rent and interest, NCL Lodged a suite against M/S Mark Development in July 2001 which is still in the process of hearing and the last date was 24.11.2009. We are quite hopeful to obtain decree against M/s Mark Development from the Court of Law.

PAC DIRECTIVE

The PAC directed the PAO to investigate and fix responsibility for handing over the costly store with out any guarantee/agreement and report to the PAC **with in one month.**

7. i) **PARA 97 (PAGE 135-ARPSE)**
AUDIT COMMENTS

ii) **PARA 97.1 (PAGE 135-ARPSE)**
WORKING RESULTS

iii) **PARA 97.2 (PAGE 136-ARPSE)**
AUDIT COMMENTS

PAC DIRECTIVE

On the presentation of the above paras, the PAC directed the PAO to implement the DAC decision and report to PAC/Audit.

PAKISTAN HOUSING AUTHORITY

8. **NON-SUBMISSION OF ACCOUNTS**

Audit pointed out that Annual Audit Accounts of Public Sector Enterprises for the years 2002-03 to 2008-09 were to be provided to the Directorate General of Commercial Audit & Evaluation, Lahore by January 15 of each respective year. Despite repeated requests, D.O letter, telephonic conversations and personal visits, the management of Pakistan Housing Authority failed to provide their Annual Audited Accounts for the years 2002-03 to 2008-09 by the prescribed date. Non-submission of the accounts needs to be explained.

The PAO agreed with Audit that neither the accounts for the years 2002-03 to 2008-09 were provided nor any reply in this regard was furnished by the Authority.

PAC DIRECTIVE

The PAC directed to up date the annual account expeditiously and provide to Audit for verification.

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PAKISTAN CIVIL WORKS (PAK PWD) FOR THE YEAR 2008-09.

9. **PARA 3.4.1.4 (PAGE 39-AR)**
NON-RECOVERY OF MOBILIZATION ADVANCE-RS 8.8 MILLION.

Audit pointed out that the Executive Engineer, Central Civil Division-I, Pak. PWD, Lahore awarded a work on 19th July, 2006 and got executed only 3% of the work at site. The contractor was paid mobilization advance of Rs. 8.8 million under two guarantees

dated 25th May, 2007 and 24th November, 2007. Later on, the work was closed but mobilization advance was recoverable. This resulted in non-recovery of Rs. 8.8 million.

The PAO explained that according to the decision of Steering Committee, Law & Justice Division, dated 11.09.2007 and subsequent latest instructions issued vide letter No. 5(40)/09-AIP, Vol-VIII, dated 06.06.2009, the contract agreement has been closed vide letter No EE/LCDD-I/W-109/1011 dated 13.06.2009. It is further submitted that a sum of Rs. 2,146,213 has been recovered from earnest money and security deposit of the contractor vide Offices Order No. EE/LCD-I/2187 dated 18.12.2008 vide T.E. No 1 of 12/08 and T.E. No. 1 of 06-09. Moreover, the final measurement of the contractor's work is in progress and his claim has already been submitted which will be got vetted by the NESPAK & final position will be intimated.

PAC DIRECTIVE

The PAC pended the para with the direction to provide progress report of recovery and action against Executive Engineers responsible for extra
burden on public exchequer to the PAC **within fifteen days.**

10. **PARA 3.4.2.1(PAGE 40-AR)**
NON-RECOVERY OF RISK AND COST CHARGES – RS 24.3 MILLION.

Audit pointed out that according to Clause 3-c of the Contract Agreement, to measure up the work of the contractor and take such fact thereof as shall be unexecuted out of his hand and to give it to another contractor to complete, in which case any expenses which may incur in excess of the sum which would have been paid shall be recovered from the original Contractor. The Executive Engineer, Central Civil Division, Pak, PWD, Hyderabad rescinded a work due to failure of the Contractor to resume the work. The remaining work was awarded to another Contractor @ 115.905% above the estimated cost while original work was awarded at 42% above the cost. In this way, an amount of Rs. 24.3 million (115.90%-42%=73.90% of Rs. 32.9 million) was required to be recovered from the original Contractor.

The PAO explained that the Contractor has been asked to deposit the amount of Rs. 24.315 million vide letter No. EE/HCCD/Hyd/618, dated 20-05-2005 and No. EE/HCCD/Hyd/824 dated 13-07-2009. Audit will be informed on the receipt of the amount from the Contractor.

PAC DIRECTIVE

The PAC pended the para till the finalization of inquiry report with the direction to report within one month about recovery and detailed report in the light of question raised by the Honorable Members to the PAC.

11. **PARA 3.4.2.2 (PAGE 40-41-AR)**
NON-RECOVERY OF RISK AND COST CHARGES – RS 11.3 MILLION.

Audit pointed out that the Executive Engineer, Store & Workshop Division, Pak. PWD, Islamabad could not recover the Risk and Cost amount from the original Contractor who installed China make Cooling Towers instead of USA/Japan make as provided in the agreement. This resulted in non-recovery of Rs. 11.3 million.

The PAO explained that the work of 2nd Contractor M/s Wular Engineering is in progress. Therefore, recovery on account of Risk & Cost Charges will be effected from 1st Contractor M/s Mecatech International after completion of work.

PAC DIRECTIVE

The PAC directed to get it verified from the Audit and provide black listed Contractors to the Audit. The para will come back to the PAC if recovery is not made. The PAC pended and clubbed the para with pervious para with the direction to report to the PAC **within one month.**

12. **PARA 3.11.3 (PAGE 50-51-AR)**
OVERPAYMENT DUE TO SEPARATE PAYMENT OF BACKFILLING –RS. 0.895 MILLION

Audit pointed out that the Executive Engineer, Central Civil Division, Pak, PWD, Sialkot made payment on account of back filling of excavated material which was included in rate of items of excavation. This resulted in overpayment of Rs 895,021.

The PAO explained that no payment on account of backfilling has been made to the Contractor separately over the item of excavation. Due to paucity of the working space for labour near by the site the huge quantity of excavated stuff could not be stacked within one chain (100 feet radius) therefore the Contractor was allowed to stack the excavated material with three additional Chains. Hence, the carnage of additional 300 feet has been made and paid to the Contractor accordingly and no over payment for back filling made to the Contractor. The said item was got executed as per requirement at site. So extra item in the matter cropped up and got approved by the Competent Authority i.e. Chief Engineer CZ PPWD Lahore on 13-06-2010 & 10-05-2010. The relevant record has already been got verified by the Audit on keeping in view of the fact, Audit has requested to drop the para.

PAC DIRECTIVE

The PAC directed to hold inquiry and fix responsibility and report **within one month** to the PAC. This para also clubbed with pervious paras. Provide documents to the Audit.

13. i) **PARA 3.1 (PAGE 35-AR)**
NON-UTILIZATION OF DEVELOPMENT FUNDS – RS 2,159.4 MILLION.

ii) **PARA 3.2(PAGE 35-36-AR)**
LOSS TO GOVERNMENT DUE TO ACCEPTANCE OF TENDERA AT HIGHER RATES – RS 192.8 MILLION.

iii) **PARA 3.3(PAGE 36-37-AR)**
NON-HANDING OVER OF COMPLETED SCHEMES OF KHUSHAL PAKISTAN PROGRAMME – RS 104.2 MILLION AND NON-TRANSFER OF 2% MAINTENANCE FUNDS – RS 2 MILLION

iv) **PARA 3.4.1.3(PAGE 38-39-AR)**
NON-RECOVERY OF MOBILIZATION ADVANCE – RS 9.3 MILLION

v) **PARA 3.4.1.5(PAGE 39-40-AR)**
NON-RECOVERY OF MOBILIZATION ADVANCE – RS 3.7 MILLION

vi) **PARA 3.4.4.1(PAGE 42-AR)**
NON-RECOVERY OF EXCAVATED/DISMANTLED STONES – RS 1.2 MILLION

vii) **PARA 3.14(PAGE 53-AR)**
LOSS DUE TO AWARD OF WORK AT HIGHER RATES – RS 0.171 MILLION

PAC DIRECTIVE

The PAC directed to pursue at DAC level.

14. i) **PARA 3.4.1.1(PAGE 37-38-AR)-2008-09**
NON-RECOVERY OF MOBILIZATION ADVANCE – RS 18.9 MILLION

ii) **PARA 3.4.1.2(PAGE 38-AR)**
NON-RECOVERY OF MOBILIZATION ADVANCE – RS 9.3 MILLION

iii) **PARA 3.4.3(PAGE 41-AR)**
NON-RECOVERY OF SECURED ADVANCE WITH INTEREST – RS 6.1 MILLION

iv) **PARA 3.4.4.2(PAGE 42-43AR)**
NON-RECOVERY OF EXCAVATED/DISMANTLED STONE / ITEMS – RS 0.764 MILLION

v) **PARA 3.4.4.3(PAGE 43-AR)**
NON-RECOVERY OF EXCAVATED/DISMANTLED STONE / ITEMS – RS 0.351 MILLION

vi) **PARA 3.5(PAGE 43-44AR)**
NON-INSURANCE OF WORK – RS 53.1 MILLION AND NON-RECOVERY OF PREMIUM @ 1% OF CONTRACT – RS 0.531 MILLION

vii) **PARA 3.6.1(PAGE 45-AR)**
IRREGULAR ACCEPTANCE OF PERFORMANCE SECURITY FROM INSURANCE COMPANY INSTEAD OF SCHEDULED BANK – RS 11.9 MILLION

viii) **PARA 3.6.2(PAGE 45-AR)**
IRREGULAR ACCEPTANCE OF PERFORMANCE SECURITY FROM INSURANCE COMPANY INSTEAD OF SCHEDULED BANK – RS 8.4 MILLION

ix) **PARA 3.7.1(PAGE 46-AR)**
NON-OBTAINING OF PERFORMANCE SECURITY FROM THE CONTRACTORS – RS 7.1 MILLION

x) **PARA 3.7.2(PAGE 46-47-AR)**
NON-OBTAINING OF PERFORMANCE SECURITY FROM THE CONTRACTORS – RS 3.4 MILLION

xi) **PARA 3.8(PAGE 47-AR)**
PREMATURE RELEASE OF SECURITY DEPOSIT – RS 6.5 MILLION

xii) **PARA 3.9(PAGE 47-48-AR)**
IRREGULAR PAYMENT OF MOBILIZATION ADVANCE – RS 5.9 MILLION AND NON-RECOVERY OF INTEREST – RS 0.592 MILLION

xiii) **PARA 3.10(PAGE 48-49-AR)**
EXCESS PAYMENT DUE TO EXCESSIVE QUANTITIES – RS 5.9 MILLION

xiv) **PARA 3.11.1(PAGE 49-AR)**
OVERPAYMENT DUE TO NON-UTILIZATION OF AVAILABLE EARTH – RS 2.5 MILLION

xv) **PARA 3.11.2(PAGE 49-50-AR)**
DOUBLE PAYMENT DUE TO WRONG MEASUREMENT – RS 1.1 MILLION

xvi) **PARA 3.11.4(PAGE 51-AR)**
OVERPAYMENT DUT TO APPLICATION OF INCORRECT RATES – RS 0.180 MILLION

xvii) **PARA 3.12(PAGE 51-52-AR)**
EXCESS EXPENDITURE THAN TECHNICAL SANCTIONED ESTIMATE – RS 3.5 MILLION

xviii) **PARA 3.13(PAGE 52-AR)**
UNAUTHENTIC PAYMENT OF ESCALATION – RS 0.796 MILLION

PAC DIRECTIVE

The PAC directed to settled after verification of record/recovery/regularization.

ACTIONABLE POINTS

The following are the actionable points arising out from the discussion of the PAC meeting on the Audit Report 2008-09 pertaining to the Ministry of Housing & Works held on the **12th May, 2011**:-

1. **PARA 2.2(PAGE 9-SAR-1999-2000)**
IRREGULAR APPOINTMENT OF MR. HASSAN WASEEM AFZAL IN MP-1 RESULTING INTO IRREGULAR PAYMENT OF RS. 1.013 MILLION RECOVERY OF 0.319 MILLION THEREOF.

Audit pointed out that Finance Division O.M. # F.3(7)R-4/98 dated 18-08-1998 stipulates the salary package and perquisites for professionals from the private sector appointment on contract basis against top management positions in public sector. Para 5 of the O.M. indicates that MP scales can also be allowed sparingly and in exceptional cases to the existing incumbent in Management Scales I and II on the basis of the recommendations by the respective Boards of Directors of Public Sector Corporations provided they give up their existing security of service and become subject to new contracts. Such conversions require approval by the competent authorities in each case. In disregard to above provision, Mr. Hassan Waseem Afzal, a BPS-20 officer working as Joint Secretary, Ehtesab Cell at Lahore, was posted in MP-I scale as Managing Director PMHA. He was allowed maximum of MP-I by the Chairman PMHA without obtaining relaxation of FR-22 from M/o Finance. This led to an excess payment of Rs. 318, 756/- upto 30-09-1999.

The PAO explained that the appointment of Mr. Hassan Waseem Afzal was made as Chief Executive/MD in M-1 which however is contradictory of Government decision

embodies in the Finance Division (Regulation Wing) as terms of service of the officer were not mentioned in this Notification.

PAC DIRECTIVE

The para was remanded back to the DAC with the direction to the PAO to get opinions from Ministry of Law and Justice, Establishment Division and Ministry of Finance on the review petition of Mr. Hassan Waseem Afzal and finally determine the penalty to be imposed. Report to the PAC Secretariat **in 15 days**

2. **PARA 99(PAGE 157-ARPSE-2005-06)**
HIRING OF CONSULTANCY SERVICES OF M/S. A.F. FERGUSON AND COMPANY ON SINGLE TENDER BASIS – RS. 3.425 MILLION

Audit pointed out that the GFR-19 (VI) requires that whenever practicable and advantageous, contract should be awarded only after inviting open tenders and in case where the lowest tender is not accepted, reasons should be recorded. The management of Pakistan Housing Authority engaged M/s A.F. Ferguson and Co. to identify their viable commercial projects. The services of the firm were hired without open competition. Neither the parameters were defined nor the work was quantified, on the basis of which the firm was to form their reports. As such payment of Rs. 3.425 million made during the period from January, 2000 to March, 2003 to the firm was considered irregular.

The PAO stated that due to time constraint, open tenders through media were not called.

PAC DIRECTIVE

The PAO was directed to fix responsibility, in light of the inquiry report of the pervious Secretary which up held the view point of Audit that the Rules and Regulations were violated for hiring of the consultancy services of M/s A. F. Ferguson. Report may be submitted to the PAC Secretariat **within one week.**

It was also directed that the concerned Principal Accounting Officer responsible for awarding the consultancy and the present Secretary may be present in the next meeting of the Ministry.

BRIEFING REGARDING ILLEGAL OCCUPANTS OF GOVERNMENT ACCOMMODATION

Considering the brief submitted by the Ministry on the subject, the Committee directed that the PAO may submit a report on allotments to ineligible Departments, pointing out the officers responsible for making these allotments, the report may be prepared in two parts, giving names of officers in BPS-17 and above and officials in BPS-16 and below. The report may be submitted to the PAC Secretariat **within one month.**

The PAO was also directed to prepare a comprehensive briefing on all aspects of the Ministry of Housing and Works including details of accommodation available with them, short fall of Government accommodation and the Ministry's/Government's policy on how to over come this short fall. The briefing may also include a comprehensive over view of the Housing Foundation. This briefing will be scheduled for presentation to the PAC by end of June, 2001.

ACTIONABLE POINTS

The following are the actionable points arising out from the discussion of the PAC meeting on the Audit Report 2008-09 pertaining to the Ministry of Housing & Works held on the **14th June, 2011**:-

1. **PARA 2.2(PAGE 9-SAR-1999-2000)**
IRREGULAR APPOINTMENT OF MR. HASSAN WASEEM AFZAL IN MP-1 RESULTING INTO IRREGULAR PAYMENT OF RS. 1.013 MILLION RECOVERY OF 0.319 MILLION THEREOF.

Audit pointed out that Finance Division O.M. # F.3(7)R-4/98 dated 18-08-1998 stipulates the salary package and perquisites for professionals from the private sector appointment on contract basis against top management positions in public sector. Para 5 of the O.M.

indicates that MP scales can also be allowed sparingly and in exceptional cases to the existing incumbent in Management Scales I and II on the basis of the recommendations by the respective Boards of Directors of Public Sector Corporations provided they give up their existing security of service and become subject to new contracts. Such conversions require approval by the competent authorities in each case. In disregard to above provision, Mr. Hassan Waseem Afzal, a BPS-20 officer working as Joint Secretary, Ehtesab Cell at Lahore, was posted in MP-I scale as Managing Director PHA. He was allowed maximum of MP-I by the Chairman PMHA without obtaining relaxation of FR-22 from M/o Finance. This led to an excess payment of Rs. 318, 756/- upto 30-09-1999.

The PAO explained that the appointment of Mr. Hassan Waseem Afzal was made as Chief Executive/MD in MP-1 which however is contradictory of Government decision embodied in the Finance Division (Regulation Wing) as terms of service of the officer were not mentioned in this Notification.

PAC DIRECTIVE

The PAO informed the Committee that opinion from M/O Law and Justice on the review petition of Mr. Hassan Waseem Afzal is still awaited. The Committee decided to discuss this para in its next meeting **on 25th June, 2011.**

2. **PARA 99(PAGE 157-ARPSE-2005-06)**
HIRING OF CONSULTANCY SERVICES OF M/S. A.F. FERGUSON AND COMPANY ON SINGLE TENDER BASIS – RS. 3.425 MILLION

Audit pointed out that the GFR-19 (VI) requires that whenever practicable and advantageous, contract should be awarded only after inviting open tenders and in case where the lowest tender is not accepted, reasons should be recorded. The management of Pakistan Housing Authority engaged M/s A.F. Ferguson and Co. to identify their viable commercial projects. The services of the firm were hired without open competition. Neither the parameters were defined nor the work was quantified, on the basis of which

the firm was to form their reports. As such payment of Rs. 3.425 million made during the period from January, 2000 to March, 2003 to the firm was considered irregular.

The PAO stated that due to time constraint, open tenders through media were not called.

PAC DIRECTIVE

The PAC expressed serious displeasure on the violation of Rules and Regulation for hiring of the consultancy services of M/s A.F. Ferguson. The para was however settled with the directions that the provision in the Rules of Business directing the PAOs to seek fresh orders in case there is any order, against rules, from higher authorities, may be followed in letter and spirit. The PAO was also asked to respond to the following question from the Members of the PAC, **within ten days:-**

i) In April, May and June 2011, a number of uncalled for transfers have been made, even without observing the Tenure Policy. A list of persons so transferred with reasons thereof may be provided.
ii) It is learnt that Rs. 1.5 million has been spent on renovation of the Minister's office. Details of the expenditure may be provided.
iii) Reasons for creation of new Division/Circles in Pak PWD and the expenditure incurred.
iv) Details of any Government houses, allegedly handed over to the allottees on permanent basis in Karachi by a former Minister for Housing and Works. Remedial Measures taken in this regard.

ACTIONABLE POINTS

The following are the actionable points arising out from the discussion of the PAC meeting on the Audit Report 2008-09 pertaining to the Ministry of Housing & Works held on the **25th June, 2011**:-

1. **PARA 2.2(PAGE 9-ARPSE-1999-2000)**
IRREGULAR APPOINTMENT OF MR. HASSAN WASEEM AFZAL IN MP-1 RESULTING INTO IRREGULAR PAYMENT OF RS. 1.013 MILLION RECOVERY OF 0.319 MILLION THEREOF.

Audit pointed out that the instant para was earlier discussed in the PAC meetings held on 19-20 Oct 2011, 12-05-2011, and 14-06-2001 and gave the following directive:-

> "The PAO informed the Committee that opinion from M/O Law & Justice on the review petition of Mr. Hassan Waseem Afzal is still awaited. The Committee decided to discuss this para in its next meeting **on 25th June, 2011.** "

The PAO explained that the DAC discussed the matter in detail. The representative of Establishment Division opined that the definition of perquisites quoted by the petitioner was incomplete. Moreover, the PLDs quoted in the review petition had one basic assumption that the order was either erroneous or illegal whereas in the instant case the order had no such discrepancy. The Chair then, requested Joint Secretary, Law Division to express his opinion on the review petition. He informed the DAC that the appointment in MP Scale bound the appointee to forego his security services of the existing department whereas in the instant case the bonafide of the petitioner were not established as he did not forego his Government services before joining PMHA. The DAC directed the M.D.PHA to approach Establishment Division to clarify its order dated 08.11.1999 in the light of the opinion expressed by the Joint Secretary, Law Division. The Audit further pointed out that the last pay certificate (LPC) issued on 17.06.2009 showed that the Officer was not drawing House Rent Allowance which signified that he was in possession of a Government accommodation but he drew House Rent Allowance from PMHA during the tenure of his posting there. The DAC directed that recovery on account of House Rent Allowance may also be worked out and if facts supported such recovery, the same may also be included in the total amount recoverable from him

PAC DIRECTIVE

It was directed that since this matter has been pending for the last ten year, no further time can be given and immediate recovery may be effective from the person concerned and a report may be sent to the PAC Secretariat and the Audit **within one week.**

MINISTRY OF INDUSTRIES & PRODUCTION

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Industries & Production were taken up for examination by Public Accounts Committee (PAC) on **28th April, 2010.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving imprudent investments, un-necessary payments, non-recovery, non-preparation of accounts, irregular procurement, wasteful expenditure, irregular payment of bonuses, non obtaining bank guarantees on long term loans, etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 4 Grants and 73 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC. 63 paras were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Division. The Committee gave direction on 14 paras. PAC also directed recoverable sums amounting to **Rs ----------,** out of which a sum of **Rs ----------** has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives would be reviewed in future sessions.

1.4 In certain cases The Committee directed Audit to verify details/facts given In defence of the viewpoint presented by PAO.

The Public Accounts Committee constituted two sub-committees under the convenership of Mian Riaz Hussain Pirzada, MNA and Sardar Ayaz Sadiq, MNA.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on **28-04-2010** on the accounts of **M/o Industries, Production and Special Initiatives** for the Appropriation Accounts 2007-08 and Audit Report for the year 2008-09.

APPROPRIATION ACCOUNTS (CIVIL)-VOL-I-2007-08)

1. i) **GRANT NO. 62-INDUSTRIES, PRODUCTION AND SPECIAL INITIATIVES DIVISION (PAGE 431-AA)**
(Excess of Rs. 5,823,836)
(Net Excess of Rs. 6,133,836)

AGPR pointed out that the grant closed with an excess of Rs 5,823,836 which works out to 5.82% of the total grant. An amount of Rs. 310,000 (0.31%) was surrendered increasing net excess of Rs.6,133,836 (6.13%). A supplementary grant of Rs 8,037,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the excess shall be converted into net saving of Rs. 1,903,164 (1.76%).

The PAO explained before the PAC that the excess occurred due to expenditures in the certain head of accounts. The surrender for Rs. 310,000 was surrendered well in time

ii) **GRANT NO. 63-DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES (PAGE 433-AA)**
(Excess of Rs 342,832)

AGPR pointed out that the grant closed with an Excess of Rs 342,832 which works out to 4.43% of the total grant. A case of supplementary grant was

submitted to Finance Division on 28-04-2008 which was returned on 18-06-2008 with remarks that it is too late.

The PAO explained before PAC that the excess was due to revision of pay scales w.e.f. 01-07-2007.

iii) **GRANT NO. 64-OTHER EXPENDITURE OF INDUSTRIES, PRODUCTION AND SPECIAL INITIATIVES DIVISION (PAGE 434-AA)**
(Saving of Rs. 8,276,272)
(Net Saving of Rs. 170,272)

AGPR pointed out that the grant closed with the Saving of Rs. 8,276,272 which works out to 1.49% of the total grant. An amount of Rs. 8,106,000 (1.46%) was surrendered leaving net saving of Rs. 170,272 (0.03%).

The PAO explained before PAC that this grant kept for emergent expenditure but could not materialized due to non completion of codal formalities.

iv) **GRANT NO. 174 CAPITAL OUTLAY ON INDUSTRIAL DEVELOPMENT (PAGE 436-AA)**
(Saving of Rs. 6,088,768,748)
(Net Saving of Rs. 1,625,207,748)

AGPR pointed out that the grant closed with the Saving of Rs 6,088,768,748 which works out to 60.89% of the total grant. An amount of Rs. 4,463,561,000 (44.64%) was surrendered leaving net saving of Rs. 1,625,207,748 (16.25%). A supplementary grant of Rs 505,400,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the saving shall be increase to Rs. 2,130,607,748 (20.28%).

The PAO explained before PAC that the grant was allocated for development/up gradation of certain project under the Ministry of Industries & Production and Special Initiatives. The grant could not be utilized due to non release of fund by Finance Division well in time.

PAC DIRECTIVE

The Public Accounts Committee took a very serious view on the handling of accounts/gross indifferences relating to judicious use of grants on the part of Ministry and desired to send a letter to the Prime Minister Secretariat showing PAC's displeasure. However, the Public Accounts Committee settled/regularized the above 4 grants with the direction to PAO to monitor and forecast the budget within a financial year and ensure that Supplementary Grants are requested well in time. The PAC further directed the PAO to ensure that expenditure on various provisions in the Budget is in line with authorized expenditure and nothing is spent over and above the provisions in the Budget. At the end of every financial year there, should be zero excess and zero saving.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

UTILITY STORES CORPORATION OF PAKISTAN (PVT) LIMITED

2. **PARA 116 (PAGES 160-161-ARPSE)**
SHORTAGE/MISAPPROPRIATION/EMBEZZLEMENT AT STORES/ WARESHOUSE-RS. 34.470 MILLION

Audit pointed out that under clause 11.08 and 11.09 of the USC Stores Operational Manual all the Regional Managers should ensure that as and when the periodical accounts of Store reflect any shortage of stock/cash exceeding Rs. 2,000 an FIR should immediately be lodged with the Police Authorities against concerned employees. The services of concerned employees should be terminated and fidelity guarantee claim shall be lodged with NIC accordingly be Head office. Further, as per clause-(b) and (c) of the Utility Stores Operating procedure, on detection of shortage more than Rs. 50,000, IN-charge store will be removed and amount of shortage be recovered in lump sum and served with recordable warning. On embezzlement like misappropriation of Stock, mis-utilization of sale proceeds, theft, fraud and black-marketing In-charge store/ warehouse will immediately be suspended and inquiry convened to fix responsibility. In case of Store, respective Area Manager and in case of warehouse concerned Regional Manager

will also be suspended. On finalization of the inquiry legal proceedings will be initiated/finalized.

In 40 Regions of the Utility Stores Corporation, Shortage/mis-appropriation /embezzlement of Rs. 102.638 million had occurred at utility Stores/ Warehouses during 2007-08 as shown in the books of account "Shortage against Regional offices employees" but no such action was taken by the management in terms of Stores Operational Manual as well as Stores Operating Procedure. The huge shortage/misappropriation/ embezzlement at stores / warehouse level, indicated ineffective control in supervising and monitoring of stores/warehouses.

The PAO informed the PAC that against total shortages of Rs. 102.638 million as pointed out by the Commercial Auditors, an amount of Rs. 68.160 million has already been recovered from the concerned staff/employees of the Corporation up to July 2009. Out of the balance of Rs. 34.470 million, an amount of Rs 3.81 million has also been recovered from the concerned employees up to quarter September 2009, leaving a balance of Rs. 30.669 million. Efforts are underway, at all levels, to recover the remaining amount. The MD, Utility Stores Corporation further informed the PAC that the Corporation have a full fledge team to supervise the Stores and computerization of warehouses/stores inventory is being done to control the embezzlement/misappropriations.

PAC DIRECTIVES

The Public Accounts Committee strongly felt that theft, shortage/mis-appropriation etc. of even a single rupee should be accounted for and recovered from the accused. The Committee directed the PAO to initiate inquiry and take disciplinary action against the employee(s) found guilty in the instant case and actualize recoveries of the left over amount of Rs. 30.669 million within one month and report to PAC. The Public Accounts Committee further directed that the Board of Directors of Utility Stores Corporation should revisit the USC Stores Operational Manual and amend rules to ensure that all shortage are accounted for and recoveries made. The Committee also directed the MD,

Utility Stores to provide Audited Balance Sheet of the Corporation to the PAC and to brief for the Members of the Committee on all matter related to the Corporation.

3. **PARA 118 (PAGES 162-163-ARPSE)**
LOSS DUE TO DACOITY AT WAREHOUSE LAHORE-RS. 2.871 MILLION

Audit pointed out that as per clause-c of the USC Standing Operating Procedure (SOP) regarding disciplinary measures in case of theft, fraud and black-marketing in warehouse, concerned Warehouse In-charge and Regional Manager will immediately be suspended and inquiry convened to fix responsibility.

An incident of theft of 20,516 Kg Ghee/ Oil valuing Rs. 2.871 million was occurred on midnight of August 13 and 14, 2008 at Warehouse Lahore. A FIR was lodged by the concerned Regional Management with police on August 14, 2008. An inquiry in this regard was conducted under the Chairmanship of G.M Training Lahore with two members Z.M Lahore and R.M Shiekhupura. In findings and recommendations, it was stated by the management that no USC employee was involved in the theft therefore claim should be lodged with Insurance Company. Accordingly Insurance claim of Rs. 2.908 million with reference to reconciliation of the stock of Ghee/Oil was lodged by the management with NIC vide letter dated November 17, 2008 which was under process. No appropriate action was taken by the management as per laid-down procedure, and just for lodging Insurance Claim a formal inquiry for such theft was conducted at the same regional level without considering other factors.

The PAO informed the PAC that the factual position is that the incident took place on midnight of 13 & 14 August 2008. The matter was immediately reported to Police and FIR lodged. A fact finding inquiry was also ordered to find out the facts and to rule out the possibility of involvement of any of USC employee. In the said inquiry report it was proved that no USC's staff was directly or indirectly involved in the incident. Accordingly, claim was lodged with the Insurance Company. The settlement of the claim with the Insurance Company, however, directly depends upon USC Fact Finding Inquiry, Report of the Surveyor appointed by the National Insurance Company limited, and Final

Police Investigation Report. The Surveyor appointed by the NICL-has released his Survey Report and sent to NICL. Beside the case remained under investigation by the local police for a considerable time. Superintendent Police, Investigation, Saddar Division Lahore has how released the final investigation report of the case on 22-12-2009 which was a major demand of NICL and it also caused delay in settlement of the claim. This report was obtained with a lot of follow up by the USC officers and staff. The claim is in its final stage of settlement and likely to materializ by the NICL within a couple of weeks.

PAC DIRECTIVE

The PAC directed the PAO to settle the claim with National Insurance Co. Limited (NICL) within one month. However, the Public Accounts Committee observed that one of the requirements for finalizing the claim with NICL is the Final Police Investigation Report, which was released by the Police after taking 1 year and 4 months approximately causing delay in the settlement of claim. The PAC directed that the Inspector General Police, Punjab may carry out an inquiry into the delay for submitting the Final Police Investigation Report and take action against the police official(s) responsible for this delay with a report to PAC within 2 weeks.

STATE ENGINEERING CORPORATION (PVT) LIMITED

4. **PARA 120.1 (PAGE 165-166-ARPSE)**
WORKING RESULTS

Audit pointed out that the working results of the Corporation for the year 2007-08 as compared to the preceding years is not satisfactory. The Corporation earned a profit of Rs. 2.765 million during the year 2007-8 as against loss of Rs. 43.311 million in 2006-07. However, accumulate loss can not be overcome if a bigger momentum is not given to the Company.

The PAO informed the PAC that the accumulate loss of Rs. 1,587,403 million includes diminution in the value of SEC long term investment in units. As per prevailing

accounting standard, effect of re-measurement of long term investment in units is shown in the Balance Sheet as 'Reserves' (instead of earlier Profit & Loss Statement). As of 30-06-2009, these Reserves were Rs. 892,646 million. The Chairman, State Engineering Corporation further informed the PAC that the losses have come down and now the Corporation is earning profit.

PAC DIRECTIVE

The PAC directed the SEC to take pro-active measures to reduce the accumulated losses of the Corporation and also directed the PAO to hold quarterly meetings to check the affairs of the SEC for achieving the targets.

PAKISTAN ENGINEERING COMPANY LIMITED

5. **PARA 123 (PAGE 171-ARPSE)**
UNJUSTIFIED PAYMENT OF MARKUP RS. 1.866 MILLION

Audit pointed out that according to agreement dated June 01, 2005 with M/s. Eehabs Engineering Company (Pvt.) Ltd., for providing technical assistance and services in manufacturing of various engineering goods, the PECO had to pay 16% markup on the agree labour rates. Pakistan Engineering Company (PECO) paid Rs. 11. 662 million on account of technical charges and Rs. 1.86 million as 16% markup to M/s. Eehabs Engineering Company during the period July, 2005 to March, 2006. PECO had its own technical staff which included engineers and supervisors and during 2005-06, an amount of Rs. 4.403 million had been paid to them on account of salaries. In the presence of technical team in the Company, the payment of Rs. 1.866 million on account of Rs. 16% markup to M/s. Eehabs Engineering Company on agree labour rates was held unjustified.

The PAO informed the PAC that the requisite certificates are being obtained. These shall be presented to audit for verification upon receipt.

PAC DIRECTIVES

The PAC settled the para subject to verification of requisite certificate by Audit department.

HEAVY MECHANICAL COMPLEX (HMC) LIMITED

6. **PARA 125.1 (PAGE 174-ARPSE)**
WORKING RESULTS

Audit pointed out that the working result of the Company for the year 2007-08 as compared to the previous years is not satisfactory. The accumulate loss of the Company exceeded its equity and reserves by Rs. 222.031 million as on Juen30, 2008 (2007: Rs. 506.007 million) and the Company continued to rely on the support of the Federal Government. These factors have bearing on the Company's ability to continue as a going concern. Net profit of Rs. 3.151 million in 2007-08 was at low level and exclusion of unusual items valuing Rs. 8.285 million would convert net profit into net loss.

The PAO informed the PAC that the performance of HMC depends on the demand for capital goods and overall economy of the country. Despite adverse economic conditions, the company is earning net profit from the year 2004-05 onward. Accumulated losses of the company have been reduced form Rs. 2,859.220 million in 2002-03 to Rs. 2,609.140 million as on 30.06.2008. During the year 2007-08, there was an increasing trend in the prices of raw materials, locally and internationally. Prices of Pakistan Steel which were between Rs. 36,900 to 37,00 per ton for steel plates and Rs. 2,500 to 25,800 per ton for pig iron during the year 2006-07 reached to the level between Rs. 37,800 to 61,300 per ton for steel plates and between Rs. 25,800 to 35,500 per ton for pig iron during the year 2007-08. Similarly cost of all other related materials also increased during the period. This increased the cost of materials considerably which affected profitability of the company. Besides increase in rates of foreign materials, currency rates also increased which affected the cost of material adversely. In spite of all these un-favorable conditions, the company earned net profit of Rs. 3.150 million during the year 2007-08 by taking strict administrative and financial measures. The Managing Director, HMC

further informed that despite the difficulties the company has improved and earned profit 3.2 million.

PAC DIRECTIVES

The PAC directed the HMC to take pro-active measures to reduce the accumulated losses of the Corporation, give a road map to the Company, having strategic importance. The PAC also asked for justifications for recommending high tax on import of over Alternative Solar Energy Plants. The PAC also waited cogent reasons of rise in prices of Cars within 10 days. The PAC directed that the representatives from the following Departments may also be asked to attend the next meeting of the Public Accounts Committee to discuss the issues of Alternative Energy:-

i) M/O Environment
ii) M/O Science & Technology
iii) M/O Water and Power
iv) Pakistan Engineering Council
v) Automobile Industry

SINDH ENGINEERING LIMITED

7. **PARA 102 (PAGE 144-ARPSE)**
LOSS DUE TO REDUCTON IN VALUE OF STORES/SPARES RS. 15.831 MILLION

Audit pointed out that according to Para No. 145 of GFR Vol-I; Purchases of stores must be made in most economical manner in accordance with the definite requirements. Care should be taken not to purchase stores much in advance of actual requirements. In Sindh Engineering Ltd., the management had revalued the cost of stores/spares les value of Rs 15.831 million form original purchase cost due to deterioration of condition of old inventory which was resulted due to procurement in excess than actual requirement in past.

The PAO informed the PAC that the CKD inventory was imported four years back and most of the parts and components had become heavily rusted. The then management misjudged the further sale.

PAC DIRECTIVE

The PAC directed the PAO to conduct inquiry, fix responsibility take action and report to PAC within one month.

PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (PVT.) LIMITED

8. **PARA 104 (PAGE 146-ARPSE)**
LOSS DUE TO UNAUTHORIZED SALE OF ASSESTS WITHOUT REPAYMENT OF LOAN RS. 4.515 MILLION

Audit pointed out that as per Rule-26 of GFR, the head of department is responsible to ensure the recovery of Government dues and credit in to the Public Account. In Pakistan Industrial Development Corporation (PIDC), an amount of Rs. 3.515 million was lying as outstanding loan since 1988-89 against a company M/s. PEMSECO, buyers of Tarbella Cotton and Spinning Mills (TC&SM). M/s. PEMSECO disposed off the assets of TC&SM without clearing the dues of PIDC> Resultantly, PIDC could not recover the amount up to June 30, 2008.

The PAO informed the PAC that the amount is related to two installments due since 1988-89 from the buyers of Tarbella Cotton & Spinnig Mills (TC&SM) M/s. PEMSECO. The company was privatized by Government of Pakistan in 1986. Subsequently, litigation started between PEMSECO & PIDC due to default in making the agreed installments payment by the buyers. In the meantime, the buyers of TC&SM sold out the assets of the company. However, PICD is still contesting its case in the court of law against the company. Keeping in view of very low chance of recovery, a provision was made in the books of PIDC in the year 1999-2000. The case is still pending in High Court (Rawalpindi Bench).

PAC DIRECTIVE

The PAC directed the PAO to ask the General Manager to take up the case with the Attorney General, Advocate General for early disposal of the case from the Court and

report to PAC within one month. The PAC further directed the PAO to inquire the issue why the Bank guarantee was not en-cashed, how the mortgaged assets were sold out, fix responsibility, propose action and report to PAC within one month.

PAKISTAN STEEL MILLS CORPORATION (PVT) LIMITED

9. **PARA 105.1 (PAGE 147-ARPSE)**
WORKING RESULTS

Audit pointed out that the working results of the Corporation for the year 2007-08 as compared with the previous years is not satisfactory. The net sales increased by 35.70% from Rs. 29.937 billion of previous years to Rs. 40.624 billion during the year under review. The increase in sale was due to increase in production as well as favorable market conditions. The increase of 35.70% in net sales also increased the cost of sales of the corporation by 42.87% over previous years.

The PAO informed the PAC that the cost of goods sold during 2007-08 was increased due to increase in prices of raw material and increase in repair & maintenance. Also pay scale revision and impact of 02 additional bonus paid to employees caused increase in the cost of goods sold.

PAC DIRECTIVE

The PAC decided to forward the subject para to the Standing Committee on Ministry of Industries and Production to investigate the matter in detail and also to find out, how the management is running the Steel Mill and report back to the PAC within one month.

10. **PARA 106 (PAGE 149-ARPSE)**
LOSS OF REVENUE DUE TO FIXATION OF SALE PRICE BELOW MARKET PRICE RS. 9.672 BILLION

Audit pointed out that the sale prices of Pakistan Steel Mills (PSM) products are fixed by a Price Review Committee of PSM on the basis of periodical analysis of prices of steel products in local and international market. The total share of PSM in local market during

the year 2008-09 was only 16% which indicated that the local market was controlled by the landed cost of steel products being made in the country.

Contrary to the above, PSM during the period of January-September 2008 kept its selling prices lower than CIS origin landed cost when there was a rising trend in international market. PSM further reduced its prices by 35% in November 2008 in one go on the ground of reduction in Prices in international market. Had the management co-related its sale prices with the CIS landed cost during January-September 2008, when there was a favorable trend, by increasing its selling prices with the same parity; PSM could have generated greater revenue? The product-wise impact for not to revising PSM selling prices despite favorable rise in prices of identical products of CIS origin causing a revenue loss of Rs. 9.672 billion.

The PAO informed the PAC that:-

- These CIS landed costs used by Audit as reference material are the published prices compiled from weekly journal, Metal Bulletin of London for prime products. The CIS landed cost used for this purpose was provided by Pakistan Steel Mills which is working paper to regularly monitor the international market trend but can not be taken as the actual price on which the material is imported and available in the local market due to different reasons.

- There is under invoicing, wrong declaration and imported material being hoarded. In addition to that, there is a time lag between the booking of material opening of L/c, shipment of material and arrival at Karachi port and to reach the local market, which all usually take 3-8 weeks. Hence realistically Pakistan Steel Mill prices of a certain month can not be compared with landed cost computed in that month.

- PSM is a government owned institution which provides basic steel/material to other manufactures in Pakistan who value-add and diversify it for feeding various industries and high value construction projects. Price increase or decrease in PSM products impacts on down stream manufacturing units who feed hundred of thousands small manufactures and vendors. Pakistan’s engineering industry is

greatly influenced by PSM production output and pricing. Therefore, in line with the directive of Supreme Court and Competition Commission of Pakistan, PSM can not venture with undue profiting, creating serious imbalance in the feed material for the local engineering and construction industry.

PAC DIRECTIVE

The PAC directed the PAO to ask the Chairman, Steel Mill to inquire the matter, fix responsibility for lower fixation of sale price of steel products and take disciplinary action against the concerned person(s). Report to be submitted in one month's time. The PAC further directed for holding a meeting with the relevant Department of the Pakistan Steel Mills and Audit Authorities to settle the para. The Committee may be informed about the constitution of the Price Review Committee and suggest ways to make this Committee independent and transparent. The Committee directed that the Price Review Committee should be revamped. Report may be submitted within 15 days to PAC/Audit.

11. **PARA 107 (PAGE 150-ARPSE)**
LOSS DUE TO NON-RECOVERY OF EXTRA FREIGHT RS. 221.214 MILLION

Audit pointed out that a long term contract was signed on July 02, 2003 by Pakistan Steel Mills (PSM) with M/s. Sesa Goa Limited (the Supplier) for the supply of iron ore for a period of 5 years as per clause 17 of the Contract, the Supplier was liable for all expenses damages and losses it fails to ship the iron ore by the agree upon time schedule and does not remedy within thirty days of complaint by the buyer.

Subsequently, a Contract of Affreightments (COA) was singed by with PSM with Pakistan National Shipping Corporation (PNSC) on August 02, 2007 according to which PNSC was required to transport/ship iron ore form Marmugao, Goar Port of India to Port Qasim Karachi, at the rate of US$ 18.59 per M/Ton. The contract with PNSC was valid for the period from July 01, 2007 to June 30, 2008.

The supplier out of seven confirmed scheduled shipments in the quarter of October-December, 2007 failed to supply two shipments (October 21-30, 2007 and November 11-

20, 2007). Moreover, out of eight schedule shipments in second quarter (January-March 2008), the supplier confirmed five shipments only but four shipments were materialized resulting into one short shipment. Due to the short shipments, PSM faced a short fall of 100, 000 M/Tons in first quarter and a short fall of 50, 000 M/Tons in second quarter, totaling 150, 000 M/Tons.

The PAO informed the PAC that the loading schedule for the quarter Oct-Dec 2007 was forwarded to M/s PNSC with request to arrange vessel as per schedules. PNSC failed to supply required number of vessels (at least two vessels) for all seven laycans advised to them resulting in a short fall of 100,000 MTN in quarter Oct-Dec, 2007.

In quarter Jan-March, 2008 PSM planned 08 shippment but M/s Sesa Goa confirmed only 05 shipment due to Force Majeure declared by Sesa Goa and as per contract the short fall could not be claimed for which PNSC performed only 4 due to deployment of single vessel resulting again a short fall of 50,000 MTN in Jan-March, 2008 quarter.

Due to short fall of Iron Ore during quarter Oct-Dec, 2007 (100,000 MTN) and Jan-March, 2008 (50,000 MTN) Pakistan Steel faced problem and took up the matter with PNSC advising them to deploy another vessel in addition to only single vessel M.V Kaghan in the quarter April-June 2008, because the FOB price of cargo was going to increase rapidly and the matter submitted to the Chairman on 03.05.2008.

PAC DIRECTIVE

The PAC directed the PAO to ask the Chairman, Steel Mill to inquire the issue, fix responsibility on the officer(s) responsible for not invoking penal clause of the contract signed with Pakistan National Shipping Corporation and making over payments. Report in this matter may be submitted to PAC in 15 days. It was also directed that procedural flaws in future contracts may be removed.

12. **PARA 108 (PAGE 152-ARPSE)**
IRREGULAR AWARD OF SALE CONTRACT BY EXTENDING UNDUE FAVOUR TO AN APPLICANT DEALERSHIP RS 194.134 MILLION

Audit pointed out that as per clause 6 of standard terms and conditions of dealership contact in Pakistan Steel Mills (PSM), the dealers for their registration are required to maintain a prescribed case security with PSM during the currency of dealership. PSM issued an offer letter on November 25, 2008 for registration as a dealer on standared terms and conditions to an applicant firm, M/s Abbas Steel Group (Pvt.) limited, with the advice to acknowledge acceptance within 15 days failing which the offer for grant of the dealership shall stand withdrawn automatically without any reference. The firm submitted three pay orders as security deposit for total Rs 800, 000 on same date which were verified as cleared on November 28, 2008 by Finance Department of PSM. Subsequently the firm communicated its acceptance against the offer of dealership on December 03, 2008.

The management, however, "awarded a sale contract" of 4,000 M/Tons of Billets valuing Rs. 194.134 million to the above firm which included credit facility of Rs. 76.220 million for 90 days without any markup on November 25, 2008 before completion for registration process and prior to clearance of security deposit. Moreover, the prices of steel products were reduced on November 26, 2008 and free credit policy was extended for the month of December 2008, which was ending on November 30, 2008. Such award of contract without completion of legal requirements depicted policy of favoritism within the organization due to loose internal controls.

The PAO informed the PAC that the essential formalities for registration of M/s. Abbas Steel Group were completed on 03-12-2008. It may be noted that all essential formalities were completed on issuance of letter of Award after due deposit of valid pay orders by the party after receiving the letter for deposition of the same by Pakistan Steel. Acceptance of dealership is not an essential formality. M/s Abbas Steel Group, having signed a contract had already accepted the dealership awarded to them i.e, on 25-11-2009. Once the letter of award is issued, the party is allowed to do business as normal.

As such there is no time limit for completion for award of dealership. Hence, there is no procedural deviation in this case.

As regards the allocation of material to M/s. Abbas Steel Group, it may be noted that huge stock were pile up (stock position reports were provided to Audit) and were constantly being built up as the sale of Pakistan Steel products had tremendously decreased and Pakistan Steel was stuck up in huge financial crisis as a result of post July market scenario. Notice of Readiness (NORs) had been expiring without materialization. A list of expired NORs for Billets during November-December 2008 was already provided to Audit. At this stage, Pakistan Steel encouraged potential buyers to purchase Pakistan Steel products as quickly as possible. As a result, the huge inventories started to reduce on one hand and the commercial dispatches grew up gradually on the other hand. The marketing strategy was successful as Pakistan Steel encouraged all its dealers of billets across the board without discrimination or favor.

PAC DIRECTIVE

The PAC directed the PAO to ask the Chairman, Steel Mill to conduct inquiry, fix responsibility, take action against the person (s) and report to PAC within 15 days.

13. **PARA 109 (PAGE 153-ARPSE)**
LOSS DUE TO PURCHASE OF MATERIAL BY SPLITTING UP PURCHASES RS 158.672 MILLION

Audit pointed out that as per PPRA rules-2004 under clause-9 it was directed that the procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without and splitting or regrouping of the procurements so planned.

Pakistan Steel Mill (PSM) procured a quantity of 2, 800 M/Tons of Ferro Manganese by splitting the annual requirement/indented quantity and invited two tenders for 1400 M/Ton of Ferro Manganese each at two occasions. Two separate purchase orders were issued to same supplier at different rates on difference dates and thus PPRAs rule was violated. The first purchase for 1,400 M/Ton Ferro manganese was made at a total landed

cost of RS 150.253 million from M/s Tri Star Enterprises. However, after some time, the same material 1400 (M/Tons) was again purchased from the same party at a total landed cost of Rs 308.925 million. Thus the corporation sustained a loss of Rs. 158.672 million (Rs 308.925 million –Rs. 150.253 million). Had the quantity of material not split up and purchase through one purchase order, the loss could have been avoided.

The PAO informed the PAC that initially CGI Indent No.079203 dated 01.01.2007 was raised for the procurement of 4250 MTN Ferro Manganese by MMD, with delivery schedule in four consignments. The same was revised to three parts covering requirement of 4 months each for ensuring maximum participation of bidders in the tender as per decision taken in the PEOs meeting held on 22.02.2007 in respect of high value items. Accordingly, the case for the procurement of 1400 MTN was processed as a separate case by floating separate tender.

PAC DIRECTIVE

The PAC directed the PAO to ask the Chairman, Steel Mill to conduct inquiry, fix responsibility, and take action against the persons and report to PAC within 15 days.

14. **PARA 110 (PAGE 154-ARPSE)**
LOSS DUE TO IRREGULAR/UNJUSTIFIED PAYMENT OF HOUSE RENT ALLOWANCE IN ADDITION TO OFFICIAL ACCOMMODATION TO EX-CHAIRMAN RS. 2.886 MILLION

Audit pointed out that:-

i) While deciding the Audit Para No. 126 page 90-ARPSE 1995096 the Sub Committee of PAC directed that the payment of House Rent Allowance to the officers and employees of PSM residing in corporation's residence was unjustified and illegal.

ii) Moreover the Ministry of Industries and Production vide their letter No. 1(9)/PR.I/2006 dated 15-08-2008 provides the terms and conditions of MP-I officers by stating that if the official accommodation is provided then House Rent Allowance would not be admissible.

In Pakistan Steel Mill (PSM) the management paid Rs. 2.886 million to two Ex-Chairman of PSM as House Rent Allowance (Rs. 1.295 million to one and Rs. 1.591 million the other), during the period 2004 to 2008 although they were provided official accommodation in Pakistan Steel town. It was also pertinent to mention here that clause (2) of the appointment of Ex-Chairman clearly stated that house rent allowance would not be admissible in case of providing of official accommodation by the Pakistan Steel. Inspite of such clear instructions issued by the Government of Pakistan both the Ex-Chairman misused their power and withdrawn house rent allowance irregularly. Thus PSM sustained a loss of Rs. 2.886 million.

The PAO informed the PAC that Maj. Gen. ® Muhammad Javed Ex-Chairman has settled his account. As regard to outstanding amount of house rent allowance in respect of Lt Gen ® Abdul Qayyum, it is stated that the ex-officer has taken up the matter with the Ministry of Industries & Production.

PAC DIRECTIVE

The PAC showed extreme displeasure of the above situation and observed that any body having official accommodation should not be entitled to house rent or occupy a second house. The Committee directed all Ministries/Divisions/Departments,Attached Departments,Corporations and Autonomous Bodies to ensure that this practice be stopped forthwith. Any incident brought to the notice of the PAC, subsequently, will be taken serious note of and the concerned Principle Accounting Officers will be held personally responsible for the offences. Necessary amendments may be made in the relevant rules to guard against this practice with a report to PAC within one month. The PAC further directed to submit a comprehensive report within 7 days containing the information when this practice was started and its financial implications, so far.

15. **PARA 111 (PAGE 155-ARPSE)**
LOSS DUE TO NON-LIFTING OF MATERIAL BY THE BUYERS WITHIN STIPULATED TIME-RS. 1.842 MILLION

Audit pointed out that the Para-a (iii) of the Selling Arrangements for Pakistan Steel Products- 2008 notified by Pakistan Steel Mills (PSM) on December 01, 2008 provides that contractual prices will be tentative. Customers will be liable to pay the prices prevalent at the time of taking delivery of material. Moreover, as per clause-9 of the Standard Terms & Conditions of Dealership Contract, the dealer shall be liable to pay prescribed storage charges, if any, in case the delivery of goods is not taken within prescribed free period.

PSM sold a quantity of 46,015.905 M/Tons of different products to various dealers during July 21, 2007 to March 30, 2009, which was lying un-lifted as on March 31, 2009. During that period PSM had revised selling prices on several occasions to the extent of average 35% as compared to the prices paid by the dealers. Therefore, in case the buyers lift the material, PSM has to refund the difference of the prices which was worked out to Rs. 1, 842,014. The management neither pursued the buyers to lit the material within prescribe time nor were any storage charges levied. It is worth mentioning that PSM is incurring carrying cost @ 1% on the un-lifted quantity.

The PAO informed the PAC that the history of imposition of storage charges was checked in old record and it was revealed that although the same was incorporated in the Selling Arrangements of Pakistan Steel products on 16.01.2001 by the Price Fixation Committee, but was withdrawn on 19.01.2001 after adverse feed back obtained from respective zonal offices. However, inadvertently the said clause could not be deleted from the standard terms & conditions of dealership.

PAC DIRECTIVE

The PAC directed the PAO to ask the Chairman, Steel Mill to conduct inquiry, fix responsibility in this case. The rules regarding Standard Terms and Conditions of

Dealership on Contract may be revisited to remove lacunas. It was also directed the Pakistan Steel Mills Corporation may frame Commercial Procurement Rules after input from stake-holders. Report may be submitted within 30 days.

16. **PARA 112 (PAGE 155-ARPSE)**
LOSS DUE TO INORDINATE DELAY IN PLACEMENT OF PURCHASE ORDERS RS. 1.643 MILLION

Audit pointed out that Pakistan Steel Mills (PSM) floated tender for procurement of 3,000 meters conveyor belt on January 19, 2007. Six parties participated out of which two were technically cleared. The commercial offer was opened on March 20, 2007 and after of M/s A.F.G international was found lowest at a landed cost of Rs. 40.158 million. However, the supplier specified the validity of offer as July 18, 2007. The management failed to place the order within the specified first lowest supplier was again the same party at a total landed cost of Rs. 41.801 million and the purchased order was placed on January 243, 2008. Thus due to inefficiency of management to place the purchase order after completion of tendering process and validity dated offered by party (i.e. March 20, 2007 to July 18, 2007) which comes about 120 days the corporation sustained a loss of Rs. 1.643 million.

The PAO/Ministry replied as under:-

- Pakistan Steel Floated a tender for procurement of 5000 meter on C & F basis, which was opened on 19.01.2007. Six offers we received. Out of six, two offers were technically accepted by ME&IC on 14-03-2007. Commercial offers of these two bidders were opened on 20-03-2007.

- The rate of 1st lowest bidder M/s AFG International was 72.77% higher than that of LPP of 2004. The matter was considered by the Price Estimation Committee (PEC) on 10-05-2007 & 17-05-2007 for decision regarding the quoted price. PEC agrees that the rates are very high and therefore not workable. After that the party offered 05% discount on 11-06-2007, and accordingly their C&F price reduced to Rs. 9,494 per meter.

- A review meeting of RRC was held on 03-08-2007 to discuss the quoted price after discount. The Committee considered that the offer price of M/s AFG International is still on higher side. However, it was decided to procure only 3000 meters of conveyor belt instead of 5000 meter. Accordingly, purchase proposal for procurement of 3000 meter conveyor belt amounting to Rs. 4, 01, 57, 663. 62 in favor of M/s AFG International were processed on 08-08-2007. The supplier extended validity of the offer up to 31-08-2007.

- Purchase proposal, after scrutiny/pre-audit from Internal Audit Department, was referred to Finance Department for financial concurrence which was retuned back with the remarks that the case could not be processed further in the light of expiry of prescribed period of validity under PPRA rules which was valid up to 18-07-2007.

- As such, 3rd time tender for the procurement of 3000 meter of conveyor belt was floated on 07-09-2007, which was opened on 25-10-2007. Three parties participated in the tender out of which two parties were technically accepted. Commercial offer was opened on 12-12-2007. M/s AFG International who quoted rate of Rs. 9967.939 million in the 2nd tendering (72.77% higher than LPP of 2004, quoted the rate of Rs. 9882.146 per meter (71.28% higher than LPP of 2004) and become the 1st lowest in 3rd tendering. The case was examined by the RRC and observed that M/s AFG International had offered 5% discount in their FOB price in previous tendering and accordingly their C&F price become Rs. 9494.00 per meter.

PAC DIRECTIVE

The PAC directed the PAO to ask the Chairman, Steel Mill to conduct inquiry, fix responsibility on the person(s) for inordinate delay in placement of purchase orders not responding, make recovery and report to PAC within 30 days.

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY

17. i) **PARA 113 (PAGE 158-ARPSE)**
AUDIT COMMENTS

ii) **PARA 113.1 (PAGE 158-ARPSE)**
WORKING RESULTS

iii) **PARA 114 (PAGE 159-160-ARPSE)**
PROCUREMENT OF SUBSTANDARD WHEAT RS. 3,102 MILLION

iv) **PARA 115 (PAGE 160-ARPSE)**
LOSS DUE TO LOOTING OF STORES AND WAREHOUSES RS. 71.602 MILLION

v) **PARA 117 (PAGE 160-162-ARPSE)**
LOSS DUE TO THEFT OF STOCK BY WAREHOUSES EMPLYOEES RS. 3.262 MILLION

vi) **PARA 119 (PAGE 163-164-ARPSE)**
LOSS DUE TO NEGLIGENCE OF THE REGIONAL MANAGER AND WAREHOUSES INCHARGE GUJRAT RS. 1.654 MILLION

STATE ENGINEERING CORPORATION (PVT) LIMITED

vii) **PARA 120 (PAGE 165-ARPSE)**
AUDIT COMMENTS

viii) **PARA 120.2 (PAGE 166-ARPSE)**
AUDIT COMMENTS

ix) **PARA 120.3 (PAGE 167-ARPSE)**
AUDIT COMMENTS

x) **PARA 120.4 (PAGE 167-ARPSE)**
AUDIT COMMENTS

PAKISTAN MACHINE TOOL FACTORY (PVT) LIMITED

xi) **PARA 121 (PAGE 168-ARPSE)**
AUDIT COMMENTS

xii) **PARA 121.1 (PAGE 168-ARPSE)**
WORKING RESULTS

xiii) **PARA 121.2 (PAGE 168-169-ARPSE)**
AUDIT COMMENTS

xiv) **PARA 121.3 (PAGE 169-ARPSE)**
AUDIT COMMENTS

xv) **PARA 121.4 (PAGE 169-ARPSE)**
AUDIT COMMENTS

xvi) **PARA 122 (PAGE 170-ARPSE)**
NON-RECOVERY FROM A CUSTOMER RS. 2.326 MILLION

HEAVY ELECTRICAL COMPLEX (PVT) LIMITED

xvii) **PARA 124 (PAGE 172-ARPSE)**
AUDIT COMMENTS

xviii) **PARA 124.1 (PAGE 172-ARPSE)**
WORKING RESULTS

xix) **PARA 124.2 (PAGE 172-ARPSE)**
AUDIT COMMENTS

xx) **PARA 124.3 (PAGE 173-ARPSE)**
AUDIT COMMENTS

xxi) **PARA 124.4 (PAGE 173-ARPSE)**
AUDIT COMMENTS

xxii) **PARA 124.5 (PAGE 173-ARPSE)**
AUDIT COMMENTS

HEAVY MECHANICAL COMPLEX (PVT) LIMITED

xxiii) **PARA 125 (PAGE 174-ARPSE)**
AUDIT COMMENTS

xxiv) **PARA 125.2 (PAGE 175-ARPSE)**
AUDIT COMMENTS

xxv) **PARA 126 (PAGE 175-176-ARPSE)**
LOSS DUE TO IMPOSITION OF PENALTY BY DIRECTOR GENERAL PURCHASE RS 48.632 MILLION

NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PVT) LIMITED

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NON-COMPILATION OF ACCOUNTS

PAC DIRECTIVE

On the presentation of above 58 audit paras, the PAC directed the PAO to implement the recommendations of the DAC and settled the paras subject to verification/satisfaction of Audit Department.

MINISTRY OF INFORMATION & BROADCASTING

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the M/o Information & Broadcasting were taken up for examination by the Public Accounts Committee (PAC) on **1st June and 9th December, 2010.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations.

1.2 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.

1.3 There were 6 grants presented by the AGPR and 30 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC. 6 Audit paras/grants were recommended for settlement by the PAC either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directive on 12 Audit paras.

1.4 The PAC also directed recoverable sums amounting to **Rs ----------**, out of which a sum of **Rs ----------** has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on **01-06-2010** to examine the Appropriation Accounts for the year 2007-08 and Audit Report for the year 2008-09, pertaining to M/o Information and Broadcasting are as under:-

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I- 2007-08)

1. i) **GRANT NO. 65-INFORMATION & BROADCASTING DIVISION (PAGE 441-AA)**
(Saving of Rs. 12,921,561)

AGPR pointed out that the grant closed with a saving of Rs. 12, 921, 561 which works out to 5.44% of the total grant. An amount of Rs. 4,454,361 (1.87%) was surrendered decreasing net saving of RS. 8,467,200 (3.56%). A supplementary scheduled grant of Rs. 9,000,000 was sanctioned but not include in supplementary schedule of authorized expenditure. After taking it into account the saving shall be increased to Rs. 17.467,200 (7.09%).

The PAO explained that the saving was due to vacant posts, adoption of economy measures and cancellation of pre-budget publicity advertisement campaign. Moreover, certain releases were not made by the Ministry of Finance in the fourth quarter of financial year 2007-08.

ii) **GRANT NO. 66-DIRECTORATE OF PUBLICATIONS NEWSREELS AND DOCUMENTARIES (PAGE 445-AA)**
(Excess of Rs. 932,964)

AGPR pointed out that the grant closed with an Excess of Rs. 932,964 which works out to 1.21% of the total grant.

The PAO explained that the excess was due to revision of pay scale.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 2 grants with the direction **that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budgeting principles to avoid saving /excess.**

2. **GRANT NO. 67-PRESS INFORMATION DEPARTMENT (PAGE 446-AA)**
(Excess of Rs. 3,815,606)

AGPR pointed out that the grant closed with an Excess of Rs. 3,815,606 which works out to 2.11% of the total grant. A supplementary grant of Rs. 4, 100, 000 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account the excess shall be converted into saving of Rs. 284,394 (0.15%).

The PAO explained that the excess was due to revision of pay scales and excess in respect of PID (HQ) and its ten Regional Information Officers after consolidation.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction to explain **reasons why honoraria, announced by the Prime Minister on the floor of the House and ruling of the Chair, during last year's budget Session, has not been paid to the information/media. Inquiry details may be furnished to the Public Accounts Committee within one week.**

3. **GRANT NO. 68-INFORMATION SERVICES ABROAD (PAGE 448-AA)**
(Excess of Rs. 43,336,560)

AGPR pointed out that the grant closed with an Excess of Rs. 43,336,560 which works out to 16.37% of the total grant. A supplementary grant of Rs. 3,350,000 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account the excess shall be decreased to Rs. 39,986,560 (14.91%).

The PAO explained that the excess was due to revision of pay scales, 25% increase in foreign allowances and up gradation of posts of Press Attach in Information Section, New

Delhi and Foreign posting of Officers and officials to Pak. Missions abroad are major reasons for the excess.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction **that excess should not occur in future. The Principal Accounting Officer will be held personally responsible for such mismanagement in future. It was also directed that the policy of undue praise for the Government has to be reviewed. The PAC further directed that information about all web-sites maintained by the Ministry and expenses incurred on them may be sent to the PAC Secretariat within one week.**

4. **GRANT NO. 69- OTHER EXPENDITURE OF INFORMATION AND BROADCASTING DIVISION (PAGE 450-AA)**
(Saving of Rs. 2,643,400)

AGPR pointed out that the grant closed with a Saving of Rs. 2,643,400 which works out to 0.12% of the total grant. An amount of Rs. 2,500,000 (0.11%) was surrendered leaving net saving of Rs. 143,400.

The PAO explained that the saving was due to non utilization of publicity charges of celebration of 60th year of Independence Special Publicity Fund (SPF).

PAC DIRECTIVE

The Public Accounts Committee pended the grant to discuss the same in the next PAC meeting with the direction to PAO that **detailed information about grants of Special Publicity Fund and grant to Institute of Regional Studies may be provided within one week. The PAO further directed to submit information as to who authorized the expenditure incurred on the publication of Booklet presented in the National Assembly.**

5. **GRANT NO. 147- DEVELOPMENT EXPENDITURE OF INFORMATION AND BROADCASTING DIVISION (PAGE 451-AA)**
(Excess of Rs. 327,251,705)

AGPR pointed out that the grant closed with an Excess of Rs. 327,251,705 which works out to 397.81% of the total grant. An amount of Rs. 24,552,460 (29.84%) was surrendered increasing net excess of Rs. 351,804,165 (427.65%).

The PAO explained that the saving was due to low utilization of funds in certain projects, because of incomplete joint venture collaboration with foreign Universities in result of law and order situation in the country.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction **that there should be zero saving and zero excess in future. The PAC also directed that the PAO to adopt good budgeting principles to avoid saving/excess. The PAC further directed the PAO that one of the senior officer may be asked to monitor the budgetary figures and sanctity of budget figures must be honored in future. The PAC further directed the PAO to constitute a committee under the Chairmanship of a senior officer from the Ministry and representatives from the Office of Controller General of Accounts, Auditor General's Office and Ministry of Finance to clear that at what stage the fault was occurred. Report to PAC/Audit within one month.**

AUDIT REPORT ON THE ACCUONTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

6. i) **PARA 132 (PAGES 191-192-ARPSE)**
ILL-PLANNED EXECUTION OF PROJECT RESULTED INTO BLOCKAGE OF FUND-RS.40.012 MILLION

Audit pointed out that as per approved PC-1 of the Projects, namely Radio Coverage of Motorway and Radio Coverage of G.T. Road through 2 KWFM. Transmitter, the cost of component of the Project contained A & B parts as under:-

A. i. Acquisition of site at different phase;
ii. Functional building; and
B. Equipment

The Ministry of Information and Broadcasting approved the Projects in DDWP meeting held on May 15, 2007 namely Radio Coverage at Motorway & G.T. Road with a total cost of Rs. 35.355 million and Rs. 32.460 million respectively. The administrative approval was issued by the Ministry vide letter dated December 06, 2007. Amount of Rs. 13.569 million for G.T. Road and Rs. 15.554 million for Motorway was released through letter dated July 20, 2008 and September18, 2007 respectively. However, instead of acquiring land and construction of building thereon, the management incurred an expenditure of Rs. 40.413 million on procurement of 18 Transmitters from M/s Rohde & Schwarz vide supply order dated December 31, 2007. Later on the Planning and Development Division vide letter dated February 3, 2009 intimated that the project is discontinued for 1 to 2 years.

The PAO informed the PAC that the two projects namely "FM coverage of GT Road and Motorway MI-M2" have thoroughly been reviewed. It has been decided to drop the projects and utilize the 18 FM transmitters procured for these projects, for the newly established FM-93 channel. A working paper in this respect was submitted to the PBC Board of Directors. The Board in its 364th meeting held on 25.07.2009 at Quetta, under the chairmanship of the Secretary Information & Broadcasting, approved the proposal of dropping the above cited two projects and utilization of 18 FM transmitters for FM-93 channel. The case has been submitted to the Secretary Ministry of Information & Broadcasting who, as Chairman DDWP, had earlier approved the PCs-I of the projects, for now dropping the projects in favour of FM-93 channel vide letter No. Eng/Plan/C-163/310 dated 11.09.2009.

ii) **PARA 133 (PAGES 192-ARPSE)**
EXPECTED LOSS DUE TO NON-INITIATING TIMELY ACTION FOR INSTALLATION /COMMISSIONING OF TRANSMITTER – RS.36.444 MILLION

Audit pointed out that management of Pakistan Broadcasting Corporation (PBC), P&D Department required to commission / install and test the 100 KW transmitter within the warrantee period of 18 months after the receipt of the equipment as stipulated in contract agreement dated June 30, 1996. The management of PBC, P&D department purchased 100 KW transmitter at a cost of US $ 607,440 from M/s. F.A. Enterprises vide contract agreement dated June 6, 1996 for replacement of old transmitter at HPT-I Rawat. The transmitter in question supplied in January 1997, was lying in packed condition for a period of about 9 years and could not be brought into operation till March 31, 2009. Non-installation of the transmitter within warrantee period, PBC is likely to sustain a loss of US $ 607,440 equal to Pak Rs.36.444 million.

The PAO informed the PAC that the transmitter has been put into operation after replacing the defective frequency synthesizers.

iii) **PARA 134 (PAGES 193-194-ARPSE)**
LOSS DUE TO NON-PURCHASING OF EQUIPMENT FROM THE FIRST LOWEST BIDDER - RS 21.465 MILLION

Audit pointed out that as per clause-38 of the Public Procurement Rules the bidder with the lowest evaluated bid, if not in conflict with any other law, rules or policy of Government shall be awarded the procurement contract. As per minutes of meeting of Central Development Working Party (CDWP) held on January 21, 2006 it was inter alia decided that National Radio Telecommunication Corporation (Pvt.) Limited shall be involved in the bidding process such as cost and technical evaluation of the equipment.

PBC, Procurement Cell, tendered for the purchase of 2 transmitters (100 KW) for H.P.T. Landhi Karachi in news papers on November 29, 2006. In response 4

bidders participated in tendering process. The financial bids were opened on December 20, 2006. The rates of US $ 1,057,176.00 (Pak Rs.64.276 million) quoted by M/s. Potential Engineers (Pvt) Limited, China Chang Feng Science & Technology was found the lowest. A committee comprising of the Controller Procurement, Controller (M&O) and Controller EPU was constituted for technical evaluation of the bids. As per report of the Technical Committee dated January 22, 2007, the Committee rejected the 1st lowest bid on the ground that the China offered consisted of two vacuum tubes in its RF Power Amplifier which cannot be converted into DRM digital modulation system for future use. The equipment was purchased from M/s. F.A. Enterprises, Islamabad, the 2nd lowest bidder vide contract dated July 24, 2007 at a total cost of Franc 1.757 million (Pak Rs.85.741 million). However, it was observed from the relevant record that after processing of the case for obtaining approval, the management sent the case along with tender documents to National Radio Telecommunication (Pvt.) Limited in light of CDWP decision on May 15, 2007 for technical as well as financial scrutiny of the bids. In accordance with the Chief Engineer of NRTC report dated June 27, 2007; the offer of the first lowest bidder of M/s. Potential Engineers (Pvt.) Limited was technically accepted and recommended the lowest bid. However the management did not consider the evaluation of the NRTC because they have already rejected the 1st lowest bidder by their own Technical Committee. Furthermore, as per specification submitted in tender document by the 1st lowest bidder it was clearly mentioned that there is an option of the facility of DRM.

The PAO informed the PAC that on the advice of DAC an Enquiry Committee under the Chairmanship of Mr. Zulfiqar Ahmed, Consultant SRBC has been constituted to probe into the case. Report of the Committee will be provided to Audit as and when completed.

iv) **PARA 135 (PAGES 194-195-ARPSE)**
LOSS DUE TO INORDINATE DELAY IN INSTALLATION / COMMISSIONING OF TRANSMITTERS – RS.13.082 MILLION

Audit pointed out that in terms of clause-12 of the contract agreement between M/s. PBC and M/s. F.A Enterprises, Islamabad "except electron tubes for which guarantee / warrantee terms set separately. The supplier will guarantee, satisfactory function of the equipment for a period of one year after its initial test in Pakistan, but not later than 18 months after F.O.B. delivery. Any parts of equipment found defective during guarantee period shall be supplied to the purchaser for replacement free of cost. As per para-10 of annexure "C" of the said agreement" any component failed during testing of the Transmitter Engineer, shall be on account of the supplier. In PBC, P&D Department, Islamabad, Thomcast Transmitter (100 KW) was purchased from M/s. F.A Enterprises vide agreement dated June 6, 1996 at total cost of US $ 607,440 for replacement of old transmitter at H.P.T. The management did not install the transmitter within warrantee period of 18 months after its receipt in January, 1997. The transmitter was kept at H.P.T. for a period of about 9 years in packed condition. In 2003, the Management asked the supplier M/s. Thomcast for sending its Engineers for testing and commissioning of the transmitter on site. In response the supplier vide its letter dated March 11, 2003 intimated that since the Transmitter was supplied six years ago, therefore, they would not be responsible for failure of material during the commissioning. The management took up the issue with the supplier that any part failed during commission is the responsibility of the supplier to replace the same free of cost. However, the supplier refused to accept such liability on the plea that the warranty period of the transmitter has expired since long and now the PBC had to purchase these parts. Accordingly the PBC purchased spare worth CHF-267,530 (Pak Rs.13.082 million) from the said supplier vide contract agreement dated 16 May, 2007.

The PAO informed the PAC that the defective Frequency Synthesizer has been replaced with an other Synthesizer and the Transmitter has been put into

operation. The Transmitter is radiating one hour daily test transmission on the Frequencies 7100 KHz / 100 KHz for Middle East.

v) **PARA 140 (PAGES 200-201-ARPSE)**
IRREGULAR AWARD OF WORK ON SINGLE SOURCE BASIS – RS.9.401 MILLION

Audit pointed out that as per rule–12 of Public Procurement Rules, 2004 procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website. All procurement opportunities over two million rupees shall be advertised in other print media or two national newspapers having wide circulation. Rules – 22 (2) further provides that a procuring agency shall specify the manner and method of submission and receipt of bids in an unambiguous and clear manner in the bidding documents. The procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid. PTV awarded the consultancy services for civil works of RBS Shakargarh, Besham, Pooran, Wana, Mohammad Agency, Orakzai and TV Station Multan to M/s Sarfraz Ahmad & Associates. The work order is silent with reference to rates and cost of work on which the said works were awarded. However, in 1988 the management of PTV entered into an agreement with the firm for hiring the Engineering Consultancy Services at a fee on percentage of cost of construction. The total cost of the projects was not mentioned in the work order however, during the year 2007-08 the firm claimed Rs 9.401 million and the management has paid an amount of Rs.7.057 million to the consultants on account of consultancy fee of these projects.

The PAO informed the PAC that in compliance to DAC directive the PTV management submitted the case to PPRA authorities for relaxation in rules. In response to our request PPRA authority informed PTV vide letter No.6(23)DD-I/PPRA/PTV/09 dated November 04, 2009 that Rule 42(c) and (d) of Public Procurement Rules. 2004 provide for direct contracting and negotiated tendering on the basis of prevalence of specific situations under which holding of

competitive bidding is not required. In the instant case, PTV has been advised to clarify their position to the DAC in terms of provision of Rule 42 (c) & (d), subject to underlying conditions keeping in view the PTV's opinion that PTV installations are very sensitive and fall under the category of key points and some of them are strategically located which could not be opened to others except a panel of specialized consultants and its publication could jeopardize the national security. Rule 42 (c) (ii) and 42(d) (ii) may be relevant in the matter under the situation explained by PTV. Furthermore, it has been informed that PPRA does not grant ex-post-facto exemption in view of legal provisions and the Board's decision dated February 12, 2008 containing similar directions.

vi) **PARA 141 (PAGES 201-202-ARPSE)**
IRREGULAR PROCUREMENT OF ENGINEERING EQUIPMENTS ON SINGLE SOURCE BASIS – RS.6.259 MILLION

Audit pointed out that as per rule–12 of Public Procurement Rules, 2004 procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the authority's website in the manner and format specified by regulation by the authority from time to time. All procurement opportunities over two million rupees should also be advertised in other print media or newspapers having wide circulation. As per rule–22 (2) a procuring agency shall specify the manner and method of submission and receipt of bids in an unambiguous and clear manner in the bidding documents. The procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid. PTV, Islamabad issued a purchase order dated December 26, 2007 in favor of M/s Systems Network, Islamabad for the procurement of Mini DV Camcorders, Assorted Connectors and Blank Video Cassettes at a cost of Rs.6.258 million. The said purchase order was issued to the firm without advertising the requirement on PPRA's website as well as in other print media as required under PPRA Rules, 2004. The purchase procedure was deviated on the plea that the requirement was urgent for Election, 2008.

The PAO informed the PAC that in compliance to DAC directive it is clarified that Managing Director PTV has approved the Special Purchase Committee comprising on senior most/responsible officers to meet the emergency requirement for Election 2008, which were announced to hold on January 08, 2008 but were delayed due to sad incident of December 27, 2007. The mandate of the committee was to affect the purchases on the most competitive prices based on spot quotations collected from more than three dealers/suppliers. The competent authority waived off all the prevailing purchase procedures in the presence of emergency. It is also decided that the general order suppliers may not be involved in these purchases and the cheque will be issued in the name of the supplier after obtaining the supply of the goods on the recommendations of the above Special Purchase Committee. It is further clarified that these purchases were made after the survey of market and most competitive rates on the best interest of the Corporation.

vii) **PARA 143 (PAGES 203-204-ARPSE)**
IRREGULAR RE-EMPLOYMENT AFTER SUPERANNUATION - RS.4.811 MILLION

Audit pointed out that the Establishment Division vide its letter dated October 19, 1994 circulated the policy of re-employment after superannuation and directed that cases for re-employment would, in future, be considered in accordance with the following criteria:-

a. Non availability of suitably qualified or experience officers to replace the retiring officer;
b. The officer is highly competent person with distinction in his profession/field;
c. The re-employment does not cause a promotion block and
d. Retention of the retiring officer for a specified period is in the public interest.

The authority further directed that re-employment beyond the age of superannuation in all cases required the approval of the Prime Minister. The policy would also apply to government controlled corporations.

PTV, Islamabad appointed Ex-Director Marketing as Head of Recoveries and Settlement on contract after his superannuation for a period of one year @ Rs.100,000 per month. In addition to that he was entitled to draw the facility of mobile and 300 liters petrol per month. After two months, he was re-designated vide letter dated July 10, 2007 as Head of Sale PTV-I with a monthly Pay package of Rs.200,000, inclusive all perks and privileges w.e.f. July 05, 2007. The contract was extended for further two years w.e.f. April 24, 2008. The appointment was made in contravention to the directives of the Cabinet Division, no approval was obtained from the Prime Minister. Thus the payment of Rs.4.811 million (Rs0.237 million @ Rs.100,000 from 24-4-2007 to 04-07-2007 and Rs.4.574 million @ Rs.200,000 from 05-7-2007 to 31-03-2009) on account of salary was considered irregular.

The PAO informed the PAC that in pursuance of DAC directive, a case is being sent to Prime Minister Secretariat for seeking Prime Minister approval to regularize re-employment of Mr. Muhammad Banaras Khan, Head of Recoveries & Settlement. As regards DAC directive regarding performance of the concerned Officer, it is clarified that initially he was given the assignment of Head of Recoveries & Settlement. Later on he was re-designated as Head of Sales. During his assignments he has given a good performance and made recovery of Rs.5.6 billion and generated the revenue of Rs.4.5 billion (during the period from May 2007 to August 2009). It may also be clarified that he has also resolved the disputed cases amounting to Rs.110 million which relates to different Advertising Agencies during his tenure.

viii) **PARA 144 (PAGES 204-205-ARPSE)**
LOSS DUE TO GRANT OF MOBILIZATION ADVANCE TO A FIRM WITHOUT BANK GUARANTEE – RS.1.473 MILLION

Audit pointed out that the management of PTV entered into an agreement with M/s. BBCL (Pvt.) Ltd. Karachi on September 21, 2007 for the purchase of programme “Singer Pakistani” at a total cost of Rs.13.473 million. As per clause-5 (i) of the agreement, the management agreed for payment of 20% mobilization

advance of Rs.2.695 million to the party which will be adjustable @ Rs.100,000 per episode. As per clause–7 of the agreement the party is bound to deliver the first four episodes within 30 days from the date of signing of agreement. The PTV constitutes a Programme Evaluation Committee who evaluates the programmes and gives his recommendations. The Programme Evaluation committee in its meeting held on July 11, 2007 approved a programme for purchase namely "Singer Pakistani". The programme consists of 27 episodes of 50 minutes each. The price negotiation committee in its meeting held on July 23, 2007 considered the price of Rs.0.499 million per episode as reasonable, the MD approved the said cost. Thus, the total cost of the programmes (27 episodes) was Rs.13.473 million. The management on October 05, 2007 granted the mobilization advance of Rs.2.695 million to the party. On receipt of 1st episode, the Director, Marketing Strategy and Planning made some observations on the programmes. The PTV rejected the programme and the party has failed to deliver the programme as per satisfaction of the PTV. In a meeting between MD PTV and MD BBCL held on March 19, 2008 it was decided that the company will not provide the programme as per changes recommended by the Programme Previewing Committee and the agreement will be terminated by both the parties. As regard the recovery of mobilization advance, it was decided that the PTV will hire the technical facilities from the firm for the adjustment of advance.

The PAO informed the PAC that in compliance to DAC directive the management of PTV has conducted a formal enquiry in the matter. Mr. Qaiser Naqi Imam, the Enquiry Officer after completing the enquiry has submitted the enquiry report. The enquiry officer has mentioned in the enquiry report that during long correspondence and contacts with BBCL, offered its technical/production services to PTV to adjust the mobilization advance. In this context, an understanding was signed between the then Director Programmes and Director BBCL on March 19, 2008. The said arrangement scheme is going on. In this regard, PTV has acquired technical facilities from BBCL for different mega shows arranged and shoot in Karachi in the previous years. As per our record till January 31, 2010 an amount

of Rs.1,473,000/- is still to be adjusted from the party. As the process is on, it is expected that the rest of the amount will be adjusted in the coming years that is the ultimate goal of this arrangement.

PAC DIRECTIVE

On the presentation of the above 08 paras, the Public Accounts Committee directed **that the Ministry may hold an inquiry under the Chairmanship of the Additional Secretary for fixing responsibility and report to PAC within one month in all cases.**

7. **PARA 138 (PAGES 199-200-ARPSE)**
NON-RECOVERY DUE TO IRREGULAR CREDIT SALE OF AIR TIME – RS.31.875 MILLION

Audit pointed out that under the terms of clause-13 of PTV Edition "Advertising on Television" 1994 advertising agencies categorized by the management as A and B on the list of normal credit and restricted credit. In Central Sales Office, Karachi, the management allowed credit sale of air time to the agencies other than category A and B to telecast their programmes or Commercials on T.V. Under clause-3 of the above quoted Edition payment in full was required in advance of transmission, on monthly basis, e.g. all spots scheduled to be transmitted in February should be paid for by January 31 by the agencies. But by violating the rules / policy, programmes and commercials of 15 agencies were transmitted without receipt of advance payment which was not on credit list. As a result, cost of air time amounting to Rs.31.875 million could not be recovered from them till June, 2008.

The PAO informed the PAC that the management has complied with the DAC directive to recover the outstanding amounts from the agencies. An amount of Rs.27.733 million has been recovered out of Rs.31.875 million against the 15 clients/private production houses as on 30.06.2008.

The client wise details of recovery/adjustment are given below:-

Sr. No	Name of Agency	Balance as on 30,06.08 (Rs.)	Recovery upto 11.02.2010 (Rs)	Balance of 30.06.2008 as at H.02.2010 (Rs)
1	LHR *Ms.* A.V. Advertising	644,192	452,0367	192,155
2	LHR M/s. Ad-Winner Advertising	96,723	30,000	66,723
3	LHR M/s. Amtex (Pvt) Ltd	21,850	21,850	00
4	LHR M/s. Bio- Advertising	443,714	443,714	00
5	LHR M/s. Global Media Edge	1,015,718	810,780	204,938
6	LHR M/s. Harb Advertising	582,964	582,964	00
7	LHR M/s. Harper Flux	1,345,553	1,345,553	00
8	LHR M/s. Marketing Media	388,899	30,000	308,899
9	LHR *M/s.* Media Shop	4,107,740	4,107,740	00
10	LHR M/s. Pink Production	104,872	0.00	104,872
11	LHR M/s. Pinnacle Production	498,628	498,628	00
12	LHR M/s. Pokal Advertiser	557,857	0.00	557,857
13	LHR M/s. Prudent Communication	75,022	75,022	00
14	LHR M/s. Thought Advertising & Date	718,910	149,999	568,911
15	LHR M/s. Time & Space Media	21,322,689	19,184,272	2,138,417
	Total Rs:	**31,875,331**	**27,732,559**	**4,142,772**

The above chart depicts that there is only a nominal amount of Rs.4.142 million as outstanding from agencies, for which PTV is trying its best to recover the same. Hectic efforts and follow-up are being continuously made to recover the balance amount through telephone calls, letters, personal visits of Marketing Officials and also through recovery cell.

PAC DIRECTIVE

The Public Accounts Committee directed **that the Ministry may ensure recoveries within 2 months, otherwise recoveries will be affected from the person(s) responsible who authorized this advance payments. The PAC also directed to provide record pertaining to recoveries for verification by Audit.**

8. **PARA 139 (PAGES 199-200-ARPSE)**
GRANT OF LOANS TO PTV FOUNDATION WITHOUT TERMS AND CONDITIONS OF REPAYMENT – RS.30.247 MILLION

Audit pointed out that the PTV Board of Directors in its 129th meeting held on August 28, 2001 approved the incorporation of PTV Foundation (the Company). As per charter, the Foundation was established with the objectives to carry on the business of advertising, publishing, film making, drama production, to establish / run and operate studios, theatres, and other institutions for the promotion of science, art and culture. The Foundation failed to start even a single project as defined in its charter since its establishment in August 2001. The affairs of the Foundation were being run on loans granted by PTV from time to time. The outstanding loans were Rs.30.247 million as on June 30, 2008 (2006-07 – Rs.16.135 million). Presently the Foundation was working on a project namely PTV Employees Housing Scheme in violation of its objectives. The Foundation entered into an agreement on November 29, 2007 with M/s. Abdul Sattar for the purchase of 1,000 kanal land @ Rs.725,000 per kanal. A period of 17 months had lapsed but 35 kanal land had so far been purchased by the Foundation. The PTV itself was depending upon bank borrowings, the establishment of PTV Foundation, grant of loans to the Foundation without settling the terms of repayment was not justified.

The PAO informed the PAC that in light of directives by DAC to make PTV Foundations a viable project, it is clarified that the Foundations is a newly established organizations and needs some time to grow and to become a profitable project. The foundation is in process to establish its business. In order to make PTV Foundations a viable project there are five proposals which were put forwarded in the 9th BOD meeting of PTV-Foundations

held on 27th October, 2009, out of these five proposals four have been approved by Board subject to some modalities.

PAC DIRECTIVE

The Public Accounts Committee directed that **the PTV Foundations may be wound up within one month's time. In case there are some irritants, Ministry can bring them before the PAC in the meeting.**

9. **PARA 142 (PAGES 202-203-ARPSE)**
NON RECOVERY OF ON ACCOUNT OF GROSS SALARY IN LIEU OF NOTICE PERIOD - RS.5.100 MILLION

Audit pointed out that the Cabinet Secretariat (Establishment Division) vide its notification dated June 21, 2008 appointed Dr. Shahid Masood as Chairman PTVC with additional charge of the post of Managing Director PTVC. The officer assumed the charge of the post from the same date. As per appointment letter dated June 27, 2008 the contract period of the officer was 05 years and in case of early termination of the contract, a notice of six months will be required from either side or gross salary in lieu thereof. The gross salary of the officer was fixed Rs. 850,000 per month. The officer tendered his resignation from the post which was accepted by the Prime Minister w.e.f. November 03, 2008. The officer did not serve notice of six months and was liable to pay the gross salary amounting to Rs.5.100 million (Rs.850,000 X 6 months) in lieu of notice period.

The PAO informed the PAC that in compliance to DAC directive to the PTV-Management to recover the amount from Ex-MD/Chairman it is clarified that Dr. Shahid Masood was appointed as Chairman/MD PTV by the Government of Pakistan vide Cabinet Secretariat letter No. l/64/2008/E-6, dated 21.06.2008. Accordingly he assumed the charge of the post of Chairman/MD PTV with effect from 21.06.2008. Accordingly he assumed the charge of the post of Chairman/MD PTV with effect from 21.06.2008. The pay package and terms and conditions of their appointment approved were communicated to PTV vide M/o I&B letter No. 6(6)/2007/Secy dated 27.06.2008. Dr. Shahid Masood tendered his resignation from the position of Chairman/MD PTV which

was accepted by the Prime Minister of Pakistan w.e.f. 03.11.2008 and conveyed to PTB by Establishment Division, Government of Pakistan vide Notification No. 1/64/2008-E-6 dated 03.11.2008. However, the notification of Establishment Division is silent with reference to pay in lieu of notice period. We have, therefore, sought advice of the Ministry of information and Broadcasting on the subject matter to proceed further in the case. PTV is constantly in touch with the parent Ministry for the decision so as to settle this issue at an earliest.

PAC DIRECTIVE

The Public Accounts Committee directed that **the Ministry may issue legal notice to the Ex-MD for recovery under the terms and conditions of his contract. It was also directed that a copy of contract agreement with Dr. Shahid Masood may be sent to the PAC Secretariat along with the criteria of appointment of Managing Directors for PTV and the current MD's salary package/contract agreement.**

SHALIMAR RECORDING COMPANY AND ASSOCIATED PRESS OF PAKISTAN

10. **ANNEXURE-I-372 (PAGE 372-ARPSE)**
NON SUMBISSION OF ACCOUNTS

Audit pointed out that the annual audited accounts of Public Sector Enterprises for the years 2003-04 to 2008-09 were to be provided to the Directorates General of Commercial Audit & Evaluation, Lahore by January 15 of each respective year. Despite repeated requests, D.O letter, telephonic conversations and personal visits, the management of Shalimar Recording Company, and Associated Press of Pakistan failed to provide their annual audited accounts for the years 2003-04 to 2008-09 by the prescribed date. Non-submission of the accounts needs to be explained.

The PAO informed the PAC that the case was referred to the M/o Law & Justice for seeking opinion in the matter, who has endorsed the view point of the company.

PAC DIRECTIVE

The Public Accounts Committee taking a very serious note directed **the PAO to call a meeting for settlement of all the issued and report to PAC within one month. The PAC further directed the PAO that after meeting, the Company accounts should be made available to the Audit.**

11. **PARA 192 (PAGE 167-ARPSE)**
AUDIT COMMENTS

Audit pointed out that a sum of Rs. 40.571 millions was spent on World Cup Cultural Events during 1995-96. The expenditure was neither provided in PTV budget nor got approve from Board of Directors. Individual responsibility needs to be fixed for irregular incurrence of such a heavy unbudgeted and unapproved expenditure and suitable action initiated against the defaulters concerned. The heavy expenditure more than Rs. 40 million incurred quite irregular on World cup Cultural Event during an appropriate level for making good the losses sustained on this account from the officers/officials held responsible thereof.

The PAO informed the PAC that Pakistan was one of the hosts of the Wills Cricket World Cup 1996 held between 14 February-17 March, 1996. To organize various matters on the issue, a World Cup Committee was wet up under the chairmanship of Mr. Asif Ali Zardari in April, 1995, This committee appointed a sub-committee to organize cultural activities under the chairpersonship of Mrs. Ranna Shaikh, the then Secretary Culture. The mandate of this sub-committee was to organize, hold and telecast culture events to celebrate the event. Mrs. Ranna Shaikh continued to chair this committee on being appointed as MD PTV in June, 1995. It ws decided in a meeting held on 25 January, 1996 headed by Mr. Asif Ali Zardar that PTV should organize theses culture events from its own resources with funds to be generated through sponsorship of different functions. Regional coordinator form PTV staff were nominate for the purpose. In additions, a sum of Rs. 5.000 million was provided by World Cup Committee to World cup Culture

Committee as initial seed money, returnable after funds generation took place. To meet the above target, following activities were initiated:-

i) PTV authorities awarded 46 contracts to different advertising agencies, booking 201, 930 seconds of commercial time on sponsorship basis to cover the culture programmes, both live and recorded.

ii) PTV organized 17 cultural events at 14 locations. Some of these events were telecast live while others were shown after being recorded.

As separate set of Books of Account was maintained for recording all the financial transactions relating to cultural events. Resultantly, new Bank Account were got opened for the purpose, operated by the persons not belonging to PTV Finance Department. A Special Audit of the income and expenditure of the cultural festival was ordered by the then MD PTV through a firm of Chartered Accountants namely M/s Taseer Hadi Khalid & Co., who finalized their report in August, 1996. The audit report revealed that the whole manner of arranging the Culture Events of the World Cup at the expense of PTV were in total disregard to all norms rules and regulations on the subject, causing great losses to the Corporation. Based on this Special Audit Report of World cup Cricket Programmes, PTV ordered a Fact Finding Enquiry into the irregularities connected with the events viz-a-viz PTV. The fact finding enquiry committee submitted its report on November 03, 1996 to the Managing Director. A number of irregularities regarding advertisement package, financial procedure were noted. It was also noted n the Fact Finding Enquiry Report that almost all the matter of the Cultural Events carried the approval of the then Managing Director, Mrs. Ranna Shaikh. Consequently following PTV officers were charge sheeted:-

i) Mr. Muhammad Ahmad Siddiqui, Controller Revenue at Central Marketing Officer, Karachi.
ii) Mr. M. Zaheer Khan, General Manager, TV Centre, Karachi.
iii) Mr. Shahid Mahmood Nadeem, General Manager, TV Centre, Lahore.

In the meantime Government decided to conduct a special audit on the performance of PTV for the years 1994 to 1996. Accordingly, the audit was conducted by a team of Government commercial audit and the Auditor General of Pakistan submitted a Special Audit Report to the Government of Pakistan (Finance Division), the reply of which as has

also been sent to the Audit authority for further necessary action. The PAO further stated that the case of the Cultural Shows was being dealt with by FIA which ahs now been withdrawn by the then MD, PTV despite of Ministry's recommendations.

PAC DIRECTIVE

The Public Accounts Committee took **a very serious not for waste of public money in violation of all rules & regulations and directed the PAO to hold inquiry to find out the reasons for withdrawal of case form the court, fix responsibility and report to PAC within two weeks.**

12. i) **PARA 131 (PAGE 187-ARPSE)**
AUDIT COMMENTS

ii) **PARA 131.1 (PAGE 187-188-ARPSE)**
WORKING RESULTS

iii) **PARA 131.2 (PAGE 189-ARPSE)**
AUDIT COMMENTS

iv) **PARA 131.3 (PAGE 189-190-ARPSE)**
AUDIT COMMENTS

v) **PARA 131.4 (PAGE 190-ARPSE)**
AUDIT COMMENTS

vi) **PARA 131.5 (PAGE 190-ARPSE)**
AUDIT COMMENTS

vii) **PARA 131.6 (PAGE 190-ARPSE)**
AUDIT COMMENTS

viii) **PARA 131.7 (PAGE 190-ARPSE)**
AUDIT COMMENTS

ix) **PARA 131.8 (PAGE 190-ARPSE)**
AUDIT COMMENTS

x) **PARA 131.9 (PAGE 190-ARPSE)**
AUDIT COMMENTS

xi) **PARA 136 (PAGE 195-96-ARPSE)**
IRREGULAR APPOINTMENT OF OFFICERS RS. 0.420 MILLION

xii) **PARA 137 (PAGE 197-ARPSE)**
AUDIT COMMENTS

xiii) **PARA 137.1 (PAGE 197-198-ARPSE)**
WORKING RESULTS

xiv) **PARA 137.2 (PAGE 198-ARPSE)**
AUDIT COMMENTS

xv) **PARA 137.3 (PAGE 198-ARPSE)**
AUDIT COMMENTS

xvi) **PARA 137.4 (PAGE 198-ARPSE)**
AUDIT COMMENTS

xvii) **PARA 145 (PAGE 205-206-ARPSE)**
NON-RECOVERY OF HOUSE RENT ADVANCE OF UN-AUTHORIZED PERIOD RS. 0.846 MILLION

PAC DIRECTIVE

On the presentation of above 17 paras, the PAC **directed the PAO to implement the recommendations of the DAC.** These paras are considered to be settled subject to verification/satisfaction of Audit Department.

ACTIONABLE POINTS

Actionable points arising from the discussions of the PAC meeting held on **09-12-2010** to examine the Appropriation Accounts for the year 2007-08 and Audit Report for the year 2008-09 pertaining to M/o Information and Broadcasting are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007- 08)

1. **GRANT NO. 69-OTHER EXPENDITURE OF INFORMATION AND BROADCASTING DIVISION (PAGE 450-AA) (ITEM 4 AP-2007-08)**
(Saving of Rs. 2,643,400)

AGPR pointed out that the grant closed with a saving of Rs. 2,643,400 which works out to 0.12% of the total grant. An amount of Rs. 2,500,000 (0.11%) was surrendered leaving net saving of Rs. 143,400.

The PAO explained that the main portion of this grant was meant for publicity charges of celebration of 60th year of independence Special Publicity Fund (SPF) and Institute of Regional Studies (IRS).

PAC DIRECTIVE

The Public Accounts Committee settled the grant with the remarks that there should be zero saving zero excess in future.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN BROADCASTING CORPORATION

2. i) **PARA 131.5 (PAGE 190-ARPSE)**
AUDIT COMMENTS

Audit pointed out that accounts receivables un-secured increased to Rs.126.329 million as on June 30, 2008 against Rs.115.010 million as on June 30, 2007 registering increase by 10%. This indicates weak and in-effective credit policy of the Corporation.

The PAO explained that it is normal business practice to identify the debts doubtful for recovery in the Annual Financial Statements. The provision for doubtful debts of Rs. 10.668 million is accumulated provision for the purpose upto June 30. 2008. The current year's provision is only Rs. 1.175 million. Efforts are being made by Sales & Marketing Department for recovery of amount receivable from advertisers. However, legal cases for recovery of Rs.7.215 million are pending in the Courts.

ii) **PARA 131.6 (PAGE 190-ARPSE)**
AUDIT COMMENTS

Audit pointed out that the amount of advances, deposits, prepayments and other receivables was Rs.145.999 million as on June 30, 2008, included there in an

amount Rs.45.423 million on account of tax deducted at source refundable from Income Tax Department.

The PAO explained that has been requested Tax Department for the refund of the amount but the Income Tax Department had filed reference application in the Islamabad High Court against the orders of Income Tax Appellate Tribunal. The Divisional Bench of Islamabad High Court on July 27, 2009 announced the Judgment in favour of' Pakistan Broadcasting Corporation and now the case of refund of income tax is being vigorously pursued with the Tax Department.

PAC DIRECTIVE

The PAC clubbed the above two paras and directed that efforts may be made to recover the outstanding dues from the concerned agencies and verified by Audit within **one month.**

3. **PARA 132 (PAGES 191-192-ARPSE)**
ILL-PLANNED EXECUTION OF PROJECT RESULTED INTO BLOCKAGE OF FUND-RS.40.012 MILLION (ITEM 6 (i) AP-2008-09)

Audit pointed out that the Ministry of Information and Broadcasting approved the Projects in DDWP meeting held on May 15, 2007 namely Radio Coverage at Motorway & G.T. Road with a total cost of Rs. 35.355 million and Rs. 32.460 million respectively. However, instead of acquiring land and construction of building thereon, the management incurred an expenditure of Rs. 40.413 million on procurement of 18 Transmitters from M/s Rohde & Schwarz. Later on the Planning and Development Division vide letter dated February 3, 2009 intimated that the project is discontinued for 1 to 2 years.

The PAO explained that two projects namely "FM coverage of GT Road and Motorway MI-M2" have thoroughly been reviewed. It has been decided to drop the projects and utilize the 18 FM transmitters procured for these projects, for the newly established FM-93 channel.

PAC DIRECTIVE

The Public Accounts Committee remanded the para back to DAC with the directions that the deployment of transmitters may be got reconciled with audit, warranty issues may be re-examined by Audit in light of the inquiry report and letters of Censure may be issued to officers concerned who have been identified in the inquiry report.

4. **PARA 133 (PAGE 192-ARPSE)**
EXPECTED LOSS DUE TO NON-INITIATING TIMELY ACTION FOR INSTALATION/COMMISSIONING OF TRANSMITTER RS. 36.444 MILLION (ITEM 6 (ii) AP-2008-09)

Audit pointed out that the management of PBC, P&D Department purchased 100 KW transmitter at a cost of US $ 607,440 from M/s. F.A. Enterprises vide contract agreement dated June 6, 1996 for replacement of old transmitter at HPT-I Rawat. The transmitter in question supplied in January 1997, was lying in packed condition for a period of about 9 years and could not be brought into operation till March 31, 2009.

The PAO apologized over the wrong reply (dated 25-03-2010) given by Pakistan Broadcasting management.

PAC DIRECTIVE

The Public Accounts Committee noted with concern that the Audit had been misled by the Pakistan Broadcasting Management as the reply given by them (dated 25-3-2010) was not found to be correct on verification as neither the transmitter was fully operationalized nor the synthesizer had been replaced and the procurement of the said item is still under process. The PAC remanded the para back to the DAC with the direction to propose disciplinary action against the concerned in **one month's time.**

5. **PARA 134 (PAGES 193-194-ARPSE)**
LOSS DUE TO NON-PURCHASING OF EQUIPMENT FROM THE FIRST LOWEST BIDDER - RS 21.465 MILLION (ITEM 6 (iii) AP-2008-09)

Audit pointed out that PBC, Procurement Cell, tendered for the purchase of 2 transmitters (100 KW) for H.P.T. Landhi, Karachi in news papers on November 29, 2006. In response 4 bidders participated in tendering process. The rates of US $ 1,057,176.00 (Pak Rs.64.276 million) quoted by M/s. Potential Engineers (Pvt) Limited, China Chang Feng Science & Technology was found the lowest. A Committee, comprising of the Controller Procurement, Controller (M&O) and Controller EPU, was constituted for technical evaluation of the bids. As per report of the Technical Committee dated January 22, 2007, the Committee rejected the 1st lowest bid on the ground that the Chinese offer consisted of two vacuum tubes in its RF Power Amplifier which cannot be converted into DRM digital modulation system for future use.

The PAO informed that necessary instructions have been issued to follow the rules.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to take immediate action on the report of the Inquiry Committee headed by the Additional Secretary for fixing responsibility and report to PAC **in next three days time.**

6. **PARA 135 (PAGES 194-195-ARPSE)**
LOSS DUE TO INORDINATE DELAY IN INSTALLATION / COMMISSIONING OF TRANSMITTERS – RS.13.082 MILLION (ITEM 6 (iv) AP-2008-09)

Audit pointed out that in PBC, P&D Department, Islamabad, Thomcast Transmitter (100 KW) was purchased from M/s. F.A Enterprises vide agreement dated June 6, 1996 at total cost of US $ 607,440 for replacement of old transmitter at H.P.T. The management did not install the transmitter within warrantee period of 18 months after its receipt in January, 1997. The transmitter was kept at H.P.T. for a period of about 9 years in packed condition. In 2003, the Management asked the supplier M/s. Thomcast for sending its Engineers for testing and commissioning of the transmitter on site. In response the

supplier vide its letter dated March 11, 2003 intimated that since the Transmitter was supplied six years ago, therefore, they would not be responsible for failure of material during the commissioning.

The PAO informed that the defective Frequency Synthesizer has been replaced with another Synthesizer and the Transmitter has been put into operation.

PAC DIRECTIVE

The Public Accounts Committee expressed its concern that, inspite of the report of the Inquiry Committee, the PAO had not initiated any action against the persons responsible for lapses which have led to loss to the government exchequer. The PAC formulated a Committee headed by Deputy Auditor-General, representative of PAC and M/O Information and Broadcasting to fix responsibility **within ten days.**

7. **PARA 136 (PAGES 195-196-ARPSE)**
IRREGULAR APPOINTMENT OF OFFICERS – RS.0.420 MILLION (ITEM 12 (xi) AP-2008-09)

Audit pointed out that contrary to rules, the PCB, Islamabad appointed an Advisor to Programme after his retirement on superannuation as Director Programmes vide letter dated March 6, 2007 on monthly remuneration of Rs.30,000 per month for a period of six months. An amount of Rs.180,000 was paid till August 11, 2007 on account of his pay. Similarly a Technical Advisor in Pakistan Broadcasting Foundation, Islamabad was appointed on monthly remuneration of Rs.40,000 for a period of six months vide letter dated November 13, 2007 after his retirement as Controller Procurement Cell. An amount of Rs.240,000 was paid to the officer concerned on account of pay for six months. The audit is of the view that the expenditure of Rs.420,000 (Rs180,000 + Rs.240,000) on pay and allowances of both the officers was irregular as appointments were made in disregard to instructions issued by Establishment Division.

The PAO informed that services of Mr. Muhammad Naqi (Retd) Director Programme, PBC was hired with the approval of Minister for I&B @, Rs. 30.000/- per month with a view to get benefit from his professional expertise and vision to implement the new

programme initiatives by PBC. Similarly, Mr. Muhammad Ashraf Qureshi, Controller, FM Cell was engaged after his retirement at monthly remuneration of Rs. 40,000/- as 'Technical Advisor with the approval of the then Secretary Ministry of I&B. His appointment was on trial basis for a period of six months w.e.f. 13.11.2007 with a view to utilize his professional ingenuity and expertise in digital Broadcasting and to provide expert services for utilization of spare space on PBC transmitters.

PAC DIRECTIVE

The Public Accounts Committee observed that the irregular appointment, in disregard of the instructions of the Establishment Division, has been established by the Inquiry Officer who had also identified the persons responsible but the Ministry had disposed off the matter without taking the required action in this regard. Immediate action by the PAO is required to be taken under intimation to the PAC.

PAKISTAN TELEVISION CORPORATION LIMITED

8. **PARA 138 (PAGES 198-199-ARPSE)**
NON-RECOVERY DUE TO IRREGULAR CREDIT SALE OF AIR TIME – RS.31.875 MILLION (ITEM 7 AP-2008-09)

Audit pointed out that in violation of clause-13 of PTV Edition "Advertising on Television" 1994, the Central Sales Office, Karachi allowed credit sale of air time to the agencies other than category A and B to telecast their programmes or Commercials on T.V. As a result, cost of air time amounting to Rs. 31.875 million could not be recovered from them till June 2008.

The PAO explained that hectic efforts are being made to recover the outstanding amount through telephone calls, letters, visits of Marketing Officials and also through Recovery Cell.

PAC DIRECTIVE

The Public Accounts Committee repeated its earlier directive that the Ministry may ensure recoveries immediately, as the time given to it earlier (two months) had lapsed more than 10 months ago, otherwise recoveries will be affected from the persons responsible who authorized the advance payment in violation of their own rules and regulations. This may be got verified by Audit and a report submitted to the PAC.

9. **PARA 139 (PAGES 199-200-ARPSE)**
GRANT OF LOANS TO PTV FOUNDATION WITHOUT TERMS AND CONDITIONS OF REPAYMENT–RS.30.247 MILLION (ITEM 8 AP-2008-09)

Audit pointed out that the PTV Board of Directors in its 129th meeting held on August 28, 2001 approved the incorporation of PTV Foundation (the Company). As per charter, the Foundation was established with the objectives to carry on the business of advertising, publishing, film making, drama production, to establish / run and operate studios, theatres, and other institutions for the promotion of science, art and culture. The Foundation failed to start even a single project as defined in its charter since its establishment in August 2001. The affairs of the Foundation were being run on loans granted by PTV from time to time. The outstanding loans were Rs.30.247 million as on June 30, 2008 (2006-07 – Rs.16.135 million). Presently the Foundation was working on a project namely PTV Employees Housing Scheme in violation of its objectives.

The PAO explained that in order to make PTV Foundation viable, the following four projects have been approved by the BOD meeting of PTV-Foundation held on 27th October, 2009.

i) **To consider and declare PTV Foundation as procurement unit of PTV**
ii) **To consider and approve Production activity by Production of a Drama Serial**
iii) **PTV Foundation Housing Project**
iv) **Establishment of Educational Institution**

PAC DIRECTIVE

The Public Accounts Committee directed to submit a report on actions taken so far regarding issue and irritants involved in the winding up of the PTV Foundation Project **within 15 days** to Audit/PAC.

10. **PARA 140 (PAGES 200-201-ARPSE)**
IRREGULAR AWARD OF WORK ON SINGLE SOURCE BASIS – RS.9.401 MILLION (ITEM 6 (v) AP-2008-09)

Audit pointed out that contrary to rule-12 of Public Procurements Rules, 2004 PTV awarded the consultancy services for civil works of RBS Shakargarh, Besham, Pooran, Wana, Mohammad Agency, Orakzai and TV Station Multan to M/s Sarfraz Ahmad & Associates. The work order is silent with reference to rates and cost of work on which the said works were awarded.

The PAO explained that in compliance to DAC directive the PTV management submitted the case to PPRA authorities for relaxation in rules. The PPRA did not grant ex-post-facto exemption in view of legal provisions.

PAC DIRECTIVE

The Public Accounts Committee directed to complete the inquiry under the Chairmanship of Additional Secretary for fixing the responsibility regarding non observance of PPRA Rules in awarding the consultancy servicing contract in non transparent manner. A report may be submitted by January, 2011.

11. **PARA 141 (PAGES 201-202-ARPSE)**
IRREGULAR PROCUREMENT OF ENGINEERING EQUIPMENTS ON SINGLE SOURCE BASIS – RS.6.259 MILLION (ITEM 6 (vi) AP-2008-09)

Audit pointed out that contrary to rule–12 of Public Procurement Rules, 2004, PTV Islamabad issued a purchase order dated December 26, 2007 in favor of M/s Systems Network, Islamabad for the procurement of Mini DV Camcorders, Assorted Connectors and Blank Video Cassettes at a cost of Rs.6.258 million.

The PAO explained that Managing Director PTV had approved the Special Purchase Committee comprising on senior most/responsible officers to meet the emergency requirement for Election 2008.

PAC DIRECTIVE

The Public Accounts Committee asked the PAO to submit the outcome of the Inquiry Committee's Report to the PAC and Audit in compliance with the PAC Directive dated 1-6-2010 immediately.

12. **PARA 142 (PAGES 202-203-ARPSE)**
NON RECOVERY OF ON ACCOUNT OF GROSS SALARY IN LIEU OF NOTICE PERIOD - RS.5.100 MILLION (ITEM 9-AP-2008-09)

Audit pointed out that the Cabinet Secretariat (Establishment Division) vide its notification dated June 21, 2008 appointed Dr. Shahid Masood as Chairman PTVC with additional charge of the post of Managing Director PTVC. The officer assumed the charge of the post from the same date. As per appointment letter dated June 27, 2008 the contract period of the officer was 05 years and in case of early termination of the contract, a notice of six months will be required from either side or gross salary in lieu thereof. The gross salary of the officer was fixed Rs. 850,000 per month. The officer tendered his resignation from the post which was accepted by the Prime Minister w.e.f. November 03, 2008. The officer did not serve notice of six months and was liable to pay the gross salary amounting to Rs.5.100 million (Rs.850,000 X 6 months) in lieu of notice period.

"The PAO informed the PAC that upon the direction of the DAC a legal notice was served to Mr. Shahid Masood ex MD/Chairman. Due to non receipt of any response, the legal proceeding have been initiated in court of Sr. Civil Judge Islamabad.

PAC DIRECTIVE

After hearing the PAO, the Public Accounts Committee remanded the para back to DAC.

13. **PARA 143 (PAGES 203-204-ARPSE)**
IRREGULAR RE-EMPLOYMENT AFTER SUPERANNUATION RS. 4.811 MILLION (ITEM 6 (vii) AP-2008-09)

Audit pointed out that contrary to policy of re-employment after superannuation, the PTV Islamabad appointed Ex-Director Marketing as Head of Recoveries and Settlement on contract after his superannuation for a period of one year @ Rs.100,000 per month. After two months, he was re-designated, vide letter dated July 10, 2007, as Head of Sale PTV-I with a monthly Pay package of Rs.200,000, inclusive all perks and privileges w.e.f July 05, 2007.

The PAO informed the PAC that as regard DAC directive, a case is being sent to Prime Minister Secretariat for seeking Prime Minister's approval to regularize re-employment of Mr. Muhammad Banaras Khan, Head of Recoveries & Settlement.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to initiate action in light of the Inquiry Report **within one month**. The para was settled subject to verification by Audit.

14. **PARA 144 (PAGES 204-205-ARPSE)**
LOSS DUE TO GRANT OF MOBILIZATION ADVANCE TO A FIRM WITHOUT BANK GUARANTEE – RS.1.473 MILLION (ITEM 6 (viii) AP-2008-09)

Audit pointed out that the management of PTV entered into an agreement with M/s. BBCL (Pvt.) Ltd. Karachi on September 21, 2007 for the purchase of programme "Singer Pakistani" at a total cost of Rs.13.473 million. As per clause-5 (i) of the agreement, the management agreed for payment of 20% mobilization advance of Rs.2.695 million to the party which will be adjustable @ Rs.100, 000 per episode. As per clause–7 of the agreement the party is bound to deliver the first four episodes within 30 days from the date of signing of agreement. The Director, Marketing Strategy and Planning made some observations on the programmes. The PTV rejected the programme and the party has failed to deliver the programme as per satisfaction of the PTV. The mobilization advance was given without obtaining any collateral.

The PAO informed that PTV management has conducted a formal enquiry in the matter.

PAC DIRECTIVE

The para was remanded back to DAC and the PAO was directed to initiate action in light of the Inquiry Report **within one month.**

15. **PARA 145 (PAGES 205-206-ARPSE)**
NON RECOVERY OF HOUSE RENT ADVANCE OF UN-UTILIZED PERIOD – RS.0.846 MILLION (ITEM 12-AP-2008-09)

Audit pointed out that the management of PTV hired an executive apartment No.B/3– Sector, G-5, Diplomatic Enclave, Islamabad for the accommodation of the MD at a monthly rent of Rs.126,000. The PTV paid advance rent for one year from July 07, 2008 to July 06, 2009 along with security deposit of one month amounting to Rs.1.638 million to the landlord. The officer tendered his resignation which was accepted by the Prime Minister w.e.f November 03, 2008. The Management of PTV was required to recover the remaining unutilized amount of advance rent of Rs.1.146 million from November 04, 2008 to July 06, 2009 plus security deposit of Rs.126,000, either from the landlord or from the officer concerned. However, the management failed to recover the said amount.

The PAO informed that hectic efforts have been made to recover the advance rent from the landlord. The management has asked its Legal Department for taking legal action against the landlord for recovery of remaining unadjusted rent. The suit for recovery has been filed in the Court of Senior Civil Judge, Islamabad by the PTV Legal Advisor.

PAC DIRECTIVE

The para was kept pending until recovery of the amount to be verified by Audit. It was also directed that the PAO may pursue the matter till the recovery and submit a copy of the agreement with the landlord to Audit.

SHALIMAR RECORDING COMPANY AND ASSOCIATED PRESS OF PAKISTAN

16. **ANNEXURE-I-372 (PAGE 372-ARPSE)**
NON-SUBMISSION OF ACCOUNTS (ITEM 10-AP-2008-09)

Audit pointed out that the annual audited accounts of Public Sector Enterprises for the years 2003-04 to 2008-09 were to be provided to the Directorates General of Commercial Audit & Evaluation, Lahore by January 15 of each respective year. Despite repeated requests, D.O letter, telephonic conversations and personal visits, the management of Shalimar Recording Company, and Associated Press of Pakistan failed to provide their annual audited accounts for the years 2003-04 to 2008-09 by the prescribed date.

The PAO informed that the case had been referred to Law Division for a decision, as to the accounts of Shalimar Recording Company and Associated Press of Pakistan was to be audited by the Auditor-General's Office and a reply was awaited.

PAC DIRECTIVE

The PAC informed the PAO that after the passage of 18th Amendment of the Constitution, it has been made mandatory for Public Sector Enterprises to have their accounts audited, therefore there is no need to wait for a response from the Law Division and the two agencies may be directed to get their accounts audited as per Rules.

M/O IT & TELECOMMUNICATION

1. **OVERVIEW:**

Appropriation Accounts 2007-08, Audit Report on the Accounts of Public Sector Enterprises and Telecommunication Sector for the year 2008-09, pertaining to the M/o Information Technology & Telecommunication were taken up for examination by the Public Accounts Committee (PAC) on **19th May, 2010, 24th January and 14th June, 2011.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving heavy surrender of project funds, loss due to un-authorized issuance of personal computers, non deduction of 5% rent, non recovery on account of royalty/line rent and excess payments to contractors etc.

1.2 There were 24 paras and 2 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC. 2 paras/grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directives on 12 paras and on 12 paras the Committee directed the PAO to implement the DAC recommendations. PAC also ordered recoverable sums amounting to **Rs** ---------- out of which no such recovery has been realized. For the remaining amount the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives would be reviewed in future sessions.

1.3 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

ACTIONABLE POINTS

Actionable points arising form the discussion of the PAC meeting held on **19th May, 2010**, pertaining to M/o Information Technology and Telecommunication for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:

APPOROPRITAION ACCOUNTS (CIVIL) VOL-I-2007-08

1. **GRANT NO.70-INFORMMATION TECHNOLOGY AND TELEMMUNICATION DIVISION (PAGE 457-AA)**
(SAVING OF RS.22,238,957)

Audit pointed out that the grant closed with a saving of Rs. 22,238,957 which worked out to 1.64% of the total grant. An amount of Rs. 20,147,512 (1.49%) was surrendered leaving net saving of Rs. 2,091,445 (0.15%)

The department pointed out excess booking of expenditure of Rs. 3,509,216 by AGPR. After taking the effect of said expenditure the net saving shall be increased to Rs. 5,600,661(0.41%)

The PAO explained that saving/excess occurred due to non holding of Workshops/Seminars/Conferences and increase of pay and allowances w.e.f 01-07-2007. However, the PAO tendered apology for no zero saving/excess.

PAC DIRECTIVE

The PAC regularized saving/excess with the direction that the budget/funds should be utilized in time and to ensure taking beneficial measure in IT Sector. There should be zero saving/excess in future.

2. **GRANT NO.148-DEVELOPMENT EXPENDITURE OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS DIVISION (PAGE 459-AA)**
(SAVING OF RS. 964,973,114)

Audit pointed out that the grant closed with a saving of Rs. 964,973,114 which worked out to 30.00% of the total grant. An amount of Rs. 797,956,000 (24.82%) was

surrendered leaving net saving of Rs.167,017,114 (5.19%). A supplementary grant of Rs. 1,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the saving shall be increased to Rs.167,018,114 (5.19%).

The PAO explained that the projects were falling within the purview of Electronic Government Directorate (EGD) and showed substantial saving because of not utilization due to non- implementation of project on the directions of the Planning and Development Division.

PAC DIRECTIVE

The PAC observed that the Performance of Ministry in IT Sector is not satisfactory and directed to take effective measures for enhancing information technology. The Budget monitoring/maintaining is very poor. There should be professional and competent employees in the M/O Information Technology and Telecommunication. The PAO was directed to provide a list of old and new recruited employees in the Ministry. The PAC regularized the saving subject to zero saving/excess in future.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN SOFTWARE EXPORT BOARD

3. **PARA 146.1 & 146.2(PAGE 209-ARPSE)**

The Audit pointed out that the working results of the Board for the year 2006-07 as compared with the previous years are given below:-

	2006-07	%Inc/(Dec	2005-06	% Inc /(Dec)	2004-05
Revenue					
Fed Govt. grants	35.420	8.98	32.500	8.33	30.000
Revenue from bandwidth and related	32.835	10.51	29.711	10.27	26.944

Registration and renewal fee	4.095	54.53	2.650	52.74	1.735
Other income	4.893	36.26	3.591	18.48	3.031
Total	77.243	12.84	68.452	10.93	61.710
Expenditure					
Salaries and allowances	21.392	26.92	16.855	(7.03)	18.130
Data node bandwidth and related charges	22.856	26.92	18.020	39.58	12.910
Other expenses	29.065	9.68	26.499	41.50	18.726
Profit/(deficit for the year)	3.930	(44.47)	7.078	(40.79)	11.954

Source: Annual Audited Accounts

The Company had surplus of Rs.3.930 million during the year 2006-07 (Rs.7.078 in 2005-06). The expense of salary and allowances increased to Rs.21.392 million in 2006-07 from Rs.16.855 million in 2005-06 registering an increase by 27%. Efforts are required to be made to curtail the management expenses.

Ratio Analysis

i. Current ratio of the Company had shown a slight improvement to 0.57:1. However, current ratio was still unsatisfactory and it is evident that company would not be able to pay its short term liabilities.

ii. The net income to sales / revenue percentage decreased to 5.09% from 10.34 & which indicated that increase in income was not commensurate to the increase in expenditure.

iii. Sales to fixed assets ratio increased to 1.07:1 from 0.30:1 which was an improvement over pervious year.

Pakistan Software Export Board (Guarantee Limited) was incorporated under Companies Ordinance 1984. According to section-158 of the Companies Ordinance, the PSEB was required to get approval of annual accounts for the Board of Directors within four months after end of financial year but PSEB violated the Companies Ordinance and failed to get

certified its annual accounts from the Chartered Accountants and its approval for the Board of Directors since inception.

PAC DIRECTIVE

The PAC directed to provide certified accounts from the Chartered Accountant duly approved by the Board of Director to Audit and also present performance report within two weeks before the PAC.

4. **PARA 147(PAGE 210-211-ARPSE)**
APPOINTMENT OF DIRECTOR MARKTING WITHOUT PRESCRIBED QUALIFICATION – RS 1.178 MILLION

The Audit pointed out that Pakistan Software Export Board (G. Ltd) (PSEB), Islamabad, advertised the post of Director Marketing on April 03, 2006 with the following terms and conditions.

Academic Qualification	MBA with a four years undergraduate degree in Computer Sciences or Engineering.
Experience	At least 8 years experience in marketing in the country or abroad.

PSEB advertised the post of Director (Marketing) on April 03, 2006 and received 64 applications. On recommendation of the Short Listing Committee 6 candidates were called for interview on May 16, 2006 but only one candidate having bachelor degree instead of MBA appeared for interview and was finally selected.

The management appointed candidate for a period of one year from May 18, 2006 to May 17, 2007 with the following pay package:-

i) Basic pay ii) House rent iii)Other Benefits	i) Rs.52,000 per month ii) 45% of basic pay iii) 45 days basic salary as gratuity iv) Medical Allowance 52,000 per year v) Residential telephone Rs.5,000 per month vi) 48 days earned leave Rs..83, 200 vii)1000 CC vehicle with POL 240 liters per Month

The officer was paid Rs.1.178 million from May 18, 2006 to May 17, 2007. The officer appointed on contract did not fulfill the criteria given in the advertisement of post as such his appointment and payment thereof was considered irregular.

The PAO explained that the position of Director (International Marketing) with the stipulated criteria for qualifications and experience was advertised on April 03, 2006, Sixty four applications were received against the said post. The PSEB Short Listing Committee scrutinized all the applications in detail and six candidates qualifying the bare minimum prescribed criteria were short listed.

These candidates were invited for interview by sending e-mails, out of all the candidates interviewed, the PSEB Selection Committee observed that Mr. Aon Ashraf Rana, possessing the bare minimum criteria was the most appropriate candidate for the position of Director (International Marketing) and forwarded their recommendations to MD, PSEB who endorsed the recommendations of the Selection Committee and Mr. Aon Ashraf Rana was hired.

PAC DIRECTIVE

The PAC directed the PAO to hold inquiry and fix responsibility on the officers who had replied the audit observation and the name of person who made the appointment, violating prescribed qualification/experience, within three days to the PAC.

AUDIT REPORT ON THE ACCOUNTS OF TELECOMMUNICATION SECTOR FOR THE YEAR 2008-09

NATIONAL TELECOMMUNICATION CORPORATION

5. **PARA 4.1 (A) iii (PAGE 48-AR)**

The Audit pointed out that the working Capital of Rs. 200 million in the previous years has been increased to Rs. 300 million without any approval from the competent forum.

The PAO explained that the NTC management is getting the ex-post facto approval from the M/O Finance.

PAC DIRECTIVE

The PAC directed to not repeat such practice in future and ex-post facto approval be got **within one month.**

6. **PARA 4.2 (PAGE 51-AR)**
IRREGULAR AWARD OF COUNTRACT OF RS. 9.346 MILLION DUE TO CHANGE IN BID AMOUNT.

The Audit pointed out that according to Rule-4 of Public Procurement Rules, 2004, the procuring agencies while engaging in procurements shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient & economical. Rule 31 further stipulates that no bidder or any other person shall be allowed to alter or modify his bid after bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid. Any request for clarification in the bid, made by the procuring agency shall invariably be in writing. The response to such request shall also be in writing.

In contravention to the above. Director Development NTC, Islamabad incurred an Expenditure of Rs 9,346,725 on laying of OSP Network and OFC during 2007-08.
The following irregularities were noticed.

i) The work of RDLU Murree was awarded to M/s Qazi M. Shaib & Hayat Brother's Co. at a total cost of Rs. 8,834,426 due to lowest bidder whereas the actual lowest bidder was M/s Urooj International at a cost of Rs. 8,770,473. The examination of bid documents revealed that the unit rates of M/s Urooj International was changed due to which the bid was enhanced and he was declared as 2nd lowest.

ii) As a result of open tender the work of Laying of Optical Fiber Cable from SDH Hall Cantt to AG Office (PIFRA) Peshawar Cantt, was awarded to M/s Zeeme Associates was declared lowest.

The PAO explained that the case relates to financial year 2003-04 and no changes in the bid documents was made. The rates quoted in the bids were actual which were at the time of opening of bids. It was also explained that inquiry has been conducted, the conclusion of inquire report is as under:-

UN-AUTHORIZED AWARD OF WORK FOR OSP LAID AT MURREE.

"In bidding documents of M/S Urooj International, there are some over-writings/ cuttings, which does not change position of firms if over-writing/ cutting are not taken into account. Whereas the audit is calculating the evaluated tender value of M/s. Urooj by deducting discount, twice.

UN-AUTHORIZATION AWARD OF CONTRACT AMOUNTING TO RS. 512.299/- FOR LAYING OF OFC FORM SDH HALL CANTT TO AG OFFICE (PIFRA) PESHAWAR CANTT.

"In bidding documents of M/S Muhammad Farooq there are some over- writing/cutting, made by the contractor but these do not change substance of the bid therefore, no malifide intensions are observed."

PAC DIRECTIVE.

The PAC directed the PAO to look into the matter at his own level along with Audit and report **within fifteen days to the PAC.**

7. **PARA 4.5 (PAGE 54-AR)**
UNAUTHORIZED CREATION OF POSTS OF BPS-20

The Audit Pointed out that according to para 8(a) of the Finance Division O.M. No.F.3(2)Exp-III/2006 dated 13-09-2006 "the creation of new posts in the current expenditure shall require the approval of the Finance Division, even when these are included in the current budget." Furthermore, as per SRO (Sl.No.9) dated 20-03-1999, NTC Management Board has powers for creation/upgradation of posts up to BPS-19 only.

NTC Management created six (6) additional posts of BPS-20 increasing the sanctioned strength of BPS 20 to nine posts against three (3) sanctioned posts.

The detail of the posts is as under:-

Sl. No.	Initial Sanctioned Strength		Present Sanctioned Strength	
	Name of Post	**BPS**	**Name of Post**	**BPS**
1.	Member Finance	20	Chief Technology Officer CTO)	20
2.	Member Technical	20	Chief Financial Officer (CFO)	20
3	Chief Maintenance Officer	20	Chief Operating Officer (COO)	20
4.	-	-	General Manager (HR)	20
5.	-	-	General Manager (Finance)	20
6.	-	-	General Manager (IT)	20
7.	-	-	General Manager North IBD	20
8.	-	-	General Manager, Lahore	20
9.	-	-	General Manager, Karachi	20

The PAO explained that in terms of Serial 41 (3) b of Pakistan Telecommunication Reorganization Act 1996 NTC has powers to setup its internal organizations, including Bureaus, Divisions or Offices and make appointments thereto. It is further brought on record that service regulations have been implemented w.e.f. 1-7-2008 according to which creation / up gradation of posts in NTC shall be made with the concurrence of Ministry of Finance. One of the NTC Officers has challenged the power on creation of posts subject to approval of Ministry of Finance in conflict with Pakistan Telecommunication (Re-organization) Act 1996, in Lahore High Court, Lahore, vide W.P. No:2550 of 2010. Hence the matter is subjuidice. Therefore, further progress will be intimated in light of the L.H.C. decision.

PAC DIRECTIVE

The PAC observed that the issue is in conflict with rules. The para was deferred with the direction to get clarification about the violation of rules from Establishment Division, Finance Division and Law Division. The PAO was directed to get Ex-post facto approval and regularize all wrongs done previously and report **within two months to the PAC.**

8. **PARA 4.7 (PAGE 56-AR)**
NON/LESS DEDUCTION OF RS 1.868 MILLION ON ACCOUNTS OF 5% NORMAL RENT.

Audit pointed out that Under Rule 2(a) to (j) of Accommodation Allocation Rules, 2002 read with Finance Division's letter No.F.2 (2) R -5/2000-545 dated 5th December, 2001 and No.F-8/63/R-14/83-293/3 dated 14th May, 2003, 5% deduction of normal rent is required to be made from the monthly emoluments of a Government employee who has been provided Government accommodation, hired or requisitioned.

Contrary to the above, six (6) formations of NTC either did not deduct or less deducted the 5% normal rent from the emoluments of the occupants of Government accommodation or requisitioned houses. An amount of Rs. 1,867,625 was recoverable on this account during 2007-08.

The PAO explained that the deduction of 5% of emoluments form the salary of employees holding Government accommodation is being deducted as per NTC Accommodation Rules. It was further replied that on the direction of PAC a meeting was held on 15th April, 2009 and decided to obtain advice of Finance and Law Division for recovery of previous period. Further, the matter was discussed in PAC meeting held on 29-10-2009. PAC directed that the representatives of MoF, MoIT&T & Ministry of Law & Justice may sit together and resolve the issue. Accordingly an IDC meeting was held on 20-11-2009, wherein it was directed that final verdict of the Law Division be sought to proceed with the matter. As per the directives the issue was instantly referred to Law Division.

PAC DIRECTIVE

The PAC directed to finalize the matter **within one month and report to the PAC.** Also write a letter to the Steel Mills to discontinue either HRA or cancel allotment of Govt. accommodations.

9. **PARA 4.13 (PAGE 62-AR)**
UNDUE PAYMENT OF RS. 8.987 MILLION ON ACCOUNT OF CASH REWARD

Audit pointed out that according to the Finance Division O.M. No.F-8(5)R-12/80 (R-14)/2002-154, dated 18th March, 2002, the payment of cash reward/bonus to the employees by the Corporations, Autonomous/Semi Autonomous Bodies could not be made as customary. Furthermore, according to Para 9 & 10 of the Finance Division O.M. No.F4(2)R.4/2007, dated 12th December, 2007, the bonus for officers of NTC shall be paid with the concurrence of Finance Division.

Contrary to the above, an amount of Rs. 8,987,453 was paid during 2007-08 on account of cash reward to NTC staff and officers.

The DAC in its meeting held on 7th May, 2009 directed the management to refer the case to Finance Division for regularization of expenditure.

The PAO explained that the case has been forwarded to MOIT for regularization/ Ex-post facto approval from Finance Division.

PAC DIRECTIVE

The PAC directed to get ex-post facto approval from the M/O Finance.

10. **PARA NO. 4.14 (PAGE 63-AR)**
UNAUTHORIZED SHIFTING OF PERN EQUIPMENT VALUING RS. 298 MILLION FROM NTC TO PTCL

Audit pointed out that According to Rule 10(iv) of GFR Vol-I public money should not be utilized for the benefit of particular person or section of the community unless the amount of expenditure involved is insignificant or a claim for the amount could be enforced in a court of law or the expenditure is in pursuance of a recognized policy or custom.

A project namely "PERN" (Pakistan Education Research Network) was started in September 2002 to link all Public/Private sectors (Chartered Universities/Degree awarding institute registered with the Higher Education Commission of Pakistan). The PC-I of the project was prepared by NTC and approval by ECNEC in February 2002. The execution and operational maintenance of the project was assigned to the NTC. The detail of funding to the project is as under:-

S.No	Description	Amount
1.	Amount to be contributed by the PSDP	149.064
2.	Amount to be contributed by the PTCL R&D Fund	148.936
	Total	298.000

NTC management transferred the said project along with its assets to PTCL in September, 2007. The following irregularities were observed.

i) PTCL did not contribute Rs.148.936 million in the initial cost of the project.

ii) The assets which were purchased from the DSDP could not be transferred to PTCL.

iii) NTC was deprived of the expected revenue and denied the benefits to its designated customers as the same project is operated by PTCL.

Audit pointed out this irregularity to be management in April, 2009. It was replied that Chairman NTC has sent a justification of shifting of PERN equipment from NTC to PTCL vide letter No.DN/EDU/2008 dated 23.07.2008.

The reply was not acceptable as assets which were purchased from the DSDP could not be transferred to a private company. No reply has received regarding non- contribution of PTCL in initial proportional cost.

The PAO explained that the DAC had directed NTC Management to find out facts and report to PAO on the subject matter. It is to apprise that subject matter decision of the

assets transfer from NTC to PTCL was made by the then Management Accordingly, the fact finding can not be done by NTC Management. The case has been referred to the Ministry, for recording facts as to submit compliance to the DAC directives.

PAC DIRECTIVE

The PAC deferred the para with the direction to get it checked and report within one week to the PAC. The representatives of the NTC and PTA may also be asked to be present in the next meeting.

11. **PARA 4.15 (PAGE 64-AR)**
UNUTILIZED STORE/SPARES OF PERN PROJECT

Audit pointed out that According to money measurement and historical cost concept of International Accounting Standard the assets must be shown in the books of accounts on their cost in term of money. Furthermore, according to Rule 145 of GFR Vol-I the purchases of stores must be made in the most economical manner in accordance with the definite requirements of the organization and at the same time care should be taken not to purchase stores much in advance of the actual requirements.

In violation of the above stores of PERN project were lying unutilized with NTC. Further, the stores/spares were not evaluated in monetary terms and the same were not included I the main store account.

The reply was not acceptable as the NTC management made the project operational and earned revenue from it. Further, non evaluation of spares/stores is not justified.

The PAO explained that the HEC management had moved the case for obtaining the decision of the ECNEC regarding shifting of PERN project. It was directed to obtain the decision and act accordingly besides enquiry proceedings should be expeditiously completed.

NTC Compliance

The G.M. (IT) has formulated a fact finding Inquiry Committee. Finding of the Committee is as under:-

i) The stores/spares cost and installation is available in NTC record, so question of evaluation in terms of money does not arise.

ii) The stores/spares will be included in main store account, once the ECNEC decision is received. The effect will accordingly be reflected then.

iii) The decision of ECNEC is awaited on the subject issue. Further action in regard to observation by the PT&T would be ensured accordingly.

PAC DIRECTIVE

The PAC directed to club this para with para 4.14.

SPECIAL COMMUNICATION ORGANIZATION

12. **PARA 5.2 (PAGE 66 - 67-AR)**
IRREGULAR PURCHASE OF MOBILE PHONES AND UNAUTHORIZED PAYMENT OF BILLS RS. 548,903

Audit pointed out that Cabinet Division vide OM.No.F.2/26/2005-RA-IV dated 11th May, 2009 allow ceiling for mobile phone bills to the Joint Secretaries/Deputy Secretaries and Section Officers in Ministry/Division and Director General, Ministry of Foreign Affairs subject to the condition that the officers will arrange mobile phone sets at their won. Prior to this, no such facility was available for any category of officers.

In violation of above, SCO management incurred an expenditure of Rs 548,903 on purchase of sixty mobile phones (Samsung-c-160) for its officers and made payment of their mobile phone bills during 2007-08.

This irregularity was brought to the notice of the management during March and April 2009.

The PAO explained that the cases for expenditure regularization was under submission with Cabinet Division through M/O IT &T. Outcomes would be provided to Audit in due course of time for verification

PAC DIRECTIVE

The PAC settled the para subject to verification of regularization from Audit.

13. **PARA 5.3 (PAGE 67 - 68-AR)**
UNAUTHORIZED RE-APPROPRIATION OF FUNDS OF RS 1,100 MILLION

Audit pointed out that as per Serial No.5 (II) of System of Financial Control and Budgeting 2006, the lump-sum provision for expenditure included in grant may not be appropriated or re-appropriated.

The Finance Division allocated funds amounting to Rs 1,100 million under grant No.70 (A03- Operating expenses) during 2007-2008. The DG/SCO, however, appropriated/re-appropriated these funds among various head of account including employees related expenses) without prior approval of the Finances Division. Audit pointed out this irregularity to the management in February 2009.

The PAO explained that the SCO (Special Communication Organization) has replied that budget demand was submitted for various categories of expenses. No head of account was mentioned in the said demand. The budget was ground into five main sub-heads for the purpose of clarity and internal control only. NIS was prepared as per Finance Division direction with the object code A-03 Operating Expenses, A-039 General and A-03914 Secret Expenditure. The expenditure was also being reconciled every month with AGPR

PAC DIRECTIVE

The PAC directed to write to the M/O Defence to follow the PPRA Rules. The PAO may also have a meeting with M/O Finance and audit and report with a full fledged briefing **within a month to the PAC.**

AUDIT REPORT ON THE ACCOUNTS PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN SOFTWARE EXPORT BOARD

14. i) **PARA 146(PAGE 209-ARPSE)**

AUDIT REPORT ON THE ACCOUNTS TELECOMMUNICATION SECTOR FOR THE YEAR 2008-09

NATIONAL TELECOMMUNICATION CORPORATION

ii) **PARA 4.3(PAGE 52-AR)**
BLOCAGE OF PUBLIC MONEY DUE TO UNECESSARY PROCUREMENT OF SRORES AMOUNTING TO RS.39.668 MILLION

iii) **PARA 4.4(PAGE 53-AR)**
RECURRING LOSS DUE TO NON RASING OF PABXS ROYALTY BILLS AND UN-AUTHORIZED OF RS.4.826 MILLION

iv) **PARA 4.6(PAGE 55-AR)**
NON RECOVERY OF RENT OF RESIDENTIAL BUILDINGS WORTH RS 3.672 MILLION ON ACCOUNT OF UNAUTHORIZED POSSESSION BY PTCL

v) **PARA 4.8(PAGE 57-AR)**
IRREGULAR EXPENDITURE OF RS 1.868 MILLION ON PROCUREMENT OF COMPUTERS & NON DEDUCTION OF L.D AMOUNTING TO RS.46,060

vi). **PARA 4.9(PAGE 58-AR)**
IRREGULAR EXPENDITURE OF RS 501,749 ON PURCHASE OF COMPUTER AND AIR CONDITIONER

vii) **PARA 4.10(PAGE 59-AR)**
LOSS OF REVENUE TO GOVERNMENT DUE TO NON DEDUCTION OF 5% WITH HOLIDING TAX OF RS.513,651

viii) **PARA 4.11(PAGE 60-AR)**
IRREGULAR PAYMENT OF RS 1.274 MILLION ON ACCOUNT OF DISTRIBTION OF TELEPHONE BILLS

ix) **PARA 4.12 (PAGE 62-AR)**
NON RECOVERY OF HEAVY OUTSTANDING DUES OF RS 15.706 MILLION FROM NTC DESIGNATED CUSTMERS

SPECIAL COMMUNICATION ORGANIZATION

x) **PARA 5 & 5.1 (PAGE 66-AR)**
INTRODUCATION AND COMMENTS ON ACCOUNTS

xi) **PARA 5.4 (PAGE 68-AR)**
NON ADOPTION OF NAM IN SPECIAL COMMUNICATION ORGANIZATION

xii) **PARA 5.5 (PAGE 68-AR)**
NON RECOVERY OF OUTSTANDING DUES OF RS.592,906

PAC DIRECTIVE

On the presentation of the above paras, the PAC directed the PAO to implement the DAC decision and report to PAC/Audit

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on **24th January, 2011** pertaining to M/O Information Technology and Telecommunication for the Audit Report 2008-09.

AUDIT REPORT ON THE ACCOUNTS OF TELECOMMUNICATION SECTOR FOR THE YEAR 2008-09

NATIONAL TELECOMMUNICATION CORPORATION (NTC)

1. **PARA NO.4.2 (PAGES 51-52-AR)**
IRREGULAR AWARD OF COUNTRACT OF RS. 9.346 MILLION DUE TO CHANGE IN BID AMOUNT.

Audit pointed out that this para was previously discussed in the PAC meeting held on 19th May, 2010 and gave the following directive:-

"The PAC directed the PAO to look into the matter at his own level along with Audit and report within fifteen days to the PAC".

The PAO replied that the case relates to financial year 2003-04 and no changes in the bid documents was made. The rates quoted in the bids were actual which were at the time of opening of bids.

PAC DIRECTIVE

The para was referred back to the DAC for reconsideration and determining any financial loss incurred due to over writing/erasing of per unit rates, illegally.

2. **PARA 4.5 (PAGE 54-AR)**
UNAUTHORIZED CREATION OF POSTS OF BPS-20

Audit pointed out that this para was previously discussed in the PAC meeting held on 19th May, 2010 and gave the following directive:-

> **"The PAC explained that in observed that the issue is in conflict with rules. The para was deferred with the direction to get clarification about the violation of rules from Establishment Division, Finance Division and Law Division. The PAO was directed to get Ex-post facto approval and regularize all wrongs done previously and report within two months to the PAC".**

The PAO stated that in terms of Serial 41 (3) (b) of Pakistan Telecommunication (Re-organization) Act, 1996, NTC has powers to set up its internal Organization, including Bureaus, Divisions or Offices and make appointments thereto. Further, as per NTC

Delegation of powers, NTC Management Board has full powers to create or upgrade posts. DAC in its meeting held on 7th May, 2009 was not satisfied with the reply and directed the NTC management to submit comprehensive revised reply supported with documentary evidences.

PAC DIRECTIVE

The Chairman PAC directed that a revised draft SRO may be prepared, regarding NTC Management Board powers for creation/up-gradation of posts, and sent for vetting/in put to M/o Finance, Law and Justice Division and the Auditor-General, in **two week's time**.

3. **PARA 4.7 (PAGE 56-AR)**
NON/LESS DEDUCTION OF RS 1.868 MILLION ON ACCOUNTS OF 5% NORMAL RENT.

Audit pointed out that this para was previously discussed in the PAC meeting held on 19th May, 2010 and gave the following directive:-

> **"The PAC directed to finalize the matter within one month and report to the PAC".**

The PAO explained that the deduction of 5% of emoluments from the salary of employees holding Government accommodation is being deducted as per NTC Accommodation Rules. It was further replied that on the direction of PAC a meeting was held on 15th April, 2009 and decided to obtain advice of Finance and Law Division for recovery of previous period.

PAC DIRECTIVE

Taking note that the PAC directives were not being taken seriously, the PAO was asked to inform all organizations under the Ministry to strictly observe the PAC directives within the specified timeline and to build capacity to follow financial rules. The position regarding recoveries to be affected may be reported to PAC Secretariat and Audit in **two weeks.**

4. i) **PARA 4.14 (PAGE 63-AR)**
UNAUTHORIZED SHIFTING OF PERN EQUIPMENT VALUING RS. 298 MILLION FROM NTC TO PTCL

Audit pointed out that this para was previously discussed in the PAC meeting held on 19th May, 2010 and gave the following directive:-

> **"The PAC deferred the para with the direction to get it checked and report within one week to the PAC. The representatives of the NTC and PTA may also be asked to be present in the next meeting".**

The PAO explained that the Chairman, NTC has sent a justification of shifting of PERN equipment from NTC to PTCL vide letter No. DNIEDU/2008, dated 23-07-2008. Revealing decision of the ECNCE on PERN para No. 4.14 it has been observed that PAC had directed for presence of representative of NTC and HEC, not PTA. A request in this regard regarding amendment in official minutes has been made to MoIT & T, for replacing PTA with HEC, as PTA has no role in process of shifting of PERN assets.

ii) **PARA 4.15 (PAGE 64-AR)**
UNUTILIZED STORE/SPARES OF PERN PROJECT

Audit pointed out that this para was previously discussed in the PAC meeting held on 19th May, 2010 and gave the following directive:-

"The PAC directed to club this para with para 4.14".

The PAO explained that since the assets of PERN project developed through PSDP, therefore, the unutilized spares/stores of PERN have not been evaluated and included in the main store accounts. Case of PERN shifting is under process.

PAC DIRECTIVE

The position regarding recoveries may be intimated to the PAC Secretariat and Audit in **two weeks**. It was further observed that if required HEC may be asked to be present in the next meeting, along with NTC.

SPECIAL COMMUNICATIONS ORGANIZATION

5. **PARA 5.3 (PAGE 67- 68-AR)**
UNAUTHORIZED RE-APPROPRIATION OF FUNDS OF RS 1,100 MILLION

Audit pointed out that this para was previously discussed in the PAC meeting held on 19th May, 2010 and gave the following directive:-

> **"The PAC has directed to write to the M/O Defiance to follow the PPRA Rules. The PAO may also have a meeting with M/O Finance and Audit and report with a full fledged briefing within a month to the PAC".**

The PAO explained that the operating expenses mentioned for SCO was for overall expenditure required for operation of all activities including pay & allowances, procurement of durable goods, construction of works, repair & maintenance and commodity and services etc. The placement of budget in the particular code head is against secret services. The SCO replied that budget demand was submitted for various categories of expenses. No head of account was mentioned in the said demand. The budget was grouped into five main sub-heads for the purpose of clarity and internal control only. NIS was prepared as per Finance Division direction with the object code A-03 Operating Expenses, A-039 General and A-03914 Secret Expenditure. The expenditure was also being reconciled every month with AGPR. The PAO apprised the Committee that an IDC meeting has already been held in the light of PAC directives and case is sent to Auditor-General of Pakistan for his decision.

PAC DIRECTIVE

PAC pended the para till the decision from AGP. PAC further directed the PAO to appoint a Joint Secretary M/o Information Technology, who should be responsible for implementation of PAC directives, especially with regard to corrective measures and coordination with the other Ministries, in this case, M/o Defence. A report on the facts of the matter may be submitted in **two month's time.**

ACTIONABLE POINTS

The following are the actionable points arising out from the discussion of the PAC meeting on the Audit Report 2008-09 pertaining to the Ministry of Information Technology & Telecommunication held on the **14th June, 2011**:-

1. **PARA NO.4.2 (PAGES 01-02-AR)**
IRREGULAR AWARD OF COUNTRACT OF RS. 9.346 MILLION DUE TO CHANGE IN BID AMOUNT.

Audit pointed out that the para was discussed earlier in PAC meeting held on 24th January, 2011 and gave the following directive:-

> **"The para was referred back to the DAC for reconsideration and determining any financial loss incurred due to over writing/erasing of per unit rates, illegally."**

The PAO replied that the case relates to financial year 2003-04 and no changes in the bid documents was made. The rates quoted in the bids were actual which were at the time of opening of bids.

PAC DIRECTIVE

The para was settled with the instructions that bids having cutting/overwriting shall be rejected in future. Transparency must be ensure.

2. **PARA NO.4.5 (PAGES 03-04-AR)**
UNAUTHORIZED CREATION OF POSTS OF BPS-20

Audit pointed out that the para was discussed earlier in PAC meeting held on 24th January, 2011 and gave the following directive:-

> "The Chairman PAC directed that a revised draft SRO may be prepared, regarding NTC Management Board powers for creation/up-gradation of

posts, and sent for vetting/in put to M/o Finance, Law and Justice Division and the Auditor-General, in **two week's time**."

The PAO stated that in terms of Serial 41 (3) (b) of Pakistan Telecommunication (Re-organization) Act, 1996, NTC has powers to set up its internal Organization, including Bureaus, Divisions or Offices and make appointments thereto. Further, as per NTC Delegation of powers, NTC Management Board has full powers to create or upgrade posts. DAC in its meeting held on 7th May, 2009 was not satisfied with the reply and directed the NTC management to submit comprehensive revised reply supported with documentary evidences. However, the matter regarding the powers of NTC Management Board regarding promotion of officers in BPS-20 was referred to M/O Law for seeking clarification.

PAC DIRECTIVE

The Public Accounts Committee showed serious concern in the matter and also on the fact that, while the matter is still pending before the PAC, the NTC has made another appointment in BPS-20.

The PAO was directed to hold a meeting with the Establishment Division, M/O Finance and Director General Audit, for review and clarity on powers of the Board as regards creation of posts etc. Report is required to be submitted to PAC and Audit **within 1 week.**

3. **PARA NO. 4.14 (PAGE 05-06-AR)**
UNAUTHORIZED SHIFTING OF PERN EQUIPMENT VALUING RS. 298 MILLION FROM NTC TO PTCL

Audit pointed out that the para was discussed earlier in PAC meeting held on 19th May, 2010 and 24th January, 2011 and gave the following directives:-

"The PAC directed for presence of representative of NTC & HEC not PTA in next meeting as PTA has no role in process of shifting of PERN assets."

The PAO explained that the HEC management had moved the case for obtaining the decision of the ECNEC regarding shifting of PERN project.

PAC DIRECTIVE

It was directed that the Higher Education Commission and the National Telecom Corporation may resolve the issue of the equipment relating to Pakistan Education Research Network (PERN) **within one week** and submit a report to PAC Secretariat and Audit.

4. **PARA 4.15 (PAGE 07-08-AR)**
UNUTILIZED STORE/SPARES OF PERN PROJECT

Audit pointed out that the para was discussed earlier in PAC meeting held on 24th January, 2011 and gave the following directive:-

> "The position regarding recoveries may be intimated to the PAC Secretariat and Audit in **two weeks**. It was further observed that if required HEC may be asked to be present in the next meeting, alongwith NTC."

The PAO explained that since the assets of PERN project developed through PSDP, therefore, the unutilized spares/stores of PERN have not been evaluated and included in the main store accounts. Case of PERN shifting is under process.

PAC DIRECTIVE

It was directed that exercise for evaluation of un-utilized spares/stores of PERN may be completed and included in the main accounts along with monetization of the equipment. This exercise may be completed **within 15 days** and the PAC Secretariat and Audit may be informed.

MINISTRY OF INTERIOR

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil) and Pakistan Civil Works (Pak. Rangers) for the year 2008-09, pertaining to the Ministry of Interior were taken up for examination by the Public Accounts Committee on **2nd June, 17th August, 2010, 24th January and 19th March, 25th June, 2011.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases.

1.2 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.

1.3 There were 9 grants presented by the AGPR and 18 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC. 16 paras/grants were recommended for settlement by the PAC either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directives on 11 Audit paras.

ACTIONABLE POINTS

Actionable points arising out from discussion of the PAC meeting held on 2nd June, 2010 to examine the Appropriation Accounts 2007-08 and Audit Report 2008-09 pertaining to Ministry of Interior are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. GRANT NO. 71- INTERIOR DIVISION (PAGE 485-AA)

(Saving of Rs.76, 358,100)

AGPR pointed out that grant closed with a saving of Rs.76, 358,100 which worked out to 20.39% of the total grant. An amount of Rs.6, 758,000 (1.80%) was surrendered leaving net saving of Rs.69, 600,100 (18.58%). A supplementary grant of Rs.25, 279,000 was sanctioned but was not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that the savings were due to non filling of vacant posts, non receipt of medical bills till close of financial year and some other liabilities, which were not cleared due to non fulfillment of codal formalities.

PAC DIRECTIVE

The Committee noted that Ministry lacks financial control and there is a great need for improvement/implementation of proper budgeting and accounting system. **The Committee, thus, deferred the grant with direction to PAO to hold DAC meeting and to submit a comprehensive report to the PAC within one month.**

2. **GRANT NO.72-ISLAMABAD (PAGE 489-AA)**
(Saving of Rs.189, 468,828)

AGPR pointed out that grant closed with saving of Rs.189, 468,828 which worked out to 7.48% of total grant. An amount of Rs.519, 129,000 (20.48%) was surrendered resulting into an excess of Rs.329, 660,172 (13.00%). A supplementary grant of Rs.375, 216,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained before PAC that supplementary grant of Rs. 375,216,000 sanctioned on 30-06-2008, contained the allocation for payment of Honorarium to Islamabad Police to the tune of Rs. 20 million and ISD allowance to Pak. Rangers Personnel to the extent of Rs. 30 million deployed on IS Duty Islamabad. This amount was to be withdrawn through bills to be submitted to AGPR, Islamabad. Due to paucity of time, the bills could not be submitted. Amount thus lapsed and saving occurred. The other reason for the saving was non receipt of expected utility bills.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction to PAO that there should be zero saving zero excess in future. The Committee also directed the PAO **to forward a report pertaining to escort vehicles provided to the dignitaries within one month to the PAC/Audit.**

3. **GRANT NO. 73-PASSPORT ORGANIZATION (PAGE 499-AA)**
(Excess of Rs.6, 577,253)

AGPR pointed out that grant closed with an excess of Rs.6, 577,253 which worked out to 2.02% of the total grant. A supplementary grant of Rs.7, 968,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that excess occurred under various heads of accounts in respect of 28 offices of Immigration & Passports situated around the country.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with direction to PAO that there should be zero saving zero excess in future. The PAC also **directed the PAO to adopt good budgeting principles to avoid saving/excess.**

4. **GRANT NO. 74-CIVIL ARMED FORCES (PAGE 501-AA)**
(Excess of Rs.1, 071,259,089)

AGPR pointed out that grant closed with an excess of Rs.1, 071,259,089 which worked out to 9.75% of the total grant. An amount of Rs.127, 247,300 (1.15%) was surrendered increasing net excess to Rs.1, 198,506,389 (10.90%). A supplementary grant of Rs.311, 529,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained before the Committee that excess was under the Heads Pay & Allowances i.e. Rs.221 million in respect of FC Peshawar and Rs.660,000 million in respect of FC Quetta, due to less allocation and revision of pay scales w.e.f 01-07-2007.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction to PAO that there should be zero excess zero saving in future. The PAC further directed the PAO **to arrange a detailed briefing on law & order situation in the country in the next meeting of the PAC.**

5. **GRANT NO. 75-FRONTIER CONSTABULARY (PAGE 505-AA)**
(Excess of Rs.196, 825,878)

AGPR pointed out that grant closed with an excess of Rs.196, 825,878 which worked out to 9.62% of the total grant. An amount of Rs.9, 254,000 (0.45%) was surrendered increasing net excess to Rs.206, 079,878 (10.07%). A supplementary grant of Rs.241, 264,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the excess was due to maintenance of office building, raising of ten Additional Special Platoons and expenditure incurred on pay & allowances for Frontier Constabulary.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction to PAO that there should be zero saving zero excess in future. The PAC observed that the PAO is entirely responsible for financial and administrative discipline of his Ministry and its Attached Departments. **In future, if any excess/saving occurs in the grants the Principal Accounting Officer will be personally responsible.**

6. i) **GRANT NO. 76-PAKISTAN COAST GUARDS (PAGE 507-AA)**
(Excess of Rs.81, 724,409)

AGPR pointed out that grant closed with an excess of Rs.81, 724,409 which worked out to 21.00% of the total grant. An amount of Rs.4, 500,000 (1.13%) was surrendered increasing net excess to Rs.86, 224,409 (21.70%). A supplementary

grant of Rs.59, 603,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that excess was mainly due to less allocation and revision of pay scales w.e.f. 01-07-2007.

ii) **GRANT NO. 77-PAKISTAN RANGERS (PAGE 509-AA)**
(Excess of Rs.539, 720,232)

AGPR pointed out that the grant closed with an excess of Rs.539, 720,232 which worked out to 10.79% of the total grant. An amount of Rs.13, 753,000 (0.27%) was surrendered increasing net excess to Rs.553, 473,232 (11.07%). A supplementary grant of Rs.388, 195,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that excess was mainly due to less allocation and revision of pay scales w.e.f. 01-07-2007.

iii) **GRANT NO. 78-OTHER EXPENDITURE OF INTERIOR DIVISION (PAGE 511-AA)**
(Saving of Rs.65, 064,827)

AGPR pointed out that grant closed with saving of Rs.65, 064,827 which worked out to 4.71% of the total grant. An amount of Rs.12, 488,000 (0.90%) was surrendered leaving net saving of Rs.52, 576,827 (3.80%). A supplementary grant of Rs.160, 374,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the savings were due to non filling of vacant posts, non receipt of medical bills till close of financial year and some other liabilities, which were not cleared due to non fulfillment of codal formalities.

iv) **GRANT NO. 149-DEVELOPMENT EXPENDITURE OF INTERIOR DIVISION (PAGE 519-AA)**
(Saving of Rs.3, 104,786,004)

AGPR pointed out that grant closed with saving of Rs.3, 104,786,004 which worked out to 33.78% of the total grant. An amount of Rs.1, 334,453,892 (14.52%) was surrendered leaving net saving of Rs.1, 770,332,112 (19.26%).

The PAO explained that savings occurred in various projects started through out the country which were not completed within the given time frame.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 4 grants with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budgeting principles to avoid saving/excess. The PAC further directed the PAO that once the target is set, this should be achieved at every cost. **The PAC also directed the PAO to ensure the monitoring of the budget starting from the month of July and supplementary grants should only be demanded, if the department has the capacity for its utilization.**

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

7. **PARA 10.2 (PAGE 74-AR)**
NON RECONCILATION OF RS.222.980 MILLLION DEPOSITED IN TREASURY FOR ISSUANCE OF NEW ARM LICENSES

Audit pointed out that Rule 77 (v) of Federal Treasury Rules (Vol-I) provides that money deposited into Government Treasury through challans should be reconciled with the concerned Treasury to ensure that the amounts have actually been credited into Government Account. Interior Division issued 44,558 new Arm Licenses (76 Prohibited Bore and 44,484 Non-Prohibited Bore) during the financial year 2007-08 under Section 11(b) of "The Pakistan Arms Ordinance, 1965" and received Rs.222,980,000 as fee for these licenses as per stipulated rates. Audit noted absence of any system to regularly

reconcile that amount shown to have been paid through challans has actually been credited to the government account. Thus, the deposits of Rs.222,980,000 remain to be reconciled with the concerned Treasury. This lapse was also pointed out in the pervious audit reports but an effective system of reconciliation as required under rules remained to be put in place to safeguard public assets.

The PAO informed the PAC that a committee has already been constituted by the Ministry which has been assigned the task of reconciliation of the amounts deposited in the authorized bank branches of NBP all over Pakistan. This committee has started its work speedily, and, on the basis of figures of Bank Challans, the FTO will be asked to verify it.

PAC DIRECTIVE

The Public Accounts Committee pended the para and directed the PAO to **complete the assignment of reconciliation committee within two months and submit report to PAC/Audit.** The PAC also directed the PAO that the Arms License issued over fake recommendations of the Parliamentarians, be cancelled immediately and report thereof **be submitted to the PAC within one month.**

8. **PARA 10.3 (PAGE 75-AR)**
UN-AUTHORIZED RETENTION AND USE OF GOVERNMENT RECEIPTS – RS.32.533 MILLION

Audit pointed out that Para 26 of GFR (Vol-I) provided that all sums due to Government should be regularly and promptly assessed, realized and deposited into public Accounts. Contrary to above, the ICT Police, Islamabad, realized Govt. receipt amounting to Rs.32,533,226 during financial year 2007-08 but did not deposit it into Govt. Account. Detail was as under:-

S.No.	Description	Amount (Rs)
1.	Digital Driving License Fee	19,243,153
2.	Driving Test Fee	239,475
3.	Urgent License Fee	4,927,950
4.	Photo Copy Fee	356,085

5.	Fork Lifter Fee	695,917
6.	Parking Fee	265,530
7.	Police Forensic Science Laboratory Fee	1,896,260
8.	Police Driving School Fee	993,629
9.	Summer School Fee	414,250
10.	Swimming Pool Fee	250,655
11.	Vehicle Checking Fee	3,250,322
Total		32,533,226

The PAO explained before the PAC that Islamabad Capital Territory Police has framed the Rules to handle the receipt and expenditure and submitted to the Finance Division, for its approval through the office of the Chief Commissioner, ICT Islamabad/Ministry of Interior vide Chief Commission ICT, Islamabad letter No. B&A/AR/2007-08/DGFA, dated 09-09-2009.

PAC DIRECTIVE

The Public Accounts Committee pended the para and directed the PAO to get ex-post-facto approval from Ministry of Finance for regularization of the expenditure incurred in the past up to 30th June, 2010. The PAC further directed the PAO to frame rules to enforce financial discipline in the Ministry and the whole course of action should be done **under report to PAC/Audit within one month.**

9. **PARA 10.4 (PAGE 76-AR)**
RREGULAR EXPENDITURE ON PRINTING – RS.4.128 MILLION

Audit pointed out that Rule 12 of Public Procurement Rules, 2004, provided that expenditure over Rs.2,000,000 shall be advertised on Authority's web-site as well as in other print media or newspaper for obtaining competitive rates. Contrary to above, Islamabad Traffic Police (ITP) under Ministry of Interior incurred an expenditure of Rs.4,128,478 during the financial year 2007-08, out of departmental receipt on purchase of printing material such as ultra white PVC Cards and Ribbons, etc., from M/S Saleem Brothers, Islamabad, for issuance of Computerized Driving License, without adopting method of open tender.

The PAO explained that, in pursuance of DAC decision on 19-03-2009, the Islamabad Capital Territory Police has framed the rules to handle the receipt and expenditure and submitted to the Finance Division, for its approval through the office of the Chief Commissioner, ICT Islamabad/Ministry of Interior vide Chief Commissioner ICT, Islamabad letter No.B&A/AR/2007-08/DGFA, dated 09-09-2009.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by audit. **The PAC, however, directed the PAO to follow PPRA Rules. In case of violation of PPRA Rules, the PAC will take serious action in future.**

10. **PARA 10.7 (PAGE 78-AR)**
RECOVERY OF RS.1.49 MILLION ON ACCOUNTS OF UN-AUTHORIZED PAYMENT OF RESIDENTIAL TELEPHONE BILLS OF NON-ENTITLED OFFICERS

Audit pointed out that the in terms of Cabinet Division O.M No.3/10/2006/STC-RA-III, dated 05.01.2007 and serial No.2.2 of Finance Division O.M.No.F-6(2)Exp-III/2004-10, dated 04.01.2007, all officers of BPS-19 and below were not entitled to an official residential telephone facility. Contrary to above, it was observed that Pakistan Rangers Punjab Headquarter Lahore extended the residential telephone facility to non-entitled officers and incurred an expenditure of Rs.1.49 million during the financial year 2007-08 on payment of their residential telephone bills. The un-authorized expenditure of Rs.1.49 million was required to be recovered from users and refunded into Government Accounts.

The PAO explained before PAC that BPS- 19 officers, deputed from Pakistan Army to Pakistan Rangers (Punjab) are Lieutenant Colonels and above, against higher command are duly authorized for telephone facility both at office and residence. So far as authorization of telephone to BPS-18 and below is concerned, the case has already been referred to Cabinet Division, Islamabad, by Ministry of Interior vide their letter No.1/15/2006-F (Punjab), dated 27-05-2007 and letter No.1/15/2006-R (Punjab), dated

28-08-2009 and our letter No.Sigs-50/Audit/633/2009, dated 11-05-2009. Now the case is under process with Cabinet Division.

PAC DIRECTIVE

The Public Accounts Committee took serious view of the financial indiscipline and **directed the PAO to recover the public money from the officers concerned and also to start disciplinary proceeding against the officers who are responsible for unauthorized payments of residential telephone bills of non-entitled officers contrary to rules/regulations. The PAC also desired that there should be a cell in the Prime Minister's Secretariat to check such discrepancies to ensure a uniform policy for every Government employee.**

11. **PARA 10.8 (PAGE 79-AR)**
UNECONOMICAL PROCUREMENT OF STORES/STOCKS COSTING RS. 9.298 MILLION WITHOUT INVITING TENDER

Audit pointed out that Rule-12 of Public Procurement Rule, 2004, provided that all procurement estimated to cost over Rs.2 million shall be advertised on the Public Procurement Regulatory Authority (PPRA) website as well as in newspapers having wide circulation for the purpose of competitive rates.

Contrary to above, audit observed that Pakistan Rangers Punjab Lahore purchased uniform/liveries and other store items for Rs.9,298,000 on April 26, 2008, without inviting open tender for the contingent troops proceeded to UN Mission, Haiti. Comparison of rates of a few of the aforesaid items with open tender rates of the year of those items revealed excess expenditure of Rs.3,900,964.

The PAO informed that the case has been taken up with Ministry of Interior Islamabad vide our letter No.3165/Proc/1265/Ord, dated 6th May, 2009 for obtaining of ex-post facto sanction from PPRA regarding procurement without open tender as directed by DAC meeting held on 05-05-2009.

PAC DIRECTIVE

The Public Accounts Committee **settled the para subject to getting ex-post-facto approval from the competent forum verified by Audit. In case of violation of PPRA Rules in future, recovery will be made from the Principal Accounting Officer.**

12. **PARA 10.9(PAGE 80-AR)**
FRAUDULENT WITHDRAWAL OF RS.3.072 MILLION AND ITS DEPOSIT INTO PRIVATE COMMAND FUND ACCOUNT OF DG PAKISTAN RANGERS

Audit pointed out that Rule 290 of Federal Treasury Rules (Vol-I) provided that no money should be drawn from public exchequer unless it was required for immediate disbursement. Contrary to above, Pakistan Ranger's Punjab Lahore drew a sum of Rs.6,953,442 against the bills of M/s Paradise Traders for supply of wire WD-1/TT. Audit observed that as per details found in the record of Department, the wire was purchased only for Rs.3,088,764 and balance amount was deposited in the DG Pakistan Rangers private fund bank account bearing No.110116506430 in Askari Bank Limited Lahore *vide* Askari Bank Limited Deposit Slip No 6569554, dated 24-06-2008.

The PAO admitted violation of rules before the Committee and assured for non-recurrence of such irregularity in future. He also informed that out of total amount of Rs.3,072,419, recovery of Rs.200,000 has been made and deposited into the Federal Treasury, whereas, efforts are underway for affecting remaining recovery. Moreover, action has been taken against the person(s) who were involved in this fraud.

PAC DIRECTIVE

The Public Accounts Committee appreciated the PAO for his efforts for recovery and **directed to recover the balance amount within two months and report to PAC.** The para will be discussed again in the next PAC meeting.

13. **PARA 10.10 (PAGE 80-AR)**
PAYMENT OF RS.94.874 MILLION FOR LAND NOT TRANSFERRED

Audit pointed out that Northern Areas Scouts management under Ministry of Interior made a payment of Rs.94.874 million for purchase of 500 Kanals land at Thachdass, Chillas on February 7, 2008 under the scheme "Construction of Residential Building for Force Headquarters NA Scouts".During audit, it was observed that there was no transfer deed of the land purchased by NA Scouts. The land was subject to litigation on the issue of legal ownership in the civil court Chillas. The payment was made only against an undertaking of an individual, one of the owners of land, that he shall be liable to pay the compensation to the legal heirs of the land if the Apex Court grant verdict in favour of the other claimants. The title of land was not transferred in the name of NA Scouts till April 2009.

The PAO informed the Committee that the land was transferred to Northern Area Scouts.

PAC DIRECTIVE

The Committee directed the PAO to get the facts verified from Audit **within one month under report to PAC.**

14. **PARA 10.11(PAGE 81-AR)**
NON-DEPOSIT OF SALES TAX INTO GOVERNMENT ACCOUNT

Audit pointed out that the management of Pakistan Coast Guards, Karachi, issued a supply order to M/s Marketing Engineering & Trading Company (Pvt.) Ltd. Lahore on January 25, 2006, for soupy of 6xFast Patrol Boats and 6xUtility Boats against their tender cost of Rs.45,143,043 inclusive of sales tax. The supplier issued sales tax invoices amounting to Rs.5,888,223 which were paid by the Government. The matter regarding accounting/deposit the sales tax in respect of invoices issued by M/s METCO was referred to the Collectorate of Sales Tax, Lahore and in response, it was intimated that no record of M/s METCO for sales tax deposit for the years 2004-06 was available in that Collectorate.

The PAO explained before the Committee that the firm had been directed to deposit the sales tax amounting to Rs.5,888,223 into Government Treasury, whereas, criminal proceedings will be started against those officers who are responsible for not depositing of sales tax into Government Account.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO that the responsible officers may be taken to task with a recovery report to **PAC within one month. The PAC also directed the PAO to ensure good governance and bring certain changes in rules to avoid such discrepancies in future.** The PAC will discuss this para again in the next PAC meeting.

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PAKISTAN CIVIL WORKS (PAK.RANGERS) FOR THE YEAR 2008-09

PAKISTAN RANGERS SINDH-PUNAB

15. **PARA 5.1 (PAGE 61-ARCW)**
IRREGULAR ACCEPTANCE OF TENDER WITHOUT TECHNICAL SANCTIONED ESTIMATE – RS.92.6 MILLION

Audit pointed out that according to Para 104(2) of Pak PWD Manual Chapter (VI), Works, "Before tenders of work are invited, a detailed estimate showing details of quantities, rates and amount of various items of the work and also specifications to be adopted should be prepared. The quotations received should be compared with estimate before one is selected for acceptance". Furthermore, Para 7.12 (d)(4) stated that a competent authority may not accept any tender/contract which related to a work not technically sanctioned. Contrary to above, Pakistan Rangers (Sindh), Karachi, accepted the tender and awarded the work to contractor without Technical Sanctioned Estimate. Calling and acceptance of tender for Rs.92.6 million without approval of Technical Sanctioned Estimate and Design & Drawings was irregular.

The PAO informed the PAC that the work requirement was initiated thorough PC-I amounting to Rs. 92.6 million, which was duly vetted by P&D Cell of Ministry of Interior and Planning Commission and approved by CDWP accordingly. However, the Department has also initiated to obtain technical sanctioned estimates.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to get the whole course of action **completed within one month and get it verified from Audit under report to PAC.** The Committee further directed the PAO to hold a meeting with heads of all sub-ordinate/attached Departments of Ministry of Interior **within one month,** wherein, CFAOs may be briefed about rules and regulations, so that recurrence of all kinds of irregularities be avoided in future and a report to that effect be provided to PAC/Audit. The PAC further directed that proper procedure must be followed, if there is any difficulty, rules may be modified with the approval of the competent forum.

16. i) **PARA 5.3.1 (PAGE 62-ARCW)**
NON-DEPOSIT OF EARNED BANK PROFIT INTO GOVERNMENT REVENUE – RS.3.7 MILLION

Audit pointed out that no provision existing in Financial Rules to draw and deposit public money in an unauthorized bank account for earning profit. Project Officer, Pakistan Rangers (Punjab), Lahore, withdrew Rs.150 million from PLA through cheques and deposited into another bank account opened unauthorizedly for the purpose of earning profit and its utilization for reasons known to him, whereas, the profit earned on the funds became revenue and was required to be deposited into government revenue head C-01803 "Interest realized on investment of cash balances". The un-lawful profit was also utilized without any lawful authority which resulted in non-deposit of government revenue for Rs.3.7 million.

The PAO informed the PAC that bank profit amount of each project as observed by the Audit Authorities in December 2007, was expended on external development of each project. The PAO further informed the PAC that earned

bank profit has already been ordered to be deposit into Government Treasury and an inquiry is going to be held to fix responsibility.

ii) **PARA 5.3.2(PAGE 63-ARCW)**
NON-DEPOSIT OF EARNED BANK PROFIT INTO GOVERNMENT REVENUE–RS.0.820 MILLION

Audit pointed out that Project Officer, Pakistan Rangers (Punjab), Lahore, withdrew Rs.37.444 million from PLA through cheques and deposited into another bank account opened unauthorizedly for the purpose of earning profit and its utilization for reason known to him, whereas, the profit earned on the funds became revenue and was required to be deposited into government revenue head C-01803 "Interest realized on investment of cash balances". The un-lawful profit was also utilized without any lawful authority which resulted in non-deposit of government revenue for Rs.819, 999.

The PAO explained before the Committee that the amount of both projects regarding profit received from November, 2007 to June, 2008 through bank is still kept in subject head of account and no government money is transferred to other account/head.

PAC DIRECTIVE

The Public Accounts Committee deferred the above two paras with the direction to PAO to carry out an inquiry, fix responsibility and **report to PAC within one month**. **The PAC further directed the PAO that the bank statements along with detail of irregularities occurred during the entire tenure of Gen. Mehdi be furnished to the Public Accounts Committee/Audit within one month.**

17. **PARA 5.4 (PAGE 63-ARCW)**
NON-FORFEITURE OF EARNEST MONEY – RS.0.944 MILLION

Audit pointed out that according to Para 3 of Acceptance Letter, if the contractor failed to sign the contract documents within one week after due date, his tender will be treated as

cancelled and earnest money will stand forfeited in the name of Government. Project Officer, Pakistan Rangers (Punjab), Lahore, refunded the earnest money to a contractor to whom letter of acceptance was issued on 19th June, 2008, who did not sign the contract documents in spite of issuing reminders which resulted in non-forfeiture of earnest money of Rs.944, 000.

The PAO informed the Committee that the DG Pakistan Rangers (Punjab) is the competent authority to reject/approve any bid of contractor who had considered the request of contractor being the competent authority and amount in question was paid after completing all codal formalities. Therefore, the work was awarded to the 2nd lowest contractor on the same rates as of 1st lowest contractor.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility for violation of rules and ensure balance recovery from the contractor within two months. The para will be discussed again in the next PAC meeting.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-2009

18. i) **PARA 10.1 (PAGE 74-AR)SHORTAGE OF CASH AMOUNTING TO RS.1.046 MILLION**

ii) **PARA 10.5 (PAGE 77-AR)UNAUTHORIZED PAYMENT OF RS 42.443 MILLION TO NADRA ON ACCCOUNT OF CNIC VERIFICATION CHARGES.**

iii) **PARA 10.6 (PAGE 77-AR)UNAUTHORIZED EXPENDITURE OF RS.2.136 MILLION ON PAYMENT OF UTILITY CHARGES OF RANGERS HOUSE**

PAC DIRECTIVE

On the presentation of above 03 audit paras, the PAC **directed the PAO to implement the recommendations of the DAC**. These paras are considered to be settled subject to verification/satisfaction of Audit Department.

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PKAKISTAN CIVIL WORKS (PAK.RANGERS) FOR THE YEAR 2008-09

PAKISTAN RANGERS SINDH-PUNAB

19. i) **PARA 5.2 (PAGE 61-ARCW)**
IRREGULAR EXPENDITURE OVER AND ABOVE THE PROVISION OF APPROVED PC-I - RS.68.3 MILLION

ii) **PARA 5.5 (PAGE 64-ARCW)**
NON-DEDUCTION OF SALES TAX - RS.0.703 MILLION

iii) **PARA 5.6 (PAGE 64-ARCW)**
OVERPAYMENT DUE TO SEPARATE PAYMENT OF GENERAL SALES TAX - RS.0.207 MILLION

PAC DIRECTIVE

On the recommendations of the DAC, the PAC settled the above 03 paras.

(AGENDA ITEM –II)

20. **REPORT ON ALLEGED GROSS IRREGULARITIES AND MISMANAGEMENTS IN THE NATIONAL ASSEMBLY AND SENATE SECREARIAT EMPLOYEES COOPERATIVE HOUSING SOCIETIES, ISLAMABAD.**

After examination of Appropriation Accounts 2007-08 and Auditor General's Report 2008-09, the subject report (agenda item-II) was taken up by the Public Accounts Committee for consideration. The Secretary, M/O Interior formally briefed the Committee about the National Assembly and the Senate Secretariat Employees Cooperative Housing Societies, Islamabad. Thereafter, the Additional Director General, FIA disclosed the following major findings by FIA:-

i) The FIA in their findings has pointed out certain irregularities committed by the Administrator Mr. Tariq Ayub Khakwani. When he took over the charge of society, there was a balance of Rs.1,59,20,34,000/- in the account of society.

ii) Advance payments were made to various peoples for purchase of land but the land was not transferred in the name of Society and caused heavy losses to society.

iii) The Administrator paid Rs. 50,000,000/- (Rs.50 million) on 28-04-2009 through a cheque No.04584357 to Haji Naeem for purchase of land without any agreements Haji Naeem failed to provide land to the society and refunded Rs. 2,55,00,000/-. The remaining amount of Rs. 2,44,50,000/- is claimed to have been paid back.

iv) The present Administrator also paid Rs. 85,00,000/- to Mr. Usman Nawaz Khokhar for purchase of 34 kanal but not a singal Kanal of land has been transferred.

v) The Administrator paid Rs. 1,75,75,000/- to Mr. Tariq Khakwani and Tabarak Hussain for purchase of 45 Kanal land but no piece of land has been transferred so far.

vi) The Administrator also awarded contract to M/s Muhammad and Brothers (MAB) Engineers and Developers without any lawful authority.

vii) The Administrator also did not submit development bill to Registrar Office duly recommended and verified by the Consultant, nor the Registrar Office pointed out the malpractice of the society which caused huge financial loss to the society.

viii) Payment to the Consultant has been made without calling tender and an amount of 6.9 million out of 14 million has been paid to the Consultant despite the fact that the development work was stopped in April, 2009.

ix) The appointment of the Administrator by the Registrar of the Society was made to compact the land, expedite the development and hold fresh election. However, none of these have been done satisfactorily.

x) Payment of Rs. 50 million to Haji Naeem in advance without any agreement in writing, casts serious doubt about integrity of the Registrar Office.

xi) The role of the Chief Commissioner, ICT Mr. Fazeel Ashgar has also been found important in forcing the purchase of land from the known land grabbers. Payments were made to those peoples whereas the land has never been transferred in the name of society.

xii) The available compact land has been shown as 500 Kanal which is not true. It is 400 Kanal only. The rest of the land is in other areas for away from the compact piece of land.

xiii) Record of the society has been sealed by the Registrar/DC, Islamabad and has not been provided to the FIA for examination.

The Additional Director General (FIA) concluded that the Administration has drained out 160 million of the Society, available at the assumption of the charge of the Administrator and nothing concrete and substantive has been given to the society. He also recommended that criminal proceedings may be initiated against all those who were involved in it. The record may be ordered to be unsealed sooner than later and access of this office to that record may be ensured through appropriate orders for further inquiry and investigation. He further apprised the PAC that the report pertaining to Senate Secretariat Employees Cooperative Housing Society is under process and will be furnished to the Public Accounts Committee in due course.

The Secretary, M/O Interior, shared with the Committee that under Cooperative Societies Act, 1925, nobody other than the cooperative Societies Department can initiate any criminal proceedings against the Administrator or Registrar Cooperative Societies.

PAC DIRECTIVE

The Public Accounts Committee took a very serious view of alleged gross irregularities and mismanagement in the National Assembly and the Senate Secretariat Employees

Cooperative Housing Societies, Islamabad, resulting in loss of huge amounts of poor employees of the National Assembly and the Senate who had invested in the proposed Housing Societies. The Members of the Public Accounts Committee raised certain points and after discussions, **unanimously decided that Mr. Tariq Ayub Khakwani, Administrator should be immediately suspended pending further investigation in line with the other Committees of the Parliament.**

The Committee appreciated the FIA for its efforts for holding inquiry to probe into the irregularities and mismanagement in the National Assembly and the Senate Secretariat Cooperative Housing Societies. **The PAC further directed that the inquiry pertaining to National Assembly & Senate Secretariat Housing Societies may be completed immediately and FIA may proceed further against the person(s) who committed irregularities/misappropriations, under the law and report to PAC.**

REPORT OF THE SUB/SPECIAL COMMITTEE CONSTITUTED BY THE PUBLIC ACCOUNTS COMMITTEE (PAC) ON AUDIT PARA NO. 10.3 M/O INTERIOR

Meeting of the Sub/Special Committee of the PAC was held under the Convenership of **Mr. Zahid Hamid, MNA** on August 17, 2010 in Committee Room No. 2 (1st floor), Parliament House, Islamabad to discuss the subject para. **Sardar Ayaz Sadiq, MNA** was also present in the meeting.

PARA 10.3 (PAGE 75-AR)
UN-AUTHORIZED RETENTION AND USE OF GOVERNMENT RECEIPTS – RS.32.533 MILLION

Audit pointed out that Para 26 of GFR (Vol-I) provided that all sums due to Government should be regularly and promptly assessed, realized and deposited into public Accounts. Contrary to above, the ICT Police, Islamabad, realized Govt. receipt amounting to Rs.32, 533,226 during financial year 2007-08 but did not deposit it into Govt. Account. It was further observed that:-

1. The management was utilizing such receipts to meet departmental expenses over and above the Govt. budgeted Fund without approval of Ministry of Finance.

2. The expenditure was being approved by the officers who were not delegated any financial power.

3. The Govt. receipt was kept in commercial bank accounts opened without the approval of Finance Division.

4. The receipt was not reflected in the budget of the ICT, Police Islamabad.

The PAO explained before the Sub/Special Committee that Islamabad Police established various projects on self-help basis by way of welfare of general public and police officials and that department did not get enough resources from government to meet its requirements. The management further clarified that Draft rules for utilization of receipt funds were under process for approval. The IG Islamabad Police further explained that the expenditure out of Welfare fund is made after observing codal formalities laid down in Public Procurement Rules and Government taxes such as GST and Income Tax etc. are deducted from the claims and payments are made through cheques. Islamabad Police may be allowed to create a Regimental & Welfare Fund inline with Law Enforcement Agencies in Punjab and other provinces.

SUB/SPECIAL COMMITTEE DIRECTIVE

The Sub/Special Committee directed that the M/o Finance may be approached with full justification again for getting ex-post facto approval from M/o Finance for regularization of the expenditure incurred in the past and M/o Finance should consider this on merit. The Sub/Special Committee further directed that the proposed Rules for Welfare Fund of ICT Police on the basis of the similar Fund maintained by the Punjab Police be finalized immediately to enforce financial discipline under Government rules and regulations. The whole course should be done under report to PAC/Audit within 15 days.

ACTIONABLE POINTS

Actionable points arising out from discussion of the PAC meeting held on 24th January, 2011 to examine the Appropriation Accounts 2007-08 and Audit Report 2008-09 pertaining to Ministry of Interior are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO. 71- INTERIOR DIVISION (PAGE 485-AA)**
(Saving of Rs.76, 358,100)

AGPR pointed out that grant closed with a saving of Rs.76, 358,100 which works out to 20.39% of the total grant. An amount of Rs.6, 758,000 (1.80%) was surrendered leaving net saving of Rs.69, 600,100 (18.58%). A supplementary grant of Rs.25, 279,000 was sanctioned but was not included in supplementary schedule of authorized expenditure.

The PAO informed the PAC that the saving was due to vacant posts, non receipt of utility/medical bills, non receipt of Foreign Aid component and non fulfillment of other codal formalities till the close of financial year.

PAC DIRECTIVE

The PAC settled the grant with the direction to PAO that at the end of every financial year there should be zero saving zero excess.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. **PARA 10.2 (PAGE 74-AR)**
NON RECONCILATION OF RS.222.980 MILLLION DEPOSITED IN TREASURY FOR ISSUANCE OF NEW ARM LICENSES

Audit pointed out that Rule 77 (v) of Federal Treasury Rules (Vol-I) provides that money deposited into Government Treasury through challans should be reconciled with the concerned Treasury to ensure that the amounts have actually been credited into Government Account. Interior Division issued 44,558 new Arm Licenses (76 Prohibited Bore and 44,484 Non-Prohibited Bore) during the financial year 2007-08 under Section

11(b) of "The Pakistan Arms Ordinance, 1965" and received Rs.222,980,000 as fee for these licenses as per stipulated rates. Audit noted absence of any system to regularly reconcile that amount shown to have been paid through challans has actually been credited to the government account. Thus, the deposits of Rs.222, 980,000 remain to be reconciled with the concerned Treasury.

The PAO informed the PAC that Rs. 222.980 have reconciled with the National Bank of Pakistan/Federal Treasury.

PAC DIRECTIVE

The PAC observed that strict action may be taken in future also, to check fake recommendatory letters, for issuance of Arms Licenses and settled the para with the directions that report regarding action taken against the culprits, initiated by the Ministry, may be sent to the PAC Secretariat and Audit within **three months.**

ICT, POLICE ISLAMABAD

3. **PARA 10.3 (PAGE 75-AR)**
UN-AUTHORIZED RETENTION AND USE OF GOVERNMENT RECEIPTS – RS.32.533 MILLION

Audit pointed out that Para 26 of GFR (Vol-I) provided that all sums due to Government should be regularly and promptly assessed, realized and deposited into public Accounts. Contrary to above, the ICT Police, Islamabad, realized Govt. receipt amounting to Rs.32, 533,226 during financial year 2007-08 but did not deposit it into Govt. Account.

The PAO informed that in compliance of PAC directive the expenditures have been regularized by the Finance Division up to 30-06-2010. The draft rules for collection and utilization of fee by the Islamabad Capital Police have been sent to Finance Division for approval.

PAC DIRECTIVE

The PAC observed that the matter concerning use of realized Government receipts amounting to Rs. 32.533,226 during financial year 2007-08 by the ICT Police Islamabad for welfare activities, instead of deposit in Government Treasury, needs to be discussed further in an informal meeting early next week, with Secretary, M/O Finance, Secretary, M/O Interior, Auditor General, Mr. Zahid Hamid, MNA and IG Police, Islamabad, under the Chairmanship of Chairman (PAC).

PAKISTAN COAST GUARDS, KARACHI

4. **PARA 10.11(PAGE 81-AR)**
NON-DEPOSIT OF SALES TAX INTO GOVERNMENT ACCOUNT

Audit pointed out that the management of Pakistan Coast Guards, Karachi, issued a supply order to M/s Marketing Engineering & Trading Company (Pvt.) Ltd. Lahore on January 25, 2006, for soupy of 6xFast Patrol Boats and 6xUtility Boats against their tender cost of Rs.45,143,043 inclusive of sales tax. The supplier issued sales tax invoices amounting to Rs.5,888,223 which were paid by the Government. The matter regarding accounting/deposit the sales tax in respect of invoices issued by M/s METCO was referred to the Collectorate of Sales Tax, Lahore and in response, it was intimated that no record of M/s METCO for sales tax deposit for the years 2004-06 was available in that Collectorate.

The PAO informed the PAC that Collectorate of Sales Tax, Lahore has been approached for consultation/advise regarding registration a FIR against METCO for recovery on account of GST not deposited by the Firm.

PAC DIRECTIVE

The PAC directed that the PAO will request the Federal Board of Revenue to recover the full amount from M/s Marketing Engineering and Trading Company (METCO) within **6**

months. It was further directed that if the penalty amount is not realized then FIR may be lodged against the Company.

5. i) **PARA 10.1 (PAGE 74-AR)**
SHORTAGE OF CASH AMOUNTING TO RS.1.046 MILLION

ii) **PARA 10.4 (PAGE 76-AR)**
IRREGULAR EXPENDITURE ON PRINTING – RS.4.128 MILLION

iii) **PARA 10.5 (PAGE 77-AR)**
UNAUTHORIZED PAYMENT OF RS 42.443 MILLION TO NADRA ON ACCCOUNT OF CNIC VERIFICATION CHARGES.

vi) **PARA 10.6 (PAGE 77-AR)**
UNAUTHORIZED EXPENDITURE OF RS.2.136 MILLION ON PAYMENT OF UTILITY CHARGES OF RANGERS HOUSE

v) **PARA 10.7 (PAGE 78-AR)**
RECOVERY OF RS.1.49 MILLION ON ACCOUNTS OF UN-AUTHORIZED PAYMENT OF RESIDENTIAL TELEPHONE BILLS OF NON-ENTITLED OFFICERS

vi) **PARA 10.8 (PAGE 79-AR)**
UNECONOMICAL PROCUREMENT OF STORES/STOCKS COSTING RS. 9.298 MILLION WITHOUT INVITING TENDER

vii) **PARA 10.9(PAGE 80-AR)**
FRAUDULENT WITHDRAWAL OF RS.3.072 MILLION AND ITS DEPOSIT INTO PRIVATE COMMAND FUND ACCOUNT OF DG PAKISTAN RANGERS

viii) **PARA 10.10 (PAGE 80-AR)**
PAYMENT OF RS.94.874 MILLION FOR LAND NOT TRANSFERRED

PAC DIRECTIVE

The 08 Paras are settled on the recommendations of DAC meeting held on 20-01-2011.

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PAKISTAN CIVIL WORKS (PAK.RANGERS) FOR THE YEAR 2008-09

PAKISTAN RANGERS SINDH-PUNAB

6. i) **PARA 5.3.1 (PAGE 62-ARCW)**
NON-DEPOSIT OF EARNED BANK PROFIT INTO GOVERNMENT REVENUE – RS.3.7 MILLION

Audit pointed out that no provision existed in Financial Rules to draw and deposit public money in an unauthorized bank account for earning profit. Project Officer, Pakistan Rangers (Punjab), Lahore, withdrew Rs.150 million from PLA through cheques and deposited into another bank account opened unauthorizedly for the purpose of earning profit and its utilization for reasons known to him, whereas, the profit earned on the funds became revenue and was required to be deposited into government revenue head C-01803 "Interest realized on investment of cash balances". The un-lawful profit was also utilized without any lawful authority which resulted in non-deposit of government revenue for Rs.3.7 million.

The PAO informed the PAC that the amount has already been deposited back into Government Treasury; duly verified by the Treasury Officer. Moreover, disciplinary actions have been taken against the officers involved.

ii) **PARA 5.3.2(PAGE 63-ARCW)**
NON-DEPOSIT OF EARNED BANK PROFIT INTO GOVERNMENT REVENUE–RS.0.820 MILLION

Audit pointed out that Project Officer, Pakistan Rangers (Punjab), Lahore, withdrew Rs.37.444 million from PLA through cheques and deposited into another bank account opened unauthorizedly for the purpose of earning profit and its utilization for reasons known to him, whereas, the profit earned on the funds became revenue and was required to be deposited into government revenue head C-01803 "Interest realized on investment of cash balances". The un-lawful profit was also utilized without any lawful authority. This resulted in non-deposit of government revenue for Rs.819, 999.

The PAO informed the PAC that the amount has already been deposited back into Government Treasury; duly verified by the Treasury Officer. Moreover, disciplinary actions have been taken against the officers involved.

PAC DIRECTIVE

The paras were clubbed together. The Chairman directed the PAO to provide details of accounts of Pakistan Rangers for the entire period of previous Director General, Pakistan Rangers to Audit for vetting of the certificate, furnished by the department, that no irregularities have been found during the period of Ex-Director General. The matter may be discussed in the DAC and if any serious issue is found the case may come back to PAC.

7. i) **PARA 5.1 (PAGE 61-ARCW)**
IRREGULAR ACCEPTANCE OF TENDER WITHOUT TECHNICAL SANCTIONED ESTIMATE – RS.92.6 MILLION

ii) **PARA 5.4 (PAGE 63-ARCW)**
NON-FORFEITURE OF EARNEST MONEY – RS.0.944 MILLION

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to implement the directives of the PAC given in its meeting held on 02-06-2010.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 19th March, 2011 pertaining to **Ministry of Interior** regarding public complaints in connection with issuance of fictitious CNICs by NADRA, at District Rawalpindi, by changing addresses of non residents of District Rawalpindi.

The PAO gave a comprehensive presentation on the working of NADRA with special focus on the recent operations in Bahria Town where modifications were reported to being carried out in the CNICs, and explained that Standard Operating Procedures were

followed while processing the cases for change in current address and due verification process were strictly followed.

The Honourable Members of the PAC, raised some pertinent questions relating to above issue, which require probing by the PAO before apprising them of the working of NADRA.

PAC DIRECTIVE

The PAC directed the PAO that a comprehensive presentation/briefing on this issue covering NADRA operations in the whole country, will be scheduled in due course for half an hour as the Members have so many pertinent questions in this regard.

ACTIONABLE POINTS

Actionable points arising from discussion of the PAC meeting held on 25th June, 2011 to discuss the Audit Report for the year 2008-09, pertaining to Ministry of Interior are as under:-

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PAKISTAN CIVIL WORKS (PAK.RANGERS) FOR THE YEAR 2008-09

PAKISTAN RANGERS SINDH-PUNAB

1. i) **PARA 5.3.1 (PAGE 62-ARCW)**
NON-DEPOSIT OF EARNED BANK PROFIT INTO GOVERNMENT REVENUE – RS.3.7 MILLION

Audit pointed out that Project Officer, Pakistan Rangers (Punjab), Lahore, withdrew Rs.150 million from PLA through cheques and deposited into another bank account opened unauthorizedly for the purpose of earning profit and its utilization for reasons known to him, whereas, the profit earned on the funds became revenue and was required to be deposited into government revenue head C-01803 “Interest realized on investment of cash balances”. The un-lawful profit

was also utilized without any lawful authority which resulted in non-deposit of government revenue for Rs.3.7 million.

ii) **PARA 5.3.2(PAGE 63-ARCW)**
NON-DEPOSIT OF EARNED BANK PROFIT INTO GOVERNMENT REVENUE–RS.0.820 MILLION

Audit pointed out that Project Officer, Pakistan Rangers (Punjab), Lahore, withdrew Rs.37.444 million from PLA through cheques and deposited into another bank account opened unauthorizedly for the purpose of earning profit and its utilization for reason known to him, whereas, the profit earned on the funds became revenue and was required to be deposited into government revenue head C-01803 "Interest realized on investment of cash balances". The un-lawful profit was also utilized without any lawful authority which resulted in non-deposit of government revenue for Rs.819, 999.

The PAO informed that amount has already been deposited back into Government Treasury; duly verified by the Treasury Officer. Moreover, disciplinary action against following officers, as directed by PAC, has been taken by the Director General, Pakistan Rangers, Punjab due to non-compliance of rules/regulations.

i) Col. Ghuam Jaffar Ex-Col. Admn
ii) Lt Col. Nadeem Ex-AQ Plan
iii) Major Muhammad Idrees Ex-Project Officer

PAC DIRECTIVE

The above paras were clubbed together. The PAO explained that efforts were being made to put the house in order ad Pakistan Rangers have been directed to follow the laid down Rules, Regulations and PPRA Rules strictly. He assured the Committee that such lapses will not occur in future. The remaining paras, still with the DAC, may be examined early and those paras which are not settled may be brought before the PAC.

2. **SECURITY PROVIDED BY RANGERS**

Besides above paras, the issue regarding deployment of Rangers in violation of Pakistan Rangers Ordinance 1959 was also discussed. It was observed that there is an increasing trend to use the Force for providing security to persons not entitled for such measures. The PAO was directed that Ranges should be withdrawn from all private persons immediately, and a review of all non-entitled persons, who have been provided Ranger's Security, should be carried out **within one month** with a view to curtail the use of this Force as a status symbol which undermines the Pakistan Ranges and is a serious violation of financial propriety and Rules laid down in the Pakistan Ranger's Ordinance, 1959.

MINISTRY OF INVESTMENT

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the Ministry of Investment were taken up for examination by the Public Accounts Committee (PAC) on **1st September, 2010.**

1.1 The PAC having considered AGPR,s point of view and explanation given by the Principal Accounting Officer (PAO) and made its recommendations.

1.2 There was 1 Grant presented by the AGPR which was regularized by the Committee.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on 1st September, 2010 pertaining to Ministry of Investment for the Appropriation Accounts 2007-08 are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

1. **GRANT NO. 99-BOARD OF INVESTMENT (PAGE 699-AA)**
(Saving of Rs.4, 966,945)

Audit pointed out that the grant was closed with a saving of Rs.4,966,945 which worked out to (4.71%) of the total grant.

The PAO informed that the Committee that saving was occurred due to the following reasons:-

i) Due to revision of basic scales and up gradation of clerical posts
ii) Due to non receipt of medical claims Rs. 134,432 could not be utilized. The remaining saving of Rs. 38,000 occurred under head Honorarium.
iii) Due to less expenditure than anticipated.

PAC DIRECTIVE

The PAC regularized the saving with the observation to surrender the saving in time.

MINISTRY OF INTER PROVINCIAL COORDINATION

1. **OVERVIEW**

Appropriation Accounts 2007-08 pertaining to the Ministry of Inter Provincial Coordination were taken up for examination by the Public Accounts Committee on **1st September, 2010.**

1.1 The PAC having considered AGPR's point of view and explanation given by the Principal Accounting Officer (PAO) and made its recommendations.

1.2 There was 1 Grant presented by the AGPR which was regularized by the Committee.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 1st September, 2010, pertaining to Ministry of Inter Provincial Coordination for the Appropriation Accounts 2007-08 are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

1. **GRANT NO 5-INTER PROVINCIAL COORDINATION DIVISION (PAGE 47-AA)**
(Saving of Rs 472,158)

Audit pointed out that the grant was closed with a saving of Rs. 472,158 which worked out to (3.29%) of the total grant. An amount of Rs. 289.000 (2.01%) was surrendered leaving net saving of Rs. 183,158 (1.28%).

PAO explained that reasons of saving as below:-

i) Due to vacant post of Deputy Secretary till 12.06.2008
ii) Due to non receipt of claims on account of re-imbursement of Medical Charges.
iii) Saving occurred under different detailed heads like Telephone and Trunk Calls, Courier Service, POL charges, Printing & Publication, Newspapers and others etc.

The major part of saving of i.e. Rs. 32,000 occurred under object head TA/DA to Govt, Servant due to non receipt of expected TA claims of staff of Minister Office.

PAC DIRECTIVE

The PAC regularized the saving with the observation to surrender the saving in time.

MINISTRY OF LABOUR & MANPOWER

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil), Public Sector Enterprises and Government of Pakistan (Civil Works) (WWBs) for the year 2008-09, pertaining to Ministry of Labour & Manpower were taken up for examination by the Public Accounts Committee on **31st May, 2010 and 9th May, 2011.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving blockage of funds, non recovery on account of installments, lack of qualified project management, weak monitoring and evaluation etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 18 paras and 3 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of the PAC. 3 paras/grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directives on 05 paras and on 13 paras the committee directed the PAO to implement the DAC recommendation. The Committee also ordered recoverable sums amounting to **Rs** ---------- out of which a sum of **Rs** ---------- had been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of implementation of the PAC directives would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 31st May, 2010 pertaining to M/O Labour and Manpower for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:-

APPOROPRITAION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO.82-LABOUR AND MANPOWER DIVISION(PAGE 563-AA)**
(Saving of Rs 4,039,699)

The Audit pointed out that the grant was closed with a saving of Rs.4,039,699 which worked out to 1.84 percent of the total grant.

The PAO explained saving/excess as under:-

i) Due to revision of pay scales w.e.f. 01-07-2007 and arrear claims of officers.
ii) Due to vacant posts.
iii) Due to non receipt of expected medical reimbursement and overtime allowances.
iv) Due to non receipt of expected utility bills as well as some bills returned unpassed on 30-06-2007 by the AGPR.
v) Due to adoption of economy measures.

PAC DIRECTIVE

The PAC observed that funds kept for vacant posts are foreseen and either should have been surrendered or re appropriated to meet the excess under Pay and Allowances. The PAC regularized the saving subject to zero saving/excess in future.

2. **GRANT NO.83-OTHER EXPENDITURE OF LABOUR AND MANPOWER DIVISION(PAGE 567-AA)**
(Excess of Rs 1,455,429)

The Audit pointed out that the grant was closed with an excess of Rs. 1, 455,429 which worked out to 0.02 percent of the total grant.

The PAO explained excess was mainly due to revision of pay scales w.e.f. 01-07-2007.

PAC DIRECTIVE

The PAC regularized the excess of the grant being valid reason.

3. **GRANT NO.151-DEVELOPMENT EXPENDITURE OF LABOUR AND MANPOWER DIVISION (PAGE 571-AA)**
(Saving of R.s 57,493,374)

The grant was closed with a saving of Rs.57,493,374 which worked out to 36.10 percent of the total grant. An amount of Rs.34,098,580(21.41%) was surrendered leaving net saving of Rs. 23,394,794(14.69%).

The PAO explained saving/excess as under:-

i) Less participation of trainees in especially May and June due to which expenditure could not occur.

ii) The case of release of funds was taken up with finance Division in January 2008. But the funds were not released due to time and again query raised by the Finance Division.

iii) Recruitment process could not be completed.

iv) Project Coordinator was appointed to run the Project activities in February and March 2008 due to which expenditure could not be made.

v) Due to revision of salary package.

vi) Due to vacant post of DBA System Analysis & Accountant.

vii) Due to non-completion of net working system the anticipated expenditure under the said head could not be utilized.

PAC DIRECTIVE

The PAC regularized the saving of the grant.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

4. **PARA 11.1 (PAGE 85-AR)**
LOSS OF RS 3.657 MILLION TO THE WORKERS WALFARE BOARD DUE TO REVALIDATION OF LETTER OF CREDIT (L.C)

Audit pointed out that according to the item No. 15-3 of the standard contract agreement for procurement of medical equipment to the Kidney Centre Peshawar, the supplier was to pay the fee of clearing agency and insurance charges appointed by the purchasers for clearing of the goods from the part(s) of Pakistan through Govt. appointed clearing agent. While checking the accounts record of NWFP, Workers Welfare Board Peshawar under Labour and Manpower Division for the year 2006-07, it was observed that Letter of Credit (L.C) No BOK00137/05 dated08/04/2005 for US $631,500 was opened on behalf of M/s Mediquips for Kidney Centre Peshawar, on the basis of invoice submitted by the supplier. The L.C expired due to the fault of the supplier. The supplier provided fresh invoice amounting to US $ 288,144.26. The cost of L.C was by reducing the number of items and LC was revalidated for the revised amount of US $ 288114.26 in 2/2006. A sum of Rs 500,000 was expended on insurance and bank charges on the original L.C by the Board. It is further added that the fund remained out of the accounts for 10 months resulting in a loss of Rs 3,157,500 (631,500 x 10% x 10/12) in shape of profit which might have been earned for the period of 10 months.

The PAO explained that according to the Agreement, the Bank charges for opening of the LC have to be paid by the Workers Welfare Board, NWFP, Peshawar. However, the delay of 10 months in supplying the equipment and revision of the LC, have rightly been pointed out by the Audit. Rs 36.373 million (US$ conversion @ Rs. 60 of US$ 606,217) were allocated by the WWF for purchase of Radiology Equipments for Peshawar and Quetta Kidney Centers. However, instead of opening of LC for purchase of equipment only for Kidney Centre (KC), Peshawar, it was opened for total amount of US$ 631.500 allocated for both Hospitals. Later-on, the LC was re-validated in 2006 for the revised amount that covers the equipment cost for Kidney Centre, Peshawar only. The matter was

preliminary investigated and the responsibility was fixed on the then Deputy Director (Works), who was posted/working as Acting Director (Works). Since the services of the officer were borrowed from the Works & Services Department, Govt. of NWFP, Mr. Naimat Ullah Khan Gundapur, Deputy Director (Works) was repatriated to his parent department i.e. Works & Services Deptt., Govt. of NWFP w.e.f. 31-07-2007 on account of poor performance and gross irregularities. The officer filed a write petition against the aforesaid order of his repatriation to his parent department in the Peshawar High Court. A Charge Sheet was also prepared against the officer and forwarded to the Works & Services Deptt., Govt. of NWFP for taking necessary disciplinary action. However, the Law Deptt., Govt. of NWFP was of the view that since the matter is subjudice before the High Court, Peshawar therefore it would be better to wait for the court decision.

The High Court Peshawar decided the case in favour of Ex-Deputy Director (Works) and also directed that WWF, NWFP may proceed against the Petitioner, if so advised for alleged misconduct committed by him in the Deptt. under the law/rules applicable to their employees. The WWF, NWFP filed an appeal against the judgment of the Peshawar High Court in the Supreme Court of Pakistan. The Supreme Court suspended the impugned judgment of High Court Peshawar and granted leave to appeal/Stay order on 11.09.2009. The case is pending before the Supreme Court of Pakistan for decision.

PAC DIRECTIVE

The PAC showed serious concern with usage of Worker Welfare Fund and stressed putting in place a fool proof system to stop misappropriation from it. The PAC further directed that appropriate disciplinary action be taken against the concerned officer in the light of Peshawar High Court's decision. There should be fool proof system in place to ensure to not happen in future. The Para was remanded back to DAC.

5. **PARA 11.2 (PAGE 85-AR)**
LOSS OF RS 1.997 MILLION TO THE WORKERS WALFARE BOARD FOR POOR PLANNING

Audit pointed out that according to Para-10(1) of GFR Vol-I, every govt. officer shall exercise the same vigilance in respect expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money. While checking the accounts record of the Secretary WWB Peshawar under Labour and Manpower Division, for the financial year 2006-07, it was observed that Rs 1,997,000 were paid to various consultants on account of advance payment of consultancy for different development scheme which were 13 in number. It was observed that work on none of the schemes could be started, rather these scheme were abandoned. Moreover, the following schemes were not even approved by the technical committee:-

i) Estab. Of Industrial Home Amangarh,
ii) Construction of additional rooms at junior Model School Amangarh,
iii) Construction of additional rooms at junior Model School Haripur,
iv) Medicare Center at Jehangira

The Board was thus put to a loss of Rs 1,997,000 due to poor planning by the management.

The PAO explained that as per procedure the Schemes/projects are conceived by Provincial WWF Boards and after approval / recommendation by the Provincial Board, the same are submitted to the Technical Committee / Governing Body, WWF for its approval. No such technical expertise is available within the Board to prepare PC-Is of the conceived projects at its own. All such work is being carried out on need basis through the already short-listed consultant firms. The preparation of PC-I, preliminary feasibility study and necessary drawing and design is carried out through the pre-qualified consultants on the panel of the Board and payment is accordingly made to the concerned consultants as per Contract Agreement.

The Schemes pointed out by the Audit were initially approved by the Board and consultants were engaged for preparation of drawing, design and PC-I etc. The NWFP

WWB is strengthening is Engineering Wing and the Governing Body in its 102nd meeting has also approved the new posts for technical staff in the headquarter as well as to establish new Zonal Offices of the WWB at Haripur and Bannu to streamline and to strengthen its working.

PAC DIRECTIVE

The PAC referred the para to the DAC, showing displeasure for poor monitoring and careless usage and clubbed the para with the earlier para No. 11.1 with the direction to report to the PAC **with in two weeks.**

AUDIT REPORT ON THE ACCOUTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

EMPLOYEES OLD-AGE BENEFITS INSTITUTION (EOBI)

6. **PARA 150(PAGE 220-ARPSE)**
LOSS DUE TO DIMINUTION IN THE VALUE OF SHARES – RS 4.826 BILLION

Audit pointed out that Clause (f) of EOBI (Investment) Rules, 1979 and SRO No. 1059910/2007 dated 25-10-2007, in ordinary or preference shares of any such authority or corporation or such a company listed on any Stock Exchange in Pakistan, has earnings record of not less than 20% earning per share per annum for the two accounting years immediately preceding the years in which investment is made. Employees Old-Age Benefits Institution (EOBI) invested their funds in procurement of shares and these placed in strategic/ core portfolio. The purpose/aim for this category was to earn dividend but the market values of shares have been reduced enormously and institution has sustained a loss of Rs 4.826 billion. Following companies earning per share was less than 20%

i)	MAC PAC	ii)	Shell Pakistan
ii)	SSGCL	iv)	BOP
v)	Tele Card		

The main reason of loss was that proper evaluation was not carried out while finalizing the purchase of these shares.

The PAO explained that the Institution has not sustained a loss of Rs.4.826 billion. In fact it is prices diminution in value of shares. In last quarter of FY 2007-08, influenced by country specific as well as global worsening economic conditions, the stock market experienced unprecedented decline and market price of almost all shares fell regardless of attractive fundamentals. Hence, a diminution of market value amounting to Rs. 4.826 billion occurred, as on 30th June 2008, in Institution's strategic portfolio, which was not a loss. He reiterated that all equity transactions are undertaken in the light of EOBI investment Rules, 1979 (Rule-3 f as also referred by Audit), as per equity asset allocation approved by Board of Trustees and procedure approved by the Investment Committee of the Board. The 'diminution' like appreciation in market value of shares is a normal phenomenon. The diminution was thus not the result of any improper evaluation of shares by the management as assessed by Audit. Therefore, aside from criteria prescribed under EOBI Investment Rules. 1979, other qualitative and quantitative factors including macroeconomic factors (like the overall economy and industry conditions) and company-specific factors, revenues, earning, return on equity, profit margins etc. Determine company's potential, are informally employed in evaluation. In addition, researches available from leading brokerage houses are also consulted. As regards mention of some shares, it may be noted that though their EPA may have fallen afterward, all these shares fulfilled the criterion of 20% EPS prescribed in investment rules at the time of their purchase. As regards disposal of shares, it may be noted that as mentioned above, disposal of shares in core/strategic portfolio is not the underlying intention behind their purchase rather such long term investments are generally retained. Majority of the blue chip shares contained herein pay dividends regularly. In FY-2007-08 the dividend income of Rs. 498 million had been realized from these core/strategic shares. In FY2008-09 an amount of Rs. 673 million has been realized from these shares.

PAC DIRECTIVE

The PAC directed to know the specific amount of companies listed on any Stock Exchange in Pakistan earning per share per annum for the two accounting years, immediately preceding the years in which investment was made. There should be a meeting with Audit including PAO, along with Mr. Muhammad Nasrul Aziz, Joint Sectary/Director (BC), Finance Division, and Bank of Punjab, Islamabad in view of the honorable members observations and report to the PAC **within a week.** Further, during the presentation by EOBI, Chairman noted that the Board of Trustees in their 86th meeting dated 26 October 2009, had taken a decision not to buy properties from private parties reportedly on the direction of PAC. Whereas, none of the members recalled such a direction, the Chairman instructs the PAC Secretariat to inquire whether any advice was given by PAC prior to 26 October 2009.

7. **PARA 151(PAGE 22-ARPSE)**
UN- RECONCILED BANK BALANCE AGAINST PENSION DISBURSEMENT FUND- RS 610.280 MILLION

As per Section 5.1 of the agreement dated November 02, 2007 between Employees' Old age Benefits Institution (EOBI) and National Bank of Pakistan (NBP), EOBI provides funds to NBP Main Branch, Karachi in advance 6 days before the end of month to enable the Bank to arrange pension disbursement in the following month. The funding by EOBI is on the basis of information Provided by NBP by the 10th of each month for the pension disbursed in preceding month. Though the agreement was signed on November 2, 2007, but its effective date was agreed as October 01, 2006 owing to retrospective operation by NBP.

The funds were provided by EOBI to NBP for disbursement form October 01, 2006 to January 31, 2009 as under:-

(Rs In Million)

	Amount
Total amount paid to NBP	10,149.920
Pension disbursed during Oct, 06 to Dec. 08	9,539.640
Funds available with NBP for disbursement of pension	612.280

The management was requested by Audit to provide bank confirmation or bank statement to authenticate above balance of Rs 612.280 million on January 01, 2009, but the management was unable to provide such evidence from the Bank. This un-reconciled position depicted loose internal controls prevailing in the institution.

The PAO explained that the Institution provide fund to NBP in the last week of every month on the basis of the information provided by the NBP regarding pension disbursed in the preceding month but the fund distribution system adopted by NBP for such fund was unprofessional from October. 2006 to September, 2009. Funds transferred to NBP for pension disbursement were further distributed amongst around 560 NBP branches across Pakistan. These branches would return the unspent balance to NBP, Main Branch, after disbursement of pension. Return of fund takes its own time which resulted in balance of Rs. 610.288 million with NBP at close of December. 2008. Due to continuous efforts and persuasion by EOBI, the NBP finally changed its practice and stopped transferring fund to its branches. At present, the NBP branches disburse pension to insured persons and debit their main account at NBP Karachi. The matter for reconciliation of Rs. 610.288 million was taken up with NBP. After hectic efforts, the NBP confirmed that Rs. 513.953 million were either with NBP Main Branch or in transit. The remaining Rs. 96.335 million according to NBP letter NO.OPG/'EOBI/540I dated January 18. 2010 was due to non-remittance of un-utilized amount by some branches. The NBP assured that this was only a reconciliation issue and no amount was misappropriated at all in any case. The institution was vigorously pursuing the reconciliation issue with NBP.

PAC DIRECTIVE

The PAC settled the para subject to verification from the Audit of 100% recovery The Committee also directed the PAO to reconcile the remaining amount of RS 96.335 million with NBP and make sure that clear guide lines are followed by NBP. The Ministry will be recalled within seven/eight months but this para will not include.

8. **PARA 152(PAGE 222-ARPSE)**
NON-RECOVERY OF OUTSTANDING PENSION CONTRIBUTIONS FROM THE EMPLOYERS-RS 122.802 MILLION

Audit pointed out that as per Registration of Employees and Insured Persons under EOBI Rules 1976, issued under Employees Old-Age Benefits Act 1976, the contribution falling due at the end of the month to which they relate shall be paid not later than the 15th of the following month. Moreover, the recoverable amount may be recovered as arrears of Land Revenue (Section-32) and failing to pay any contribution under the Act will be an offence (Section 37) which is to be taken up for prosecution as provided in Section 38 thereof. In EOBI, pension contributions required to be collected from employers against demand raised were lying outstanding since long, the region-wise details are as under:-

Name of Region	Principle Arrears as on 30.06.2007	Statutory increase	Total	Amount Recovered upto 30.06.2008	Amount Recovered upto 31.02.2009	Balance
Abbotabad	8,992,033	1,940,434	10,932,13	407,213	665,520	5,589,734
Rawalpindi	291,094	65,058	356,152	711,350	116,603	166,199
Sialkot	8,126,937	3,806,969	11,933,906	1,111,905	336,254	10,485,657
Gilgit	1,250,360	625,180	187,5.54		252,840	1,622,700
Jehlum	4,235,176	1,764,703	5.981,879	274,977	459,334	5,247,588
Sargodha	4,165,298	1,785,937	5,951,235	1,473,943	69,412	4,407,880
Hyderabad	10,173,533	644,780	10.818,313	4,280,623	577,169	5,460,521
Kotri	12,502,393	2,774,556	15,276,949	6,775.949	323,190	8,177,810
Bahawalput	33,778,723	14,913,823	48,692,546	2,625,427	1,579,147	44,487,972
Bin Qasim	8,731,487	2,424,785	11,156,272	4,947,644	5,761,301	447,327
Faisalabad North	32,132,830	11,420,103	43,552,933	6,491,609	352,742	36,708,582
Total	124,379,864	42,148,328	166,528,192	33,232,740	10,493,512	122,801,940

Report of pending 19 regions was not provided to audit. The total outstanding amount would increase if recoverable amount from these regions is added. No serious efforts appeared to have been made to recover the old outstanding amount although the Institution was empowered to take necessary action for recovery of outstanding dues under Land Revenue Act. The PAO explained that the current position of outstanding contribution is as under:-

Outstanding Contribution		165.844
Recovered		
Up to 30-6-2008	35.209	
Up to 31-3-2009	13.203	
Up to 28-2-2010	1.890	50.302
Balance recoverable		115.543

The regional offices are vigorously pursuing to recover the remaining outstanding contribution. However, there are specific provisions under the Land Revenue Act 1967, which are invoked for recovery proceedings. It is cumbersome, difficult and time bound procedure. Every notice for recovery under the land Revenue Act 1967 is issued once the time period specified in the law of consumed and not before that. The recovery proceedings are at time3s challenged before the competent court of law and litigation ensues, therefore, recovery proceedings could not be completed in time. Besides, action against certain public sector organizations is not taken to avoid possible law and order situation. Therefore, both moral persuasions and proceedings under the Land Revenue Act 1976 are adopted for recovery of arrears. However, the fact remains that it is difficult and time consuming exercise. Despite all the above difficulties, the institution has succeeded to recover a sum of Rs. 50.301 million as noted above.

PAC DIRECTIVE

The PAC directed the PAO to constitute a committee under Joint Secretary within 3 days for proactive action for recovery of out standing amount and get it verified carefully by the Audit as pointed out by the Ministry of Finance and report to the PAC.

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PAKISTAN CIVIL WORKS (WWBs) FOR THE YEAR 2008-09

WORKERS WELFARE BOARDS – PUNJAB & SINDH

9. **PARA 6.3(PAGE 70-AR)**
UNJUSTIFIED EXPENDITURE ON HIRING OF SECURITY SERVICE-RS 23.8 MILLION

Audit pointed that residential accommodation was provided to workers on ownership basis, so Watch & Ward services of security guard was not the responsibility of Workers Welfare Board. Sindh Workers Welfare Board, Karachi incurred an expenditure of Rs 23.8 million on hiring of security services for these labour colonies therefore expenditure incurred on Watch & Ward resulted in unjustified expenditure of Rs 23.8 million.

The PAO explained that the deployment of security guards was necessary to save the the properties and other installations of the Board at respective sites of the Board which includes existing Labour Colonies, schools, hospital and new sites where the construction was going on. However, as per instructions, the services of security guard were withdrawn w.e.f 1.7.2008.

PAC DIRECTIVE

The PAC directed the PAO to examine the para in the DAC again and report **within one month.** Fix responsibility for incurring expenditure of Rs 3.338 million out side the budgetary provision. Also call explanation of the concerned person if he is in service and if retired call him for the next PAC meeting. Also provided all record of security companies to audit.

10. **PARA 6.4(PAGE 71-AR)**
LOSS OF REVENUE – RS 12.5 MILLION

Audit pointed out that according to para 3.1 & 3.2 of Punjab Workers Welfare Board Housing Scheme Policy, 2002 as soon as many be, after housing units have been developed by the Board, these shall be handed over to the District Officers Labour having territorial jurisdiction for further allotment to eligible workers on monthly on monthly rent or lease. Punjab Workers Welfare Board, Lahore handed over 09 Nos. labour colonies to District Officers (Labour) but a large number of plots/house/flats were not allotted to the eligible workers. Non-allotment of plots/flats resulted in loss of revenue worth Rs 12.5 million.

The PAO explained that; Plots at Labour Colony at Kala Shah Kaku and Gulshan Labour Colony, Gujranwala stand allotted 100% as confirmed by District Officer Labour, 7 flats at Allama Iqbal Town, Lahore and two flats at Sher-e-Bangal Colony Sheikhpura have been notified for official use.i.e. dispensaries, site office etc, while 5 other labour colonies i.e. Muhammad Bin Qasim Labour Colony, Faisalabad; Nishter Labour Colony Lahore; Qasimpur Labour Colony Multan; Gulbahar Labour Colony Burewala; and Gulgasht Labour Colony Sargodha) could not be allotted due to court cases. A writ petition was filed by Pakistan Textile Workers Federation, Faisalabad and Lahore High Court decided in favour of petitioners to allot the plots free of cost. Punjab Workers Welfare Board has filed an Intra Court Appeal in Lahore High Court which is pending. In presence of LHC decision, it is not possible for department to advertise allotments.

PAC DIRECTIVE

The PAC directed the PAO that this is his responsibility to reconcile with the Audit in time and up dated record should be put up in the PAC meeting. The PAO was directed to provide the record to the Audit and reconcile **within one week.**

11. **PARA 6.5.2(PAGE 72-AR)**
NON-RECOVERY OF RENT OF LABOUR COLONIES -RS 108 MILLION

Audit pointed out that according to para 3.13 (b) and annexure-C (3) to Punjab Workers Welfare Board Lahore, Housing Sheme Policy 2002, the industrial establishment employer shall pay monthly rent of the house / flat to the Board through District Officers Labour concerned by the 10th of every month which such employer shall deduct from the wages of the tenant worker. Punjab Workers Welfare Board, Lahore could not effect recovery from the District officers Labour on account of rent of labour colonies. This resulted in non-recovery of Rs 1.8 million.

The PAO explained that the department replied that Kamalia Labour Colony had not yet been allotted. As regards the recovery of Labour Colony, Sargodha District Labour Officer Sargodha has confirmed recovery of Rs 67,200

PAC DIRECTIVE

The PAC directed the PAO to look into this to expedite the recovery and future disposal of colonies to be reported to the PAC **within one month.**

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

EMPOYEES OLD-AGE BENEFITS INSTITUTION

12. i) **PARA 149(PAGE 219-ARPSE)**
AUDIT COMMENTS

ii) **PARA 149.1(PAGE 219-ARPSE)**
AUDIT COMMENTS

iii) **PARA 153(PAGE 223-ARPSE)**
LOSS DUE TO IRREGULAR AND IMPRUDENT IN THE SHARES OF NIB BANK – RS 85 MILLION

iv) **PARA 154(PAGE-224-ARPSE 2008-09)**
LOSS DUE TO NON RECOVERY OF DUES FROM EX-EMPLOYES – RS 5.182 MILLION

OVERSEAS EMPLOYMENT CORPRATION (PVT.) LIMITED

13. i) **PARA 155(PAGE 225-ARPSE)**
AUDIT COMMENTS

ii) **PARA 155.1(PAGE 225-ARPSE)**
WORKING RESULTS

AUDIT REPORT ON THE ACCOUNTS OF GOVERNMENT OF PAKISTAN CIVIL WORKS (WWBs) FOR THE YEAR 2008-09

WORKERS WELFARE BOARDS

14. i) **PARA 6.1(PAGE 69-AR-)**
NON-EXTENSION OF PERIOD OF VALIDITY OF MOBILIZATION ADVANCE GURANTEE – RS 148.7 MILLION

ii) **PARA 6.2(PAGE 69-70-AR)**
NON-EXTENSION OF PERIOD OF VALIDITY OF PERFORMANCE BOND – RS 99.4 MILLION

iii) **PARA 6.5.1(PAGE 70-72-AR)**
NON-RECOVERY ON ACCOUNT OF RENCT OF M.A. JINNAH TECHNICAL INSTITUE/COMSAT BUILDING – RS 5.5 MILLION

iv) **PARA 6.6(PAGE 73-AR)**
NON-FORFEITURE OF TENDER SECURITY – RS 1 MILLION

PAC DIRECTIVE

On the presentation of the above paras by the Audit, the Public Accounts Committee directed the Ministry to implement the DAC's decisions and report to PAC/Audit.

ACTIONABLE POINTS

The following are the Actionable Points arising out from the discussion of the PAC meeting held on 9th May, 2011 pertaining to M/O Labour and Manpower (Presentation/Briefing on Workers Welfare Fund):-

The Public Accounts Committee held on the 9th May, 2011 while examining the working of the Workers Welfare Fund established under Ministry of Labour and Manpower, the following directives were given by the Public Accounts Committee for implementation by the Principal Accounting Officer:-

i) The Ministry was one hour late in attending the PAC and stated that they had not received the revised notice of the meetings and therefore were under the impression that the meeting was at 11:30 a.m. The PAO was directed to investigate the matter at his end, as the record of the National Assembly Secretariat showed that revised notice was received by the Ministry. The response of the Ministry may be sent to the **PAC Secretariat by 10:00 a.m. on 10th May, 2011.**

ii) The Workers Welfare Fund may provide details of the proposed technical education programme to the PAC Secretariat.

iii) It was observed that the WWF Act does not permit investments outside Government, whereas the WWF Rules contradict this. It was directed that the PAO may approach the Ministry of Law and Justice for legal advice on this issue.

iv) Discussing the Workers Colonies established by the WWF, it was observed that work on some colonies has been left incomplete (e.g. Kamalia). It was directed that reasons for these incomplete schemes and efforts made for handing them over to the concerned Provincial Government may be reported to the PAC Secretariat in **one week's time.**

v) Regarding amount of Rs. 1 billion given by WWF to the Prime Minister's Earthquake Relief Fund, it was desired that details of utilization of this amount may be provided **within one week.**

vi) The Director General Audit pointed out that the Ministry is not maintaining record of beneficiaries and is given out grants to the provinces simply on the proforma provided to them by the respective provinces. It was directed that the Ministry must maintain detailed information of all funds given by them for further distribution to the beneficiary workers and also inform the PAC of the parameters for determining the amount of grants to be given by them.

vii) The DG Audit pointed out that unnecessary advertisements were placed in various newspapers by the WWF. The PAC directed that amounts spent on such activities may be informed to the PAC Secretariat **within one week** and the Ministry may take care not to use the Welfare Fund for such purposes.

viii) The PAO was directed to inform the PAC Secretariat the amount of funds still available with the WWF and plans for utilizing this amount. The Ministry may also plan the way forward taking into account the devolution of the Ministry to

the provinces under the 18th Amendment of the Constitution. The information may be provided **within one week.**

WORKERS WELFARE FUND

The PAC was informed that Finance Division was holding on to an amount of about Rs. 80 billion of workers funds which comprises contributions by employee and is strictly for the welfare of workers. The Law Division had been consulted who advised that these funds did not constitute government revenues and therefore a Trust Fund was set up to receive such collections. The Finance Division, however, continues to hold on to an amount of Rs. 40 billion collected earlier while an additional amount of about Rs. 40 billion in the Trust Fund also continued to remain under the control of the Finance Division. The PAC observed that Finance Division had no mandate to use workers' funds to meet its budgetary deficit to keep it as a part of the Federal Government cash balance.

M/O LAW, JUSTICE AND PARLIAMENTARY AFFAIRS

1. **OVERVIEW**

Appropriation Accounts 2007-08 and Audit Report on the accounts of Federal Government (Civil) for the year 2008-09, pertaining to the M/o Law, Justice & Parliamentary Affairs were taken up for examination by Public Accounts Committee (PAC) on **15th June, 2010.**

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.2 There were 4 grants and 02 paras reported by the Audit. These grants/paras were initially examined by the Departmental Accounts Committee (DAC) and thereafter were discussed in the meetings of PAC. The PAC settled the 05 Grants/Para and gave directive on 01 para.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 15-06-2010 to examine the Appropriation Accounts for the year 2007-08 and Audit Report for the year 2008-09.

APROPRIATION ACCOUNTS CIVIL (VOL-I) (2007-08)

1. i) **GRANT NO. 85–LAW, JUSTICE AND HUMAN RIGHTS DIVISION (PAGE 593-AA)**
(Saving of Rs 25,335,322)

AGPR pointed out that the grant closed with a saving of Rs 25,335,322 which works out to 11.88% of the total grant. An amount of Rs. 4, 800, 000 (2.25%). was surrendered leaving net saving of Rs. 20, 535, 322 (9.62%). A supplementary grant of Rs. 14, 000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the main reasons for saving in the grant were due to non filling up of vacant posts, anticipated expenditure, outstanding liabilities and discretionary grant to the Chief Justices of Provincial High Courts etc., which has not been reconciled.

ii) **GRANT NO.86–OTHER EXPENDITURE OF LAW, JUSTICE AND HUMAN RIGHTS DIVISION (PAGE 595-AA)**
(Saving of Rs 8,330,182 (Charged))
(Saving of Rs. 25,006,401 (OTC)

AGPR pointed out that in "Charged" section the appropriation closed with a saving of Rs 8,330,182 which works out to 20.22% of the total appropriation. In "Other Than Charged" section the appropriation closed with a saving of Rs 25,006,401 which works out to 3.95% of the total appropriation. An amount of Rs. 11,790,000 (1.86%) was surrendered leaving net saving of Rs.13,216,401 (2.09%). A supplementary grant of Rs. 68,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the main reasons for saving in the grant were due to the closer of the Islamabad High Court, vacant posts, less expenditure than anticipated, non purchase of machinery items and less expenditure in utility bills etc.

iii) **GRANT NO.92–PARLIAMENTARY AFFAIRS DIVISION (PAGE 637-AA)**
(Saving of Rs 97,319,620)

AGPR pointed out that the grant closed with a saving of Rs 97,319,620 which works out to 62.48% of the total grant. An amount of Rs. 97,014,000 (62.28%) was surrendered leaving net saving of Rs. 305,620 (0.20%).

The PAO explained that saving in the grant was due to completion of National Assembly tenure on 16th November, 2007 and no Parliamentary Secretaries were

appointed in the remaining period of the Financial Year after Election of February, 2008.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 3 grants with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budgeting principles to avoid saving/excess. The PAC further directed the PAO that once the target is set, this should be achieved at every cost. The PAC also directed the PAO to ensure the monitoring of the budget starting from the month of July and supplementary grants should only be demanded, if the department has the capacity for its utilization.

2. **GRANT NO.153 –DEVELOPMENT EXPENDITURE OF LAW, JUSTICE AND HUMAN RIGHTS DIVISION (PAGE 601-AA)**
(Saving of Rs 1,737,285,599)

AGPR pointed out that the grant closed with a saving of Rs 1,737,285,599 which works out to 85.84% of the total grant. An amount of Rs. 1,110,352000 (54.86%) was surrendered leaving net saving of Rs. 626,933,599 (30.97%).

The PAO explained that the main reason for saving in the grant were due to non filling of vacant posts, some administrative problems faced by Implementing Agencies and problems of non procurement of equipments as per ADB guidelines.

PAC DIRECTIVE

The Public Accounts Committee noted that the Access to Justice Program Loan needs monitoring and plugging of loop holes which have resulted in surrender of funds involving precious foreign exchange components due to bad planning and lack of capacity of the various Executing Departments of the Loan. It was also noted that, since the Program is being run on loan taken from the Asian Development Bank, considerable amount is being paid as commitment charges on un-disbursed amount resulting in heavy burden on the economy. A subsidiary project i.e. Access to Justice Development Fund

also needs to be examined for physical and progress. The PAC decided to refer the case for detailed examination by the National Assembly Standing Committee on Law and Justice for a report to PAC as soon as possible. However, the PAC settled/regularized grant.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

3. **PARA 14.1 (PAGE 99-AR)**
FAILUR TO FULLY OPERATIONALIZED EFFECTIVELY MANAGE US$ 24 MILLION ACCESS TO JUSTICE DEVELOPMENT FUND (AJDF)

Audit pointed out that Access to Justice Development Fund (AJDF) Rule, 2002, Para 10(f) provides for the engagement of auditors, consultants, investment advisors and officers/staff and procurement of equipment etc. to enable the AJDF Secretariat, law and Justice Commission of Pakistan to manage the fund effectively. Para 4, and Para 8 of AJDF Rules see the AKDF as a dynamic organization investing in government securities, terms finance certificate, shares, and other approved instrument with the help of professional support of investment advisor/managers engaged under AJDF Rule, para 10(f). The Government of Pakistan (GOP) established Rs. 1,479 million AJDF as a statutory endowment in 2002 to address the chronic budgetary constraints facing the justice sector institutions under the Access to Justice Program (AJP). This amount included Rs. 1, 421 million for the AJDF endowment and Rs. 58 million grant for disbursement between seven AJDF windows as per the ceiling fixed in the AJDF Rules 2002. The AJDF endowment is invested and income generated from the investment is distributed among the seven windows as per the notified ceiling. The AJDF Rules also indicate eligible items of expenditure under each of the seven windows. Audit noted that more than seven (7) years have passed but the AJDF remained to be fully operational as no activity under its two (Federal Judicial Academy and Special Projects for Underdeveloped Regions/Province) had occurred. Audit noted that the management has not made the optimal use of AJDF Rules 2002, Para 10(f) which give the AJDF management flexibility to engage professional help to manage endowment and window operations. Audit further noted that the oversight role of the AJDF Secretariat especially

for Provincial Judicial Development Fund needed to be strengthened as 60.3% of the fund's income is allocated to this window.

The PAO informed the PAC that audit comments are of advisory nature; therefore the same have been noted to make the AJDF fully operational and effective.

PAC DIRECTIVE

The Public Accounts Committee settled the para with the direction to PAO to monitor the affairs of the Ministry efficiently.

4. **PARA 14.2 (PAGES 100-AR)**
NON-OBTAINING OF AUDITED STATEMENTS AMOUNTING TO RS 315.671 MILLION AGAINST RELEASES MADE TO PAK PWD

Audit pointed out that as per Para 207(3) of GFR, Vol.-I the recipient organization is required to submit vouched accounts or audited statement of the accounts to the sanctioning authority, in order to ensure that the grant was utilized /spent for the purpose for which it was provided. Contrary to the above mentioned rule, Audit observed that the Program Management Unit released an amount of Rs. 467.97 million to Pak PWD for 5 schemes, but the audited statements/vouched accounts against these releases had not been obtained from the PWD. In the absence of any record, Audit is unable to ascertain the existence, occurrence and completeness of the transactions for which the releases were made under the Access to Justice Programme (AJP). Audit is of the view that PMU should have more closely monitored releases and the released to PWD may have been restricted as per analyzing the requirements based on the review of funds spent earlier.

The PAO informed the PAC that the requisite record was obtained from the Pak PWD and provided to Audit authorities. The PAO further informed that Pak PWD is responsible for executing the Infrastructure Development Projects being funded out of Federal program under AJP and that the Audited statement from Pak PWD had already been called for.

PAC DIRECTIVE

The Public Accounts Committee took a serious note of the issue and directed the PAO to make the record available within one month to the Audit for reconciliation and report should be finalized at DAC level. The PAC pended the para.

MINISTRY OF LIVESOTCK & DAIRY DEVELOPMENT

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil) and Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Livestock & Dairy Development were taken up for examination by the Special Committee-I of the Public Accounts Committee on **18th & 29th June, 1st & 6th December, 2010 24th January, 16 March, 19th May and 7th July, 2011.**

1.1 The Special Committee-I, having considered Audit's point of view as well as explanation given by the Principal Accounting Officer, made its recommendations in a number of cases involving irregular transfer of funds, loss due to defective planning, wasteful expenditure and blockage of public funds etc.

1.2 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.

1.3 There were 05 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of Special Committee-I. 3 paras were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave direction on 2 paras.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Livestock and Diary Development held on 18th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. i) **PARA 12.1(PAGE 88-AR)**
IRREGULAR AND UNAUTHORIZED ADVANCE PAYMENT OF RS. 16,153,916 TO AN ADVERTISEMENT AGENCY

ii) **PARA 12.2 (PAGE 88-AR)**
UNLAWFUL AGREEMENT WITH THE NGO RURAL SUPPORT PROGRAM NETWORK INVOLVING EXPENDITURE OF RS.1,696.4 MILLION

On presentation of above mentioned two Audit paras, the PAO agreed with the Audit observations and informed the Committee that an Inquiry Committee has been constituted on these issues.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to hold another DAC meeting on the issues, complete the inquiry within two weeks, fix responsibility and report to the Committee within two weeks. The Committee however, pended the paras till its next meeting on the Ministry.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

KORANGI FISHERIES HARBOUR AUTHORITY

2. i) **PARA 07 (PAGE 371-ARPSE)**
NON SUBMISSION OF ACCOUNTS

ii) **PARA 95 (PAGE 131-ARPSE)**

LOSS DUE TO NON RECOVERY OF PLASTIC FISH CRATES.RS.8.00 MILLION

iii) **PARA 96 (PAGE 132-ARPSE)**

NON RECOVERY OF OCCUPANCY CHARGES FROM THE ALLOTTEES OF PLOTS-RS-5.201 MILLION

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

On the recommendations of Audit, the Special Committee recommended the above mentioned three Audit Paras for settlement.

ACTIONABLE POINTS

Report of the 2nd Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Livestock and Diary Development held on 29th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

1. i) **PARA 12.1 (PAGE 88-AR)**

IRREGULAR AND UNAUTHORIZED ADVANCE PAYMENT OF RS. 16,153,916 TO AN ADVERTISEMENT AGENCY

ii) **PARA 12.2 (PAGE 88-AR)**

UNLAWFUL AGREEMENT WITH THE NGO RURAL SUPPORT PROGRAM NETWORK INVOLVING EXPENDITURE OF RS.1,696.4 MILLION

On presentation of above mentioned two Audit paras, the PAO informed the Committee that the Inquiry Committee has not yet finalized its inquiry report. The Committee may give some time to the Ministry.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended the above both audit paras till its next meeting on the Ministry.

ACTIONABLE POINTS

A of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs.Yasmeen Rehman,MNA on M/O Livestock and Diary Development held on 1st December, 2010 attended by Mr. Saeed Ahmed Zafar, MNA and K.M Siddiq Akbar. Addl. Secy. Incharge M/o Livestock. to discuss the pending Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

1. **PARA 12.1 (PAGE-88-AR)**
IRREGULAR AND UNAUTHORIZED ADVANCE PAYMENT OF RS. 16,153,916 TO AN ADVERTISEMENT AGENCY

DIRECTIVE

The Committee pended this para till its next meeting on the Ministry.

2. **PARA 12.2 (PAGE 88-AR)**
UNLAWFUL AGREEMENT WITH THE NGO RURAL SUPPORT PROGRAM NETWORK INVOLVING EXPENDITURE OF RS.1,696.4 MILLION

DIRECTIVE

The Committee directed the PAO to call the then Project Director who made this agreement with the NGO in the next meeting of the Committee. The Committee pended this para till next meeting on the Ministry.

ACTIONABLE POINTS

Actionable Points of the meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Livestock & Dairy Development held on

6th December, 2010 attended by Mr. Saeed Ahmed Zafar, Mr. Hamid Yar Hiraj, Mrs. Asiya Nasir, MNAs and K.M Siddiq Akbar. Addl. Secy. Incharge M/o Livestock to discuss the pending Audit paras for the Audit year 2008-09 and financial year 2007-08 are as under:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

1. **PARA 12.1 (PAGE 88-AR)**
IRREGULAR AND UNAUTHORIZED ADVANCE PAYMENT OF RS. 16,153,916 TO AN ADVERTISEMENT AGENCY

The PAO submitted the fresh inquiry report to the Committee.

DIRECTIVE

The Committee desired to further go through the inquiry report. The Committee pended the para till its next meeting on the Ministry.

2. **PARA 12.2 (PAGE 88-AR)**
UNLAWFUL AGREEMENT WITH THE NGO RURAL SUPPORT PROGRAM NETWORK INVOLVING EXPENDITURE OF RS.1,696.4 MILLION

The representative of Audit informed the Committee that PC-1 of this Project has not been vetted by the M/o Law, Justice & Parliamentary Affairs.

The PAO informed the Committee that an amount of Rs.83 Cror has been disbursed to NRSP and further the NRSP has submitted Rs.13 Cror liabilities on Livestock. The Ministry is going to contest the liabilities of NRSP. In the whole tenure, there have been four Project Directors who worked in this particular issue. The PAO further informed that amount given to NRSP has not been satisfactory spent.

Mr. Shafqat Naghmi, Addl. Secy. MINFAL the then 1st Project Director of the Project, informed the Committee that all policy decisions on this issue were taken by the Steering Committee of this Project. He said that he was asked for certain mechanical modifications by the Chairman Steering Committee which were made and put up to the

Chairman Steering Committee who was Mr. Ismail Quraishi (the then Secretary MINFAL). He further said that the Chairman Steering Committee did not agree for getting vetting by the Law Ministry. He proposed that in the coming meeting of the Committee, the approving authorities should also be called in the meeting.

Mr. Atta Ullah Bangash, Senior J.S Law Ministry informed the Committee that all the agreements either National or International, should be vetted by Law Ministry.

DIRECTIVE

The Committee directed that the Special/Performance Audit of this Project should be conducted .The Committee considered that the malafide in this issue has been established. The Committee directed that the agreement signed with NRSP should be sent to Law Ministry for views by PAO .The Committee further directed that no such Project should be allocated to RSPN till the decision on this issue. The Committee directed the PAC Sectt. that a letter should be written to the Establishment Division obtaining the details of the Officers posted in this Project. Further a letter should also be written to all Ministries/Divisions/Departments for providing the details of all the projects given to RSPN.

The Committee further directed that any money whether the money given to any project/NGO is the Govt. money and that money should be properly supervised by the Finance Division and the Audit can not be stopped for auditing such project. The Committee further directed the PAO to hold an inquiry on this issue along with the Addl. Secy. Industries & Production and Addl. Secy. MINFAL and the representative of LAW Ministry and Finance Division with a report to the Committee within one month.

The Committee pended this para/issue till its next meeting on the Ministry.

ACTIONABLE POINTS

Actionable points of the meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Livestock and Diary Development held on 24th January, 2011 attended by Sardar Ayaz Sadiq, MNA and K.M Siddiq

Akbar.Addl.Secy Incharge M/o Livestock & Dairy Development and Mr. Tahir Saeed, Deputy Auditor General (FAO) Audit Department, to discuss the pending Accounts for the Audit year 2008-09 and Financial Year 2007-08 are as under:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

1. **PARA 12.1 (PAGE 88-AR)**
IRREGULAR AND UNAUTHORIZED ADVANCE PAYMENT OF RS.16,153,916/- TO AN ADVERTISEMENT AGENCY

DIRECTIVE

The Committee settled the para subject to verification of record/stated facts by Audit within one week. The Committee directed the PAO to be careful in future and such mistakes should not be repeated.

2. **PARA 12.2 (PAGE 88-AR)**
UNLAWFUL AGREEMENT WITH THE NGO RURAL SUPPORT PROGRAM NETWORK INVOLVING EXPENDITURE OF RS.1,696.4 MILLION

The Audit representatives informed the Committee that the Special Audit of this Project on behalf of PAC has been started.

The PAO informed the Committee that the agreement has been sent to Law Division for vetting. No reply has yet been received from the Law Division. An Inter-Ministerial meeting was held on 21-1-2011 whereby it was decided that the Ministry should wait for the response of the Law Division.

The representative of M/o Industry was not fully prepared on this issue.

The PAO informed the Committee that since last one year, no such amount has been released to NRSPN.

DIRECTIVE

The Committee directed that:-

The M/o Planning & Development should submit a detailed report on:-

- Why the NGO RSPN was nominated in PC-1.
- Such PC-1 should not be accepted in future.
- In how many PC-1s, the NGOs have been nominated, during the last five years.
- To indicate whether nominating an NGO in PC-1 is legal or not.
- To provide a detailed report after fixing responsibility, in this issue.

The Committee directed the PAO M/o Livestock & Dairy Development to:-

- Give cogent reasons as to why the Auditor General cannot audit this project.
- Invite the representative of M/o Special Initiatives to brief the Committee on this issue.
- Provide the details of Board of RSPN.
- Inform the Committee what goals were to be achieved and its outcome.
- Inform the Committee as to why bank guarantee was not taken from RSPN.
- Bring all relevant details on this issue in the next meeting of the Committee.

The Committee directed the Audit Department to complete the audit of this Project as early as possible.

- The Committee directed the PAO M/O Industries Production & Special Initiatives to provide the details of directions of the Prime Minister on this issue and also brief the Committee in its next meeting.

- The PAO M/o Finance should also give details on this issue in the next meeting.

- The Committee directed that PAOs of M/o Livestock, M/o Food & Agriculture, M/o Finance, M/o Planning & Development, and M/o Industries Production & Special Initiatives and the then PAO of M/o Livestock & Dairy Development should sit together and resolve this issue.

- The Committee also desired that representative of M/o Law, Justice & Parliamentary Affairs should attend the meeting of Inter-Ministerial

Committee which will be held on 31st January, 2011.The representative of M/o Law & Justice should also attend the meeting of Special Committee of PAC on its next scheduled date.

- The PAO Establishment Division was directed to provide the details of the Officers/officials posted in the project titled "The Prime Minister's Special Initiatives for Livestock".

- The Committee pended this issue till its next meeting on the Ministry.

ACTIONABLE POINTS

Following are the Actionable points of the meeting of Special Committee # 1 of PAC under the convenership of Mrs.Yasmeen Rehman, MNA on M/O Livestock & Dairy Development held on 16th March, 2011 attended by Sardar Ayaz Sadiq, Mrs.Asiya Nasir, Mr.Saeed Ahmed Zafar, MNAs and K.M Siddiq Akbar.Addl.Secy Incharge M/o Livestock & Dairy Development and Mr.Yaran Khan, D.G (FAO) Audit Department, to discuss the pending Accounts for the Audit year 2008-09 and Financial Year 2007-08.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. **PARA NO.12.2 (PAGE-88-AR-2008-09)**
UNLAWFUL AGREEMENT WITH THE NGO RURAL SUPPORT PROGRAM NETWORK INVOLVING EXPENDITURE OF RS.1,696.4 MILLION

The Committee was informed by the Audit that the Prime Minister's Program on Livestock began in 2006.

The Audit observed that RSPN was mentioned in the PC-I despite the fact that at preparation/submission stage of PC-I to Planning Division, it is not known which organization will be selected for execution of the project. Also lack of clarity exists regarding Rule/Regulations adopted in qualifying RSPN and their capacity to carry out the project. A serious issue was the Agreement clause stating that RSPN will not be audited, and the amounts being spent on administrative matters as well as Board Members.

The PAO informed the Committee that the inquiry has been conducted but the M/o Law could not attend the meeting on the said inquiry report.

Addl. Secy. Cabinet informed the Committee that on 19th January, 2005, this briefing was given by the M/o Special Initiatives to the Prime Minister of Pakistan, who further directed a meeting to be held with all stakeholders. The meeting was held, which approved the proposal and a summary was sent to the Prime Minister, stating that RSPN has 250 units which will work under a Steering Committee, and that RSPN will submit its quarterly/ annual plans to the Steering Committee.

In Feb,2006, the M/o Livestock requested to handover this project to it as it relates to them.

Mr. Shoaib Sultan, Chairman RSPN, informed the Committee that in different projects of the Govt., RSPN has been chosen many times at the PC-1s stage. He submitted that RSPN has vigorously followed the rules and regulations and is handling funds in billions. He further stated, that RSPN is working properly and it can further improve with regular checks on the selected agricultural lands by the Committee if so desired.

DIRECTIVE

The Committee, after some discussion, directed the PAOs M/o Livestock, M/o Planning & Development and M/o Industries and Production to provide information to the Committee within one week regarding the recurring nomination of RSPN in PC-1, as well as the exact number of nominations of RSPN in the past 5 years. It was directed that the Committee should be informed of the legal aspects of the NGO being nominated in PC-1 and its permissibility. Furthermore, objections raised by the Audit need to be clarified and a detailed report, after fixing /assigning responsibility, needs to be submitted.

The Committee pended this para till its next meeting on the Ministry.

M/O LIVESOTCK & DAIRY DEVELOPMENT (DEVELOVED) (UNDER CONTROL OF CABINET DIVISION)

ACTIONABLE POINTS

Following are the Actionable points of the meeting of Special Committee # 1 of PAC under the Convenership of Mrs. Yasmeen Rehman, MNA on M/O Livestock & Diary Development held on 19th May, 2011 attended by Sardar Ayaz Sadiq, Mrs. Asiya Nasir, Mr. Saeed Ahmad Zafar, MNAs and Mr. Navid Arif Additional .Secretary (CMA), Cabinet Division, Mr. Tahir Saeed, Deputy Auditor General (FAO) Audit Department, to discuss the pending issue of Ministry of Livestock, for the Audit year 2008-09 and Financial Year 2007-08.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. **PARA NO.12.2 (PAGE-88-AR-2008-09)**
UNLAWFUL AGREEMENT WITH THE NGO RURAL SUPPORT PROGRAM NETWORK INVOLVING EXPENDITURE OF RS.1,696.4 MILLION

The representative of Audit Department raised the point of view that transparency has not been maintained in the award of project. He further stated that Audit Department carries out Audit of all entities using Govt. funds.

The PAO (the Additional Secretary, Cabinet Division) informed the Committee that there is need of a direction by the Committee regarding audit of the Public Funds by the Audit Department.

The representative of RSPN informed the Committee that they are present in 90 Districts of the whole Country. If the Government wants to carry out its Performance Audit, the Rural Support Program Network (RSPN) will welcome it.

The representative of M/o Law informed the Committee that opinion of Law & Justice Division in this regard will be provided to the Committee within ten days.

Audit Department also agreed that the Performance Audit of RSPN should be carried out.

The PAO (Additional Secretary, Cabinet Division) informed the Committee that this issue should be thrashed out by any Inter-Ministerial Committee under the supervision of any Senior Officer.

DIRECTIVE

The Committee desired that there should be uniformity in application of the rules and all accounts should be auditable. The Committee expressed that lot of meetings have been held in this regard and the basic objection is that transparency has not been maintained, public funds not got audited by Audit Department and approval of PC-1 in this issue is questionable. It was directed that persons responsible for approving the PC-1 should be identified and responsibility should be fixed in this regard.

The Committee directed the PAC Secretariat to convey their strong displeasure to the Establishment Division for non-submission of the report to the Committee regarding the provision of the names of Government Officers/officials posted in the project titled "The Prime Minister's Special Initiative for Livestock" and in RSPN/NRSP/PRSPs since inception.

The Committee desired that some senior Officer of the M/o Planning & Development should further brief the Committee on this issue of PC-I.

The Committee desired that the M/o Law should also inform the Committee whether the Government had the authority to allow execution of this project, without its audit by the Audit Department.

The Committee desired that the M/o Planning and Development should provide a list to the Committee to indicate the number of projects given to RSPN in last 5 years and also further projects which are proposed to be given to RSPN.

The Committee desired that all concerned Secretaries and Audit should sit together to check the justification from record whether this project should be auditable or not.

The PAC Special Committee directed that a Committee under the Chairmanship of Mr. Naveed Arif, Additional Secretary Cabinet Division alongwith the representatives of M/o Planning & Development, Finance Division, Audit Department, M/o Food, Agriculture & Livestock, should further probe into the matter and submit a comprehensive report to the Committee within two weeks.

The Committee further directed that the Performance and Financial Audit of this project, under RSPN, will be conducted by the Audit Department.

ACTIONABLE POINTS

Following are the Actionable points of the meeting of Special Committee # 1 of PAC under the Convenership of Mrs. Yasmeen Rehman, MNA on M/O Livestock & Diary Development held on 7th July, 2011 and attended by Sardar Ayaz Sadiq, Mrs. Asiya Nasir, Mr. Saeed Ahmad Zafar, MNAs and Mr. Navid Arif Additional .Secretary (CMA), Cabinet Division, Mr. Tahir Saeed, Deputy Auditor General (FAO) Audit Department and Malik Khaleeq Ahmed D.S (PAC-Imp), to discuss the pending issue of Ministry of Livestock, for the Audit year 2008-09 and Financial Year 2007-08.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

PARA NO.12.2 (PAGE-88-AR-2008-09)
UNLAWFUL AGREEMENT WITH THE NGO RURAL SUPPORT PROGRAM NETWORK INVOLVING EXPENDITURE OF RS.1,696.4 MILLION

The representative of Audit Department raised their points as mentioned in earlier meetings of this Committee on this issue. He further stated that the monitoring of projects is basically the responsibility of the Planning Division and three Federal Secretaries are the Member of the Board of RSPN.

The Additional Secretary Cabinet informed the Committee that the audit of the projects should be done so as to get the proper objectives of the projects. He further requested for some time for finalization of this issue.

DIRECTIVE

The Committee directed the PAO that no funds should be given for any Project to the RSPN/ NSRP until performance and financial audits are allowed.

The Committee directed the PAO Establishment Division to provide detailed report pertaining to the posting of officers in RSPN and NRSP since its inception.

The Committee directed the Planning Commission to give detailed report of projects which have been approved for RSPN & NRSP.

The Committee directed that the Performance and Financial Audit of RSPN and NRSP will be done by Audit.

The Committee directed the PAO to provide record of all the projects given to RSPN and NRSP and also record of projects which have not been audited be provided to the Committee.

The Committee expressed its displeasure that RSPN was not owned by any Ministry.

The Committee desired to hold a meeting with the Planning Division on this issue.

The Committee directed the Addl. Secretary Cabinet Division to prepare a comprehensive report and submit it to the Committee within fifteen days.

The Committee desired to hold another meeting on this issue and pended the para till its next meeting on the Ministry.

ISSUE OF NRSP

DIRECTIVE.

The Committee also desired to discuss this issue.

ISSUE OF PPAF.

Issue of Pakistan Poverty Alleviation Fund (PPAF) was also raised by the Audit Department during the meeting. Audit informed that a huge grant is given to PPAF by the Govt.

The representative of Finance Division informed that the PPAF is no longer under the control of Finance Division. A detailed report on this can be given to the Committee.

DIRECTIVE

The Committee desired to refer issues of PPAF to the main PAC and directed the Audit Department to prepare a comprehensive report for onward submission to the main PAC.

M/O LOCAL GOVERNMENT & RURAL DEVELOPMENT

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Federal Government (Civil) for the year 2008-09, pertaining to the Ministry of Local Government & Rural Development were taken up for examination by the Public Accounts Committee (PAC) on **14th June, 2010 and 16th June, 2011**.

1.1 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.

1.2 There were 2 grants presented by the AGPR and 2 paras reported by Audit. The PAC regularized settled the 2 grants and gave directives on 2 paras.

ACTIONABLE POINTS

Actionable points arising form the discussion of the PAC meeting held on 14th June, 2010 pertaining to M/O Local Government and Rural Development for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:

APPROPRIATION ACCOUNTS (CIVIL) (VOL I-2007-08)

1. GRANT NO.87-LOCAL GOVERNMENT AND RURAL DEVELOPMENT DIVISION (PAGE 609-AA)

(Saving of Rs 5,739,956)

Audit pointed out that the grant was closed with a saving of Rs 5,739,956 which worked out to 6.29 percent of the total grant. An amount of Rs 3,369,9000 (3.69%) was surrendered leaving net saving to Rs 2,370,056(2.59%).

The PAO explained the reasons of saving as below:-

i) Due to vacant posts.
ii) A case for re-appropriation of Rs 1,376,000 submitted to Finance Division on 03-06-2008 was not approved and Rs 214,213 related to 15 different heads kept for anticipated expenditure but could not be utilized.
iii) Due to the deputation of three officers of AHK NCRD & MA in the different Ministries/Departments.
iv) Due to Medical re-imbursement which could not be utilized due to the non-fulfillment of codal date.

PAC DIRECTIVE

The PAC regularized the grant subject to zero saving/excess in future and directed that there should be monthly budget monitoring meeting to watch that the money is utilized in correct way. However, if the Ministry feels that it is a problems, facing bring to the notice of Prime Minister.

2. **GRANT NO.154-DEVELOPMENT EXPENDITURE OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT DIVISION (PAGE 612-AA)**
(Saving of Rs 2,527,558,677)

Audit pointed out that the grant was closed with a saving of Rs 2,527,558,677 which worked out to 54.09 percent of the total grant. An amount of Rs 2,334,226,550 (50.88%) was surrendered leaving net saving to Rs 193,332,127(4.21%).

The PAO explained the reasons of saving as below:-

i) Due to non-utilization of funds under Khushla Pakistan Programme-I by the stakeholders i.e Executing Agencies and Honourable Parliamentarians. Development schemes of the MNAs & Senators received late in the Ministry and process was further delayed by the Executing Agencies by not forwarding their Administrative approval within prescribed period of twenty (20) days.The Ministry released the funds against the development schemes of the Parliamentarians only when all the Codal formalities, including conveying their administrative approvals, are received in the Ministry.

ii) An amount of Rs 1.5 million has been approved as re-appropriation from the Project "Human and Physical Resources Development Project" by the Planning Commission vide NO. 4(50-11)PS/2004-05 dated 27-05- 2008 but the same has not materialized and resulted in savings.

PAC DIRECTIVE

The PAC regularized the grant. The honorable Chairman stated that he will be personally interacting with Prime Minister for soliciting the approval of the projects which are forwarded to the Ministry.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT(CIVIL) FOR THE YEAR 2008-09

3. **PARA 13.1(PAGE 93-AR)**
NON RECOVERY OF RS 21.455 MILLION FROM GAS COMPANIES

Audit pointed out that during the period 2002-03 to 2004-05, Ministry of Local Government & Rural Development released an advance payment of Rs 82.805 million to the Gas Companies for execution of 64 gas supply schemes. A review of progress report dated July 03, 2008 revealed that these schemes were complete and the unspent balance of Rs 21.455 million was retained by the gas supply companies unnecessarily till April 2009. Of this, Rs 4.247 million is being retained by the Sui Northern Gas Pipelines Limited (SNGPL) and the remaining by the Sui Southern Gas Company Limited (SSGCL).

Audit is of the view that:

i) The unspent balance of all the completed schemes from all the executing agencies should be refunded to Government Accounts, along with interest earned thereon.

ii) Technical estimate should properly be examined before the approval of schemes to kept release according to the requirements.

iii) Funds should be provided to the Gas companies through Assignment Accounts as per instructions of Ministry of Finance, so that unspent balance remains with the Government.

The PAO explained that the Ministry had received Rs 100 million from SNGPL which was lying with them as saving out of the funds released for Sui gas schemes during 2002-2008. Similarly, Rs 22.642 million had already been received from SNGPL out of saving from the schemes funded during 2002-05, while Rs 11.242 million is expected shortly. Saving of remaining 05 schemes, noted by audit, by SSGC, will also be received shortly. The Executing Agencies have been directed to re-fund the un-spent balance along with interest thereon to the Ministry.

PAC DIRECTIVE

The PAC directed to recover the amount from both the gas companies **within two months** and report to the PAC for settlement of para.

4. **PARA 13.2(PAGE 93-AR)**
IRREGULAR AWARD OF WORK AMOUNTING TO RS 141.95 MILLION TO NATIONAL RURAL SUPPORT PROGRAM (NGO)

Audit pointed out that in terms of Rule-20 of Public Procurement Rules 2004, the procuring agencies are required to use competitive bidding process as the principal method procurement for the procurement of goods, services and works. Contrary to above, it was observed that Ministry of Local Government and Rural Development (LG&RD) awarded the work "Development of 26 Model Villages" to the National Rural Support Program (NRSP) on July, 19, 2007 at a contract price of Rs 141.95 million without considering any technical/ engineering estimates and without competition.

Audit further observed that:-

i) No detail of physical infrastructure to be developed under the project in the village was given in the PC-I and in the contract with NRSP:

ii) Clearance of the contract was not obtained from Finance Division as required under Para-19 of GFR Vol-I.

iii) No Bank Guarantee/ Performance Gurantee was obtained and the total project cost Rs 141.95 million was released to NRSP in 5 installments as detailed below without ensuring the utilization of funds released earlier as required under the System of Financial Control and Budgeting:-

S#	**Date**	**Amount released (Rs)**
1	20-03-2007	20,000,000
2	13-06-2007	20,000,000
3	27-12-2007	20,000,000
4	13-05-2008	50,000,000
5	20-06-2008	31,950,000
	Total:	**141,950,000**

It may be noted that 1st two installments, aggregated to Rs 40 million were released even before award of the contract which was signed on 19-07-2007.

iv) The NRSP was irregularly paid fee of Rs 12 million for execution of the project which was not covered under relevant rules.

v) The NRSP earned profit amounting to Rs 2.135 million on deposit of Govt. funds in their bank account as on 30-06-2008 which was required to be got refunded into the Govt. account as full amount for each scheme was already paid to the NRSP as per agreement.

vi) No details of accounts of expenditure were produced to Audit.

The PAO explained that as per PC-I approved by CDWP, NRSP is the Executing Agency for this project with a fee @ 9.5% for which approval of the P.M Secretariat was also solicited. As per PC-I, each Model Village will have items like drinking water supply scheme, sewerage system/ waste water system, street pavement, house hold latrines, sanitation and electrification. In the view of the approval of the project PC-I, by the CDWP, NRSP was entrusted the responsibility of the executing agency, for which an exclusive agreement was as such not required to be signed. However, to make the executing Agency more responsible, then TORs were chalked out in the agreement to

make things more detailed and clear. The agreement, after vetting by Ministry of Law, Justice and Parliamentary Affairs, was subsequently signed between the Ministry and NRSP to avoid any future confusion regarding implementation of project activities.No bank guarantee/performance guarantee was mentioned to be required. Funds were released on quarterly basis as per approved cash plan duly signed by DFA, Deputy Chief P &D Division and Secretary, Ministry of Local Government and Rural Development. NRSP was paid fee @ 9.5% of the work done as per PC-I approved by CDWP. The total profit earned at the end of the project is Rs. 3.28 million. This interest amount was utilized for the development of an additional village as village No.27.

PAC DIRECTIVE

The PAC directed the PAO to hold an inquiry regarding awarding the project to NRSP without open tendering, fix responsibility and take appropriate disciplinary action also report why no technical/engineering estimates were prepared and amount was released to NRSP without any Bank/Performance guarantee. Report to PAC in the first week of August.

ACTIONABLE POINTS

Following are the actionable points arising out form the discussion of the PAC meeting held on 16th June, 2011 pertaining to M/o Local Government and Rural Development for the Audit Report 2008-09 are given below:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL)

1. **PARA-13.2(PAGE 93-AR)**
IRREGULAR AWARD OF WORK AMOUNTING TO RS 141.95 MILLION TO NATIONAL RURAL SUPPORT PROGRAM (NGO)

Audit pointed out that the para was discussed earlier in PAC meeting held on 14th June, 2010 and gave the following directive:-

"The PAC directed the PAO to hold an inquiry regarding awarding the project to NRSP without open tendering, fix responsibility and take appropriate disciplinary action also report why no technical/engineering estimates were prepared and amount was released to NRSP without any Bank/Performance guarantee. Report to the PAC in the first week of August."

The PAO explained that the DAC discussed the enquiry report of the Secretary M/o Local Government & Rural Development (MLGRD) on the issues contained in the subject para. The DAC deliberated on the findings of enquiry report in the context of queries raised by the PAC in its meeting on 14-06-2010.

PAC DIRECTIVE

The para was kept pending with the direction that all support may be extended to the Audit team producing the record for their examination and inspection of sites along with Department representatives. It was also **directed that the Auditor-General's Office may carry out Performance Audit and Financial Audit of NRSP.**

MINISTRY OF MINORITIES AFFAIRS

1. **OVERVIEW**

Appropriation Accounts 2007-08 and report published in the print media relating to deal by Evacuee Trust Property Board, pertaining to the Ministry of Minorities Affairs were taken up for examination by the Special Committee-I of the Public Accounts Committee on **23rd April, 18th June and 6th December, 2010.**

1.1 The Special Committee-I having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving budgetary indiscipline, overpayments, losses, non-realization of recoveries, etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There is only 1 grant presented by AGPR, which was settled by the Special Committee-I.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 23.04.2010 regarding report in the print media of deal made by Evacuee Trust Property Board are as under:-

BRIEFING ON REPORT IN PRINT MEDIA OF DEAL MADE BY EVACUEE TRUST PROPERTY BOARD

During briefing by Secretary, Ministry of Minorities Affairs on report in the print media of deal made by Evacuee Trust Property Board, unearthing alleged embezzlement in the sale of land by Evacuee Trust Property Board to Defence Housing Authority. The members of the Public Accounts Committee raised different questions during the meeting. While responding the observations, the Chairman ETPB Syed Asif Hashmi

informed the PAC that Board had an Agreement with the DHA that they would provide 850 Kanals of Land to DHA in Lahore. He further informed the Committee that DHA offered the ETPB to provide 33 percent of the Evacuee's land after developing it but DHA has given only 25 percent of land.

The PAO assured the committee that the points raised by committee members will be examined and replied to the satisfactory of the members. The PAO informed the committee that a fact-finding committee was constituted by the Ministry to look into the matter and a Joint Secretary was designated to probe the matter in detail who has submitted the report to Ministry.

PAC DIRECTIVE

The Public Accounts Committee taking a very serious view of incidents and observed that ETPB was not authorized to sell its land to DHA or any other department/authority on exchange basis as this is a trust they hold.

The Chairman, PAC asked the ETPB to present its report before the Committee in the next meeting and also clarify whether it is a deal of exchange as the properties of Minorities is a sensitive issue.

The Chairman further asked the Auditor General of Pakistan to expedite the special audit of the Evacuee Trust Property Board (ETPB).

A Special Committee under the Convenership of Mian Riaz Hussain Pirzada, with Mrs. Asiya Nasir, Mr. Riaz Fatyana, and Mrs. Rukhsana Bangash, MNAs as its members, was constituted to look into the subject matter in detail and report to PAC within 10 days.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the Convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Minorities Affairs held on 18th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

2. **GRANT NO.88 MINORITIES AFFAIRS DIVISION (PAGE 617-AA)**
(Saving of Rs. 44,785,429)

AGPR pointed out that the grant closed with a saving of Rs. 44,785,429 which works out 33.86% of the total grant. An amount of Rs.43,884,000 (33.18%) was surrendered leaving net saving of Rs.901,429 (0.68%). A supplementary grant of Rs.1,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO informed the Committee that the saving occurred due to vacant posts of Section Officer, Deputy Secretary and Stenographers and on account of Buddhist prayer ceremony and holding of first international Buddhism and Handicraft Art Conference in Islamabad.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee recommended the grant for settlement. The Committee also directed that the PAO should give briefing on the issues of Nankana Sahib and on Evacuee Trust Property Board to the Committee within fifteen days.

ACTIONABLE POINTS

Actionable Points of the meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Social Welfare held on 6th December, 2010 attended by Mr. Saeed Ahmed Zafar, MNA and Mr.Jaweed Akhtar, Secretary M/o Minorities Affairs to discuss the following agenda:

- **BRIEFING ON NANKANA SAHIB**
- **BRIEFING ON EVACUEE TRUST PROPERTY BOARD (ETPB).**

DIRECTIVE

The Committee expressed its displeasure for not attending the meeting by the Chairman, ETPB. The Committee pended the briefings till its next meeting on the Committee. The Committee directed the PAO to give the details on the following points/ issues to the Committee in its next meeting on the Ministry:-

- Details of developmental works of billions of Rupees by the ETBP of the last three years

- Quality control system in ETPB.
- Whether the PPRA Rules were followed or not.
- Names of the Contractors.

- Approval of land for Hospital and for Police Station at Nankana Sahib.
- Housing Colony for poor people on ETBP land in Nankana Sahib.
- Sale of Land to DHA, Lahore.
- Opening of Jaan ki daivi Hospital, Lahore.
- Boundary Wall of Project of University named Guroo Nanak.

MINISTRY OF NARCOTICS CONTROL

1. OVERVIEW

Appropriation Accounts 2007-08, pertaining to the Ministry of Narcotics Control were taken up for examination by the Special Committee-I of the Public Accounts Committee on **28th June, 2010 and 10th May, 2011.**

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.2 There were only 2 grants presented by the AGPR and the Special Committee-I regularized the grants.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convenership of Mrs. Yasmeen Rehman, MNA on M/o Narcotics Control held on 28th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I - 2007-08)

2. GRANT NO.89-NARCOTICS CONTROL DIVISION (PAGE 621-AA)

(Excess of Rs.101,862,278)

AGPR pointed out that the grant closed with an excess of RS.101,862,278 which works out to 13.29% of the total grant. An amount of Rs.71,754,466(9.36%) was surrendered leaving net saving of Rs.30,107,812 (3.92%). A supplementary grant of Rs.2,000,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO informed the Committee that there were 666 posts which were lying vacant.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure for not good budgeting and lack of proper planning by the Ministry. The Committee however, settled the grant.

2. **GRANT NO.155-DEVELOPMENT EXPENDITURE OF NARCOTICS (PAGE 624-AA)**
(Saving of Rs.16,655,589)

AGPR pointed out that the grant closed with the saving of Rs.16,655,589 which works out to 3.79% of the total grant. An amount of Rs.21,079,750(4.80%) was surrendered leaving net saving of Rs.4,424,161 (1.00%). A supplementary grant of Rs.35,000,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure for poor financial management by the Ministry. The Committee however, settled the grant with the direction that in future, there should be zero saving and zero excess.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on 10th May, 2011 pertaining to M/O Narcotics Control.

The Public Accounts Committee's Special Committee No. 1 decided in its meting on 10th June, 2010, that the following agenda should be brought before a meeting of the main PAC, when the concerned Ministry is invited for PAC meeting:-

> "Whether the Ministry of Narcotics Control should be involved directly in development and related issued such as construction of veterinary dispensaries and roads and distribution of wheat seeds and fertilizer or act as facilitator to channelise aid assistance from donor countries to the Provincial Government".

The matter was taken into consideration by the PAC in its meeting held on 10th May 2011. The PAO explained that Federal Government is involved in the Area Development Project in FATA and PATA of Khyber Pakhtunkhwa to make the area accessible and provide alternate livelihoods to poppy cultivation and other illicit trades by exploiting its natural resources for agriculture development. Involvement is aimed to improve the economy of the area as a whole with a view to attaining parity in living standards of the area with other areas of Khyber Pakhutunkhwa. All activities conducted and proposed have been designed in close co-operation with the Provincial government and essentially are in addition to enhancement of existing activities. This collaboration has provided an institutional mechanism between the Federal Government (in particular, the Ministry of Narcotics Control) and Provincial Government (in particular with the SDU office and FATA Secretariat) for utilization of grants provided by the donor countries.

2. Further, the PAO stated that the Role of the Ministry of Narcotics Control is as a facilitator and conduit in provision of funds to the Khyber Pakhtunkhwa government in poppy prone areas for alternative area development. The execution and implementation of the project is carried out by the Provincial Government and the FATA Secretariat. Name of the Area Development Project being run though Ministry of Narcotics Control as lead Ministry are as under:-

i) Khyber Area Development Project.
ii) Kohistan Area Development Project.
iii) Kala Dhaka Area Development Project.
iv) Mohmand Area Development Project.
v) Bajaur Area Development Project.

PAC DIRECTIVE

The PAC directed to the PAO to have a comprehensive presentation/briefing in the next meeting of the Ministry alongwith recommendations/implementations of the Area Development Projects for achieving the targets.

NATIONAL ASSEMBLY SECRETARIAT

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the National Assembly Secretariat were taken up for examination by the Public Accounts Committee held on **2nd September, 2010**.

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.2 There was only one grant presented by the AGPR and the PAC settled/regularized the grant with the direction that the budgetary figures should be realistic and sanctity of the budge figure should be honored at every cost.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 02-09-2010 on the Appropriation Accounts 2007-08 pertaining to National Assembly Secretariat are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO. 90-NATIONAL ASSEMBLY (PAGE 629-AA)**
   (a) (Saving of Rs, 87,009,607- Charged)
   (b) (Saving of Rs. 300,481,672- Other Than Charged)

AGPR pointed out that in **"Charged"** section the appropriation closed with a saving of Rs 87,009,607 of the total appropriation. A sum of Rs 85,826,000 was surrendered leaving net saving of Rs 1,183,607 (0.30%).

In **"Other Than Charged"** section the grant closed with a saving of Rs 300,481,672 of the total grant. An amount of Rs 298,485,000 was surrendered leaving net saving of Rs. 1,996,672 (0.27%).

The PAO explained before the PAC that the savings in section **"Charged"** was surrendered within stipulated time. Thus there was a nominal saving. In section "Other than Charged" the saving was due to dissolution of National Assembly from 15-11-2007 to 18-2-2008, delay in election of Chairmen Standing Committees, less expenditure under TA/DA of MNAs and due to economy measures. The PAO further explained that the Speaker, National Assembly has also cut down the expenses.

PAC DIRECTIVE

The PAC settled/regularized the grant with the direction that the budgetary figures should be realistic and sanctity of the budget figure should be honored at every cost. However, the Committee appreciated the saving by National Assembly Secretariat after adopting austerity/economy measures.

NATIONAL ACCOUNTABILITY BUREAU

1. OVERVIEW

Appropriation Accounts 2007-08, pertaining to the National Accountability Bureau were taken up for examination by the Public Accounts Committee on **16th June, 2010.**

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.2 There was only 1 Grant presented by the AGPR and the PAC regularized the grant with the direction that there should be a briefing about cases handled by NAB, since its Establishment.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 16th June, 2010, pertaining to **National Accountability Bureau** for the Appropriation Accounts 2007-08 are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

1. GRANT NO.10- NATIONAL ACCOUNTABILITY BUREAU (PAGE 49-AA)

(Excess of Rs. 8,205,369)

Audit pointed out that the grant was closed with an excess of Rs. 8,205,369 worked out to (0.86%) of the total grant. A supplementary grant of Rs. 9,841,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. The PAC explained that the excess/saving was revised due to the following reasons:-

i) Due to repatriation of Army Officers in May/June,2008
ii) Due to revision of pay scales w.e.f 01-07-2007 with an increase of 20%
iii) A number of Army Officers/personals were repatriated in May/June, 2008 due to which NAB operations restricted and expenditure under the various

heads of accounts including Telephone charges, Rent for residential building, TA/DA, Stationary, Advertising etc remain unutilized.

iv) Due to non supply of machinery equipment and Computer hardware items by the supplier.

v) Due to delay in submission of invoice/bills and other administrative reasons.

PAC DIRECTIVE

The PAC regularized the excess with the direction that there should be a briefing about cases handled by NAB since its establishment along with staffing position and performance so far clearly bringing out its mandate in relation to 711 number of NAB courts in the country, recovery position, total amount recovered and deposited in Government treasury. The details regarding distribution of percentage of shares paid to the staff from the recovery made by the NAB from the last ten years. The reason for placing NAB under Cabinet Division by taking it away from Ministry of Law & Justice may also be explained.

NATIONAL RECONSTRUCTION BUREAU

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the National Accountability Bureau were taken up for examination by the Public Accounts Committee on **15th June, 2010.**

1.1 The PAC having considered AGPR's point of view and explanation given by the Principal Accounting Officer and made its recommendations.

1.2 There were only 2 Grants presented by the AGPR, which were discussed in the meeting of the PAC and were regularized by the Committee. The Committee also directed the PAO to adopt good budgeting principles to avoid saving/excess in future.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 15-06-2010 to examine the Appropriation Accounts for the year 2007-08 are as under:-

APROPRIATION ACCOUNTS (CIVIL) VOL-I-2007- 08)

1. i) **GRANT NO. 11-NATIONAL RECONSTRUCTION BUREAU (PAGE 51-AA)**
(Saving of Rs 3,092,896)

AGPR pointed out that the grant closed with a saving of Rs 3,092,896 which works out to 3.24% of the total grant. An amount of Rs. 1,275,000 (1.33%) was surrendered leaving net saving of Rs. 1,817,896 (1.90%).

The PAO explained that the main reasons for saving in the grants were due to non filling of vacant posts, non approval of honorarium for employees, non submission of medical bills and non purchase of car for Chairman, NRB etc.

ii) **GRANT NO.129-DEVELOPMENT EXPENDITURE OF NATIONAL RECONSTRUCTION BUREAU (PAGE 63-AA)**
(Saving of Rs 16,793,000)

AGPR pointed out that the grant closed with a saving of Rs. 16,793,000 which works out to 33.85% of the total grant. The entire saving for Rs. 16,793,000 was surrendered on 15-05-2008.

The PAO informed the PAC that one of the components of this grant was foreign assistance for good governance project of the Asian Development Bank which was never received by the Department. However, the anticipated amount was surrendered in time.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 2 grants with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budgeting principles to avoid saving/excess. The PAC further directed the PAO that once the target is set, it should be achieved at every cost.

MINISTRY OF OVERSEAS PAKISTANIS

1. **OVERVIEW**

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the M/o Overseas Pakistanis were taken up for examination by the Special Committee-I of the Public Accounts Committee on **28th June, 14th October, 1st & 6th December, 2010, 24th January, 6th April and 10th May, 2011.**

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.2 There were 13 Paras reported by Audit and 02 Grants presented by AGPR. These paras/grants were initially examined by the Departmental Accounts committee (DAC) and then were discussed in the meeting of Special Committee-I. The Special Committee-I settled the 04 grants/paras, the committee recommended 01 para of DAC. The committee gave directive on 10 paras.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/o Overseas Pakistanis held on 28th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL)VOL-I- 2007-08)

2. **GRANT NO.84-OVERSEAS PAKISTANIS DIVISION (PAGE 569-AA)**
(Excess of Rs.1,896,231)

AGPR pointed out that the grant closed with an excess of RS. 1,896,231, which works out to 0.81% of the total grant. A supplementary grant of Rs.4,376,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO informed the Committee that the excess in the grant was due to revision of pay scales and also due to insufficient allocation of funds on account of medical charges and overtime allowance in different offices of CWAs. However, the approval of the expenditure from the Finance Division has been taken.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant.

3. **GRANT NO.152-DEVELOPMENT EXPENDITUR OF OVERSEAS PAKISTANIS DIVISION (PAGE 588-AA)**
(Excess of Rs.75)

AGPR pointed out that the grant closed with an excess of Rs.75.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

OVERSEAS PAKISTANIS FOUNDATION

4. **PARA 157 (PAGE 230-232-ARPSE)**
LOSS DUE TO AWARD OF DEVELOPMENTAL WORK AT HIGHER RATES-RS.1,809.155 MILLION.

The PAO informed the Committee that this work was awarded even after tendering process to FWO on single negotiation basis. The issue also remained under investigation by NAB and after the period of one and half year, this case was cleared from NAB.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee declared it the violation of rules. The Committee directed the PAO to hold an inquiry, fix responsibility, hold another DAC, and report to the

Committee within one month. The Committee, however, pended this para till its next meeting on the Ministry.

5. **PARA 158 (PAGE 232-233-ARPSE)**
IRREGULAR PROCUREMENT OF LAND-RS.50.920 MILLION AND LOSS DUE TO NON-PROVIDING LAND AS PER AGREEMENT– RS.14.979 MILLION

The PAO informed the Committee that this issue is pending in the Court of Law in Lahore and the next date of hearing is 15th July, 2010.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to hold an inquiry on this issue, fix responsibility, make efforts for recovery, contact with Advocate General Punjab and report to the Committee within one month. The Committee, however, pended this para till its next meeting on the Ministry.

6. **PARA 160 (PAGE 234-235–ARPSE)**
LEVY OF EXTENSION CHARGES DUE TO NON-CONSTRUTION OF HOSTEL BUILDING – RS.21.099 MILLION & UNJUSTIFIED EXPENSE ON PLANNING AND DESIGNING OF HOSTEL BUILDING – RS.0.513 MILLION

The PAO informed the Committee that the matter has been discussed with the Chairman CDA by the Federal Minister for Labour, Manpower & Overseas Pakistanis. Now the case is under consideration by the CDA Board.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO and the **Chairman CDA** to resolve the issue and report to the Committee. The Committee, however, pended this para till its next meeting on the Ministry.

7. **PARA 162 (PAGE 236-237-ARPSE)**
LOSS DUE TO THEFT OF WIRE-RS.1.355 MILLION

The PAO informed the Committee that the theft has been established. The inquiry of the matter is in process.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure on the issue. The Committee directed the PAO to finalize the inquiry as early as possible, fix the responsibility, take action and report to the Committee. The Committee, however, pended this para till its next meeting on the Ministry.

LIST OF AUDIT PARAS FOR AGAIN DISCUSSION BY THE SPECIAL COMMITTEE OF PAC IN ITS NEXT MEETING.

8. i) **PARA 156 (PAGE 236-237-ARPSE)**
AUDIT COMMENTS

ii) **PARA 156.1 (PAGE 236-237-ARPSE)**
WORKING RESULTS

iii) **PARA 159 (PAGE 236-237-ARPSE)**
LOSS DUE TO NON RECEIPT OF INTEREST ACCRUED ON SECURITY DEPOSITED BY THE OVERSEAS EMPLOYMENT PROMOTERS-RS.31.250 MILLION

iv) **PARA 161 (PAGE- 36-237-ARPSE)**
UNJUSTIFIED REGULARIZATION OF CONTRACT EMPLOYEES APPOINTED AGAINST PROJECT VACANCIES – RS 18.588 MILLION

v) **PARA 163 (PAGE 236-237-ARPSE)**
WASTEFUL EXPENDITUR ON DESIGNING OF A MULTI-STOREY BUILDING – RS.0.983 MILLION

vi) **PARA 164 (PAGE 236-237-ARPSE)**
LOSS DUE TO NON-RECOVERY OF ADVANCE FROM EX-EMPLOYEES-RS.0.581 MILLION

ACTIONABLE POINTS

Report of the 2nd Meeting of Special Committee # 1 of PAC under the convenership of Mrs.Yasmeen Rehman, MNA on M/o Overseas Pakistanis held on 14th October, 2010 to discuss the pended Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

OVERSEAS PAKISTANIS FOUNDATION

1. **PARA 156 (PAGE 229-230-ARPSE)**
AUDIT COMMENTS

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

On the recommendations of Audit, the Special Committee settled the audit para.

2. **PARA 156.1 (PAGE 229-ARPSE)**
WORKING RESULTS

Pertaining to working results of the Foundation for the year 2006-07, Audit pointed out that the welfare fund receipts of the Foundation increased from Rs.159.821 million in 2005-06 to Rs.237.590 million in 2006-07 registering an increase of 48.66% over previous year. During the current year , the Foundation changed its accounting policy for recognition of welfare fund receipt. These are now directly recognized in he welfare fund, previously these were recognized as revenue in the revenue and expenditure account. Surplus /deficit is also transferred to the welfare fund. There was a minor increase of 0.35% in total revenue of the Foundation from Rs.342.627 million in 2005-06 to Rs.343.815 million in 2006-07,whereas the expenditure was increased by 15% from Rs.344.282 million in 2005-06 to Rs.395.235 million in 2006-07.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure on the creation of additional posts in the Foundation and also not vetting of rules of the Foundation by the Finance Division. The Special Committee directed the:-

- The Audit should initiate/prepare a framework/rules of these autonomous bodies in consultation with M/o Law, Justice & Parliamentary Affairs, Cabinet Division, Establishment Division and Finance Division within three months. The report of these rules will be placed before the main PAC for further consideration or referring these to the Legal Committee of PAC.
- Performance Audit of such companies should also be made within three months.
- Rules of this Foundation should be vetted by Finance Division.
- The Foundation should implement its rules in letter & spirit.
- The Foundation should present their accounts/documents to Audit for Audit within one month.

While discussing the performance of Overseas Pakistanis Pension Trust (OPPT), the Special Committee expressed its displeasure on the overall performance of the Trust and desired a briefing on its performance till its next meeting on the Ministry.

3. **PARA 157 (PAGEB 230-232-ARPSE)**
LOSS DUE TO AWARD OF DEVELOPMENTAL WORK AT HIGHER RATES-RS.1,809.155 MILLION.

The PAO informed the Committee that the inquiry report on the said issue is being completed very soon.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended this para till its next meeting on the Ministry.

4. **PARA 158 (PAGE 232-233-ARPSE)**

IRREGULAR PROCUREMENT OF LAND-RS.50.920 MILLION AND LOSS DUE TO NON-PROVIDING LAND AS PER AGREEMENT – RS.14.979 MILLION

The PAO informed the Committee that this issue is pending in the Court of Law in Lahore and the next date of hearing is 23rd October, 2010.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended this para till its next meeting on the Ministry.

5. **PARA 159 (PAGE-233-234-ARPSE)**

LOSS DUE TO NON RECEIPT OF INTEREST ACCRUED ON SECURITY DEPOSITED BY THE OVERSEAS EMPLOYMENT PROMOTERS-RS.31.250 MILLION

Audit pointed out that contrary to the rules, the M/o Labour & Manpower has invested Promoter's Security amount of Rs.125.00 million in Defence Saving Certificates (DSC) since long. Instead of crediting the interest accrued thereon to the Welfare Fund account, paid the same to the promoters. The act of the Division regarding payment of interest to the Promoters was violation of Emigration Rules, which caused a loss of Rs.31.250 million to the Foundation. The loss was calculated at average rate of interest of 5% for the last 5 years.

The PAO informed the Committee that this is the inter-ministerial issue.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended this para till its next meeting on the Ministry.The Committee also directed the Audit that in future the audit paras pertaining to recoveries should also be highlighted for discussion by the Committee.

6. **PARA 160 (PAGE 234-235-ARPSE)**

LEVY OF EXTENSION CHARGES DUE TO NON-CONSTRUTION OF HOSTEL BUILDING – RS.21.099 MILLION & UNJUSTIFIED EXPENSE ON PLANNING AND DESIGNING OF HOSTEL BUILDING – RS.0.513 MILLION

The PAO informed the Committee that the issue has been resolved as per directions given by the Court. The issue of M/s Ilvi Associates has also been resolved in a transparent way. The representative of CDA also informed the Committee that the decision of court will be implemented in its letter & spirit.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the para subject to verification of the stated facts by audit with a report to Committee.

7. **PARA 161 (PAGE 236-237-ARPSE)**

UNJUSTIFIED REGULARIZATION OF CONTRACT EMPLOYEES APPOINTED AGAINST PROJECT VACANCIES – RS 18.588 MILLION

Audit pointed out that OPF started certain projects of housing schemes as well as other projects for Overseas Pakistanis in different locations of the country. The management appointed certain employees, from time to time, against these projects on contract basis till the completion of projects. OPF, Board in its 107 meeting held on April, 22, 2008 regularized the services of 117 contract employees from April, 1, 2008. As the said posts were created for a specific tenure/project, hence the act of the Board regarding regularization the services of all the contract employees , was considered irregular by audit. The payment of Rs.18.588 million (payment of 9 months from May 1, 2008 to January 31, 2009@ Rs.2.065 million per month) to employees was also considered irregular.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure (by saying that two wrongs do not make one right) on the over all issue and directed the PAO to refer this case to the M/o Law, Justice and Parliamentary Affairs. The Committee directed the PAO to provide the detail

on H.R Policy of the Foundation to the Committee. The Committee however pended this para till its next meeting on the Ministry.

8. **PARA 162 (PAGE 236-237-ARPSE)**
LOSS DUE TO THEFT OF WIRE-RS.1.355 MILLION

The PAO informed the Committee that the inquiry report has been completed but it needs further probe.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended this para till its next meeting on the Ministry.

9. **PARA 163 (PAGE 237-238-ARPSE)**
WASTEFUL EXPENDITUR ON DESIGNING OF A MULTI-STOREY BUILDING – RS.0.983 MILLION

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled subject to verification of record/stated facts by audit with a report to the Committee. The Committee also directed the PAO to prepare a construction policy for commercialization within one month and send it the Committee.

10. **PARA 164 (PAGE 238-239-ARPSE)**
LOSS DUE TO NON-RECOVERY OF ADVANCE FROM EX-EMPLOYEES-RS.0.581 MILLION

The PAO informed the Committee that some amount has been recovered and the remaining amount will be recovered within one month.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Committee pended this para till its next meeting on the Ministry.

ACTIONABLE POINTS

Report of the meeting of Special Committee # 1 of PAC under the convenership of Mrs.Yasmeen Rehman, MNA on M/o Overseas Pakistanis held on 1st December, 2010 at 3:00 p.m and attended by Mr.Saeed Ahmad Zafar, MNA and Mr.Saeed Ahmad Khan, Secretary M/o Overseas Pakistanis attended the meeting to discuss the pending Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

OVERSEAS PAKISTANIS DIVISION

1. **PARA 156.1 (PAGE 229-ARPSE)**
WORKING RESULTS

The PAO informed the Committee that directions have been given to all concerned to complete the audit of accounts of the Ministry. The PAO also gave a briefing on OPF Pension Scheme for Overseas Pakistanis.

DIRECTIVE

The Committee directed the PAO to make the scheme more credible so that the money should not be wasted. The Committee proposed that this scheme may be introduced in Jhelem and Kharian also. The Committee also directed a detailed report pertaining to the rating of the Banks.The Committee discouraged investment in the Stock Market. It was also directed that the accounts should be audited in time and efforts should be made to improve to improve and make the scheme profitable. The Committee also directed for the Performance Audit of the Pension Scheme.

2. **PARA 157 (PAGE 230-232-ARPSE)**
LOSS DUE TO AWARD OF DEVELOPMENTAL WORK AT HIGHER RATES-RS.1,809.155 MILLION.

The PAO informed the Committee that the Board of Governors is responsible in this whole matter.

DIRECTIVE

The Committee referred the audit para to the main PAC as huge amount is involved in this issue and as it is a scam and needs the consideration of the main PAC.

3. i) **PARA 158 (PAGE 232-233-ARPSE)**
IRREGULAR PROCUREMENT OF LAND-RS.50.920 MILLION AND LOSS DUE TO NON-PROVIDING LAND AS PER AGREEMENT – RS.14.979 MILLION

ii) **PARA 159 (PAGE 233-234-ARPSE)**
LOSS DUE TO NON RECEIPT OF INTEREST ACCRUED ON SECURITY DEPOSITED BY THE OVERSEAS EMPLOYMENT PROMOTERS-RS.31.250 MILLION

DIRECTIVE

The Committee pended the paras till its next meeting on the Ministry and directed that in the next meeting of the Special Committee , the Secretary M/o Labour and Manpower should attend the meeting and respond to the Committee on the issue of Para 159.

4. **PARA 160 (PAGE 234-235-ARPSE)**
LEVY OF EXTENSION CHARGES DUE TO NON-CONSTRUTION OF HOSTEL BUILDING – RS.21.099 MILLION & UNJUSTIFIED EXPENSE ON PLANNING AND DESIGNING OF HOSTEL BUILDING – RS.0.513 MILLION

DIRECTIVE

The Committee pended the para till its next meeting on the Ministry.

5. **PARA 161 (PAGE 236-237-ARPSE)**
UNJUSTIFIED REGULARIZATION OF CONTRACT EMPLOYEES APPOINTED AGAINST PROJECT VACANCIES – RS 18.588 MILLION

DIRECTIVE

The Committee expressed its displeasure on the issue and referred the para to the main PAC. The Committee further directed the PAO to stop further appointments in the OPF.

6. **PARA 162 (PAGE 236-237-ARPSE)**
LOSS DUE TO THEFT OF WIRE-RS.1.355 MILLION

DIRECTIVE

The Special Committee pended the para till its next meeting on the Ministry.

7. **PARA 163 (PAGE 237-238-ARPSE)**
WASTEFUL EXPENDITURE ON DESIGNING OF A MULTI-STOREY BUILDING – RS.0.983 MILLION

DIRECTIVE

The Special Committee settled the para subject to verification of record/stated facts by audit with a report to the Committee.

8. **PARA 164 (PAGE 238-239-ARPSE)**
LOSS DUE TO NON-RECOVERY OF ADVANCE FROM EX-EMPLOYEES-RS.0.581 MILLION

DIRECTIVE

The Committee directed the PAO to make all possible efforts for making full recovery with a report to the Committee.

ACTIONABLE POINTS

Actionable points of the meeting of Special Committee # 1 of PAC under the convenership of Mrs.Yasmeen Rehman, MNA on M/o Overseas Pakistanis held on 6th December, 2010 attended by Mr.Saeed Ahmad Zafar, MNA and Mr.Abdul Hamid, Joint Secretary M/o Overseas Pakistanis to discuss the pending Audit paras for the Audit year 2008-09 and financial year 2007-08 are as under:

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

OVERSEAS PAKISTANIS DIVISION

1. **PARA 158 (PAGE 232-233-ARPSE)**
IRREGULAR PROCUREMENT OF LAND-RS.50.920 MILLION AND LOSS DUE TO NON-PROVIDING LAND AS PER AGREEMENT – RS.14.979 MILLION

DIRECTIVE

The Committee directed the PAO to hold another DAC on this issue and report to the Committee in the next meeting of the Committee. The Committee pended this para till its next meeting on the Ministry.

2. **PARA 159 (PAGE 233-234-ARPSE)**
LOSS DUE TO NON RECEIPT OF INTEREST ACCRUED ON SECURITY DEPOSITED BY THE OVERSEAS EMPLOYMENT PROMOTERS-RS.31.250 MILLION

The representative of M/o Labour & Manpower informed the Committee that 1500 promoters are working with the Ministry.

DIRECTIVE

The Committee again pended the paras till its next meeting on the Ministry and directed that in the next meeting of the Committee, the Secretary M/o Labour and Manpower should attend the meeting and respond to the Committee by giving details of the promoters from whom Security and Defense Saving Certificates have been obtained and also that whether the Defense Saving Certificate are covered under the rules as no interest is being paid to OPF on these Defense Saving Certificates.

3. **PARA 160 (PAGE 234-235-ARPSE)**
LEVY OF EXTENSION CHARGES DUE TO NON-CONSTRUTION OF HOSTEL BUILDING – RS.21.099 MILLION & UNJUSTIFIED EXPENSE ON PLANNING AND DESIGNING OF HOSTEL BUILDING – RS.0.513 MILLION

DIRECTIVE

The Committee directed the PAO to hold another DAC on this issue. The Committee pended the para till its next meeting on the Ministry.

4. **PARA 162 (PAGE 236-237-ARPSE)**
LOSS DUE TO THEFT OF WIRE-RS.1.355 MILLION

DIRECTIVE

The Committee pended the para till its next meeting on the Ministry.

ACTIONABLE POINTS

Actionable points of the meeting of Special Committee # 1 of PAC under the convenership of Mrs.Yasmeen Rehman, MNA on M/o Overseas Pakistanis held on 24th January, 2011 attended by Sardar Ayaz Sadiq, MNA and Mr.Saeed Ahmad Khan, Secretary M/o Overseas Pakistanis and Mr.Tahir Saeed, Deputy Auditor General (FAO) Audit Department, to discuss the pending Audit paras for the Audit year 2008-09 and financial year 2007-08 are as under:

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

OVERSEAS PAKISTANIS DIVISION

1. **PARA 158 (PAGE 232-233-ARPSE)**
IRREGULAR PROCUREMENT OF LAND-RS.50.920 MILLION AND LOSS DUE TO NON-PROVIDING LAND AS PER AGREEMENT – RS.14.979 MILLION

The PAO informed the Committee that the record has been collected now. The Ministry has filed a Civil Suit for recovery.

DIRECTIVE

The Committee appreciated the efforts made by the Ministry itself. The Committee directed the PAO to take all possible measures to resolve the issue; recover the amount from all concerned and report to the Committee. The Committee pended this issue till its next meeting on the Ministry.

2. **DIRECTION ON THE ISSUE OF APPOINTMENTS**:

The Committee directed the PAO to re-advertise the posts for appointments of staff for maintaining transparency. If there is the need, then teaching staff should be hired on temporary basis. Procedure for appointments of staff should be brought in the notice of the PAC.

3. **PARA 159 (PAGE 233-234-ARPSE)**
LOSS DUE TO NON RECEIPT OF INTEREST ACCRUED ON SECURITY DEPOSITED BY THE OVERSEAS EMPLOYMENT PROMOTERS-RS.31.250 MILLION

DIRECTIVE

The Committee settled the para with the direction to the PAO to make amendments in the relevant rules, with a report to the Committee.

4. **PARA 160 (PAGE 234-235-ARPSE)**
LEVY OF EXTENSION CHARGES DUE TO NON-CONSTRUTION OF HOSTEL BUILDING – RS.21.099 MILLION & UNJUSTIFIED EXPENSE ON PLANNING AND DESIGNING OF HOSTEL BUILDING – RS.0.513 MILLION

DIRECTIVE

The Committee settled the para.

5. **PARA 162 (PAGE 236-237-ARPSE)**
LOSS DUE TO THEFT OF WIRE-RS.1.355 MILLION

The PAO informed the Committee that the inquiry has been completed. In five thefts, three officers were involved due to their slackness. Disciplinary proceedings are being initiated against concerned persons.

DIRECTIVE

The Committee directed the PAO make all possible efforts to recover the amount of loss from all responsible and report to the Committee within three weeks.

ACTIONABLE POINTS

Following are the actionable points of the meeting of Special Committee # 1 of PAC, held under the convenership of Mrs.Yasmeen Rehman, MNA on M/o Overseas Pakistanis on 6th April, 2011, attended by Mrs. Asiya Nasir, MNA and Mr.Amjad Ali Khan, Secretary M/o Overseas Pakistanis, Mr.Habib-ul-Rehman Khan, MD(OPF) and Mr.Tahir Saeed, Deputy Auditor General (FAO) Audit Department, to discuss the pending Audit para for the Audit year 2008-09 and financial year 2007-08.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

OVERSEAS PAKISTANIS DIVISION

1. **PARA 158 (PAGE 232-233 –ARPSE)**
IRREGULAR PROCUREMENT OF LAND-RS.50.920 MILLION AND LOSS DUE TO NON-PROVIDING LAND AS PER AGREEMENT – RS.14.979 MILLION

The PAO informed the Committee that the point of view of Audit is correct. The case is pending in the Court of Law. Some lacunas were also pointed out by the management. In the inquiry, it was finalized that the top management was involved in this issue. Accordingly the Ministry came to the conclusion that the fraud was committed by

M/s.Kamal Nasir. The Ministry has further moved the case to NAB for further investigation in this matter. The PAO showed his will to resolve this issue as he further stated that this is a clearcut case of fraud and in his opinion, the best way was to refer the case to NAB for investigation.

The representative of Audit informed the Committee that the Ministry's working is not proper. Furthermore, considering the recent performance of NAB and FIA, it is recommended that an FIR is lodged, so as to have formal proceeding record of the frauds committed.

The representative of NAB informed the Committee that in this case three persons are responsible and investigations are underway. He further stated that this case will be handled on priority basis for the resolution of this issue within two months.

DIRECTIVE

The Committee directed the PAO to hold an inquiry and fix responsibility on those persons who have delayed this case and proceed according to rules in this matter. The Committee directed NAB to finalize the investigation with a report to the Committee within two months. The Committee further asked the Audit Department to conduct Special/Performance Audit of all the schemes of OPF. The PAO was directed to recheck the title of the acquired land. The para was kept pending till its investigation by the NAB.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 10th May, 2011 on Audit Report for the Year 2008-2009.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

OVERSEAS PAKISTANIS FOUNDATION

1. **PARA 157 (PAGE 230-232-ARPSE)**
   LOSS DUE TO AWARD OF DEVELOPMENT WORK AT HIGHER RATES - RS. 1, 809.155

Audit pointed out that as per delegation of powers notified vide letter dated December 12, 2001, for award of contracts for land development the Managing Director is empowered up to Rs. 20.00 million subject to competitive bids having been invited through open tender or pre-qualified contractors. OPF started Housing Scheme Zone-V, Islamabad in February, 1994 with the approval of BOG in its 47th meeting. Tenders were called through press for the pre-qualifications of firms for development work at Zone-V Islamabad. Total 157 firms applied for pre-qualifications. After detailed scrutiny by M/s. NESPAK six firms were pre-qualified on merit with 60% marks. The tenders were opened on October 30, 2001. The BOG in 81st meeting held on February 11, 2002 after thorough deliberations approved the award of development work to the lowest bidder M/s. KARCON for Rs. 595.037 million. The letter of intent was issued to the firm on September, 20, 2002 after receipt of permission letter from CDA on September 13, 2002. The Minister for Overseas Pakistanis and Chairman OPF BOG approved the case vide Note-161 for signing of formal contract agreement with M/s. KARCON (Pvt) Ltd. Despite all above the management failed to sign the agreement with M/s KARCON Limited. The OPF, BOG in its 90th meeting held on May 13, 2004 resolved to cancel the letter of intent issued to M/s. KARCON and advised the management for re-tendering. On re-tendering the development work of Zone-V Housing Scheme, Islamabad was awarded to M/s. FWO at cost of Rs. 2, 4040.192 million against Rs. 1, 660.512 million quoted by it, in the previous tender. Non award of work to the firm offered lowest bidder after approval by the competent authority has resulted into a loss of Rs. 1, 809, 155 million (Rs. 2, 404. 192 million - Rs. 595.037 million) to the Foundation.

The PAO informed that the matter has been decided by the BOG which is competent forum to decide all matters. The investigation proposed by the audit on the decision of BOG will not be appropriate, since BOGs of OPF is the competent forum to take all decision for the functioning of OPF.

PAC DIRECTIVE

It was decided that a Sub-Committee of the Public Accounts Committee to be constituted with the approval of the Chairman (PAC), along with the senior Joint Secretary, who held the inquiry in this issue and DG (CA), Lahore will examine the issues raised in the para and, in addition, examine other such schemes under taken by the Overseas Pakistanis Foundation.

2. **PARA 161 (PAGE 236-ARPSE)**
UNJUSTIFIED REGULARIZATION OF CONTRACT EMPLOYEES APPOINTED AGAINST PROJECT VACANCIES- RS 18.588 MILLION

Audit pointed out that OPF started certain projects of housing schemes as well as other projects for Overseas Pakistanis in different locations of the country. The management appointed certain employees, from time to time, against these projects on contract basis till the completion of project. OPF, Board in its 107th meeting held on April 22, 2008 regularized the services of 117 contract employees from April 01, 2008. As the said posts were created for a specific tenure/project hence the act of the Board regarding regularization the services of the contract employees, was considered irregular by audit. The payment of Rs. 18.588 million (payment of 9 months from May 01, 2008 to January 31, 2009 @ Rs. 2. 065 million per month) to employees was also considered irregular.

The PAO informed that regularization of the contract / project employees by Board is quite justified as the BOG is the competent forum to approve/decide this matter.

PAC DIRECTIVE

The para was remanded back to the DAC with the directions that details of persons appointed by the Board of Governors may be provided and discussed with the Audit authorities and then forwarded to the Public Accounts Committee along with the Board of Governors supporting documents. This may be completed **in two weeks time.**

PAKISTAN ATOMIC ENERGY COMMISSION

1. OVERVIEW

Appropriation Accounts 2007-08, pertaining to Pakistan Atomic Energy Commission were taken up for examination by the Public Accounts Committee on **14th June, 2010.**

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.2 There were only 2 Grants presented by the AGPR. The committee regularized/settled the grants with the direction on 01 grant to monitor the budgetary figures and timely surrender, hold monthly meeting to review the budgetary grants.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 14th June, 2010 pertaining to Pakistan Atomic Energy Commission on the Appropriation Accounts 2007-08 are given below:-

APPROPRIATION ACCOUNTS (CIVIL VOL-I-2007-08)

1. GRANT NO.13-ATOMIC ENERGY(PAGE 55-AA)

(Excess /Saving Nil)

AGPR pointed out that the entire budget provision was utilized in full.

PAC DIRECTIVE

The PAC regularized the grant.

2. **GRANT NO.168-CAPITAL OUTLAY ON DEVELOPMENT OF ATOMIC ENERGY (PAGE 65-AA)**
(Excess of Rs 1,550,127,000)

AGPR pointed out that the grant was closed with an excess of Rs 1,550,127,000 which worked out to 12.20 percent of the total grant. An amount of Rs 203,040,000(1.60%) was surrendered increasing net excess to Rs 1,753,167,000(13.80%). A supplementary grant of Rs 3,407,927,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The said grant comprises relates to two departments, namely Pakistan Atomic Energy Commission (PAEC) and Pakistan Nuclear Regulatory Authority (PNRA). The budgetary position of the two Departments given below:-

Budget	PAEC	PNRA
Total grant	15,687,772,000	420,973,000
Excess/Saving	1,698,031,000	159,769,000

EXPLANATION OF THE PAEC

i) A supplementary grant of Rs 3,407,927,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

ii) The department pointed out that surrender order dated 30-06-2010 of Rs 1,649,493,000 was not taken into account.

The PAO explained the excess/saving was due to foreign currency rate fluctuating during the year.

EXPLANATION OF THE PNRA

PNRA explained the saving was due to non-release of funds for 4th quarter by Finance Division.

PAC DIRECTIVE

The PAC regularized the grant with the direction to monitor the budgetary grant and timely surrender, hold monthly meetings to review the budgetary grants.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil), Non-Tax Receipts and Public Sector Enterprises for the year 2008-09, pertaining to the M/o Petroleum & Natural Resources were taken up for examination by Public Accounts Committee (PAC) on **13th March, 20th May, 2010 and 15th June, 2011**

1.1 The PAC considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving irregular purchase, advances to suppliers, non-encashment of bank guarantees, in-fructuous expenditures, misappropriations losses, overpayments, inability to make recoveries, etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 6 Grants and 94 paras reported by Audit. These paras/grants were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of PAC. 11 paras/grants were recommended for settlement by the Committee either on the basis of clarification given by the PAO or the corrective measures taken by the Ministry. The Committee gave direction on 18 paras and on 71 paras, the Committee directed the PAO to implement DAC recommendations. PAC ordered recovery sums amounting to Rs ---------- out of which a sum of Rs. ---------- has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recover/implementation of the PAC directives would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable points arising out from discussion of the PAC meeting held on 13th March, 2010 on the Appropriation Accounts and Audit Report pertaining to the Ministry of Petroleum and Natural Resources for the year 2007-08 & 2008-09, are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007- 08)

1. **GRANT NO. 93 (PAGE 641-AA)**
PETROLEUM AND NATURAL RESOURCES DIVISION
(Saving of Rs. 2,270,644 Million)

The AGPR pointed out that the grant was closed with a saving of Rs. 2,270,644 which worked out to 1.62% of the total grant. An amount of Rs. 3,599,911 (2.58%) was surrendered due to excess of Rs. 1,329,267 (0.95%). A supplementary grant of Rs. 5,027,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the excess shall be converted into net saving of Rs. 3,697,733 (2.56%).

The PAO explained that this was a technical supplementary grant for the services rendered for payment to enforcement agencies on account of protection of gas pipe lines which was not included in the supplementary schedule of authorized expenditure and was fully utilized. There was another saving of Rs. 3,599,911 which was due to less expenditure of operating expenses and repair maintenance adopting the economy measures.

PAC DIRECTIVE

The PAC regularized the saving of the grant and directed that M/O Finance should exercise utmost diligence and care while granting supplementary grants, particularly in the month of May and June i.e. after expiry of technical timeline for surrendering. The Committee further directed that proper assessment in this regard should be ensured by Ministry of Finance. The PAC also directed that capacity for utilization of supplementary

grants by the respective Ministry in remaining days should also be thoroughly examined by the Ministry of Finance before its sanction.

2. **GRANT NO.95 (PAGE 643-AA)**
OTHER EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES DIVISION
(No Saving No Excess)

AGPR pointed out that the Budget provision was fully utilized.

PAC DIRECTIVE

The PAC regularized the grant

3. **GRANT NO. 156 (PAGE 644-AA)**
DEVELOPMENT EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES DIVISION
(Excess of Rs. 1,097,559,262)

AGPR pointed out that the grant closed with an excess of Rs. 1,097,559,262 which worked out to 46.14% of the total grant. An amount of Rs. 198,066,160 (8.32%) was surrendered increasing net excess to Rs. 1,259,625,422 (54.47%). A supplementary grant of Rs. 1,316,190,500 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the excess shall be converted into net saving of Rs. 20,565,078 (0.55%).

The PAO explained that the saving was because of non recruitment of staff due to ban on recruitment.

PAC DIRECTIVE

The PAC regularized the excess with the direction that the PAO should look into the reasons of the decision taken by the then Advisor to PM for P&NR for ban on recruitment with a report to the PAC within one working week. There should be no saving no excess in future.

4. **GRANT NO. 175 (PAGE 648-AA)**
CAPITAL OUTLAY ON PETROLEUM AND NATURAL RESOURCES DIVISION
(Saving of Rs. 326,164,776 Million)

The AGPR pointed out that the grant was closed with a saving of Rs. 326,164,776 which worked out to 60.37% of the total grant. An amount of Rs. 296,969,217 (54.97%) was surrendered leaving net saving of Rs. 29,195,559 (5.40%).

The PAO explained that saving was:-

- Due to non recruitment of full strength of staff and non maintaining of separate office.
- Study for indigenous coal gasification plant at Thar was not implemented due to delayed transaction of funds in South African currency (Rand). Moreover, the slow response of the contractor has also contributed in delay due to change in management in the company.

PAC DIRECTIVE

The PAC regularized the saving of the grant.

FEDERAL APPROPRIATION ACCOUNTS GEOLOGICAL SURVEY OF PAKISTAN FOR THE YEAR 2007-08 VOL.IX

5. i) **GRANT NO. 94 (PAGE 9-AA)**
CURRENT EXPENDITURE (OTHER THAN CHARGED)
(Saving of Rs. 4,027,262 Million)

The Director Finance pointed out that the total saving of seven offices of Geological Survey of Pakistan was 2.086% of the grant.

The PAO explained that the saving was occurred due to vacant post, economy cut, less expenditure on utility bills etc.

ii) **GRANT NO. 175 (PAGE 15-AA)**
CAPITAL OUTLAY OF MINERAL DEVELOPMENT (OTHER THAN CHARGED)
(Saving of Rs. 28,002,290 Million)

The Director Finance pointed out that an amount of Rs. 19,488,000/- was surrendered in time. The savings of Rs. 28,002,290/- was 19.765% of final grant of 05 development projects.

The PAO explained that the saving was occurred due to vacant post, cheaper rent of office, less expenditure on telephone and economy cut etc.

PAC DIRECTIVE

The PAC regularized the saving of the grants.

6. **BRIEFING ON OIL AND GAS PRICES BY THE MINISTRY/OGRA/SSGPL/SNGPL**

PAC DIRECTIVE

The PAC constituted a five members Special Committee upon the briefing given by representatives of M/O Petroleum and Natural Resources/OGRA/ SSGPL/SNGPL to look into the entire system particularly on the following points:-

i) There should be an over all transparent gas policy.

ii) To reduce Slabs system to at least three Slabs and put up a comparative statement in this regard.

iii) Passing on the relief to lower class.

iv) To simplify the Billing System.

v) There should be clean, clear and simplify measurement scale and the Consumer should know clearly about the measurement.

vi) Report to Committee within fifteen days.

The PAC further directed the PAO to report on the above mentioned points to the instant Special Committee which will meet as soon as the National Assembly Session is over. The Additional Secretary M/o Petroleum and Natural Resources will be associated the Special Committee.

The PAC further directed that:

- LPG policy should be reviewed.
- The explosive Cell of the Ministry of the Industry should be called in next meeting of the PAC with a report that how many C.N.G. License were issued in the last decade in residential area.
- The OGRA should give advertisement to any TV Channel and Radio Pakistan.
- ORGA should consider if possible that the CNG station should be closed at night.
- To check that electricity is produced through CNG.

ACTIONABLE POINTS

Actionable Points arising out of the discussion of the PAC meeting held on 20th May, 2010 on the Audit Report pertaining to the M/O Petroleum and Natural Resources for the year 2008-09 are as under:-

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

1. i) **PARA 15.1 (PAGE 105-AR)**
WEAK CONTROLS OVER MANAGEMENT OF RELEASES RS 3,377 MILLION TO GAS COMPANIES

Audit pointed out that as per para 207(3) of GFR, Vol-I, the recipient organization is required to submit vouched accounts or audited statements of the accounts to the sanctioning authority, in order to ensure that the grant was utilized/spent for the purpose for which it was provided.

During the audit of Ministry of Petroleum & Natural Resources, it was noted that an amount of Rs.3,377,390 million was released as advance payment to Sui Northern & Sui Southern Gas Companies during the year 2007-08, for provision of Natural Gas to different areas/localities as per directives of the Prime Minister.

Following observations were made:-

i) The payments aggregating to Rs.3,77 million were made to the Gas companies as 100% advance before commencement of the gas provision schemes. Gas companies kept these amounts in Banks and earned income in the shape of interest. The interest earned by the Companies on the public money was required to be deposited into Govt. account.

ii) The above payment included a payment of Rs 399.682 million for the schemes for which detailed estimates were obtained from the

iii) Gas Companies while payment of Rs.157.081 million was released without identifying the specific schemes.

iv) The Ministry was making such releases to Gas Companies since 2002-03. No record was available to ascertain the implementation status of schemes.

iv) No audited statement of the account of Gas Companies, progress & completion report of projects were obtained to ensure that the releases were spent for the purpose for which these were intended.

The Ministry did not furnished reply to the Audit in the light of DACs recommendations. The M/o Petroleum & Natural Resources continues to release payments to SNGPL & SSGC without any assurance that previously released amounts have been properly utilized.

ii) **PARA 15.2 (PAGE 106-AR)**
ABSENCE OF INTERNAL CHECKS AGAINST IRREGULARITIES, WASTE & FRAUD

Audit pointed out that in terms of Rule 13 of GFR Vol-I, every controlling officer must satisfy himself not only that adequate provisions existed within the departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate offices and guard against waste and loss of public money and stores, but also that the prescribed checks were effectively applied.

It was observed that no proper internal check system was available in the Ministry. Following instances observed in the Test Audit provided an evidence for the risk of fraud and misappropriation due to ineffective internal controls;

i) Instances of expenditure of Rs. 985,171 against the invoices which were not in order with respect of their dates. It challenged the credibility and reliability of these invoices.

ii) Instances of expenditure of Rs. 331,609 wherein invoices were altered with respect to their dates.

iii) Instances of expenditure of Rs. 16,814 where dates were missing on the invoices.

iii) **PARA 15.3 (PAGE 106-AR)**
UNDUE FAVOUR EXTENDED TO M/S SNGPL ON ACCOUNT OF IRREGULAR PAYMENT OF RS 2.8 BILLION

Audit pointed out that according to Rule 290 of FTRs, no money should be drawn from the treasury unless it is required for immediate disbursement. As per Para 207(3) of GFR Vol-I, the recipient organization is required to submit vouched accounts or audited statement of the accounts to be sanctioning authority, in order

to ensure that the grant was utilized/spent for the purpose for which it was provided.

Ministry of Petroleum & Natural Resources released an amount of Rs. 2.8 billion to M/s Sui Northern Gas Pipelines Limited (SNGPL) during the year 2006-07 vide cheque No.0821240 dated 29-06-07 without having detailed approved gas development scheme and without any demand from SNGPL. The amount was released in response to a directive from PM Secretariat dated 25-06-07; that asked for the completion of all codal formalities.

Audit observed that the Ministry released the payment of Rs. 2.8 billion to SNGPL without ascertaining its objective, actual requirement of the occasion and obtaining adjustment accounts against the releases it made in previous years.

The PAO explained that the violation was timely pointed out to the Finance Division with the proposal that a non lapseable Personal Ledger Account (PLA) of SNGPL may be opened.

PAC DIRECTIVE

The PAC has clubbed all the above three paras with the direction to **report to the PAC within fifteen days.**

The PAC further directed the PAO to let the PAC know about;

i) The current status of the schemes for which the released amount was spent.

ii) How much amount was released and the amount which has been spent out of released amount?

iii) The completion date of the schemes.

iv) The Ministry should have a web site providing all the relevant record of schemes.

v) Why the Ministry denied to provide the relevant information to the Audit?

vi) How much amount was received 2002 onward by the SNGPL and SSGC and what was its utilization?

vii) The PAC further directed the audit to send all the relevant questions to the **Ministry to answer within a period of 15 days**. The PAC observed that this is a violation of Rules and Regulations, if the Ministry does not provide the record to the Audit.

Mr. Riaz Fatyana pointed out that the projects/schemes which have to be completed within three years are still incomplete from the last six years. He has desired to complete the projects/schemes in his constituency.

The PAC directed the PAO to send an official in the MNA's constituency to enquire about the questions raised by the MNA **and report within fifteen days.**

The PAC also discussed the matter of re-instatement of Mr. Shahid Shoukat, Distributor Engineer (GR-3) of SNGPL and took serious notice of it for not resolving the instant case as already the PAC unanimously directed to PAO to do so. The PAC directed the PAO to look into the matter and **hold an inquiry immediately and report to the PAC within 15 days**. There should be a policy about theft of Gas cases.

The PAC also directed/warned all of the representatives of the Public Sector Organizations, who reluctant to provide record to the Ministry. The PAO should realize that all the relevant organizations are under the M/o Petroleum and not Autonomous Bodies. The organizations misguided the Ministry. The PAC be informed in future who does not provide the record to the Ministry/Audit **and report within 15 days.**

AUDIT REPORT ON THE ACCOUNTS OF NON-TAX RECEIPTS OF THE MINISTRY OF PETROLEUM AND NATURAL RESOURCES FOR THE YEAR 2008-09

2. **PARA 1.1 (a) (PAGE 1-AR)**
NON/SHORT PAYMENT OF ROYALTY ON OIL AND GAS BY M/S OGDCL RS. 568.101 MILLION

Audit pointed out that while going through the internal control memorandum submitted by corporate auditors of M/s OGDCL it was observed by the statutory audited that the corporate auditors have pointed that "company is not paying royalty on the LPG based on legal opinion obtained in September, 2003. The claim in this respect could exceed 800 million for which no provision has been made in the accounts". The lapse was pointed out to the Director General (PC) in October, 2008 and to the Ministry in April, 2009.

The PAO informed the PAC that the royalty is not leviable on LPG at sale value however, it is applicable for the quantity used in extraction of LPG. Amount calculated by OGDCL has been deposited. Calculation sheets will provided to Audit for verification.

PAC DIRECTIVE

The PAC observed that this is a issue of calculation and directed to re-calculate and **report within one month to the PAC.**

3. **PARA 1.1(b) PAGE 2-AR)**
NON-SHORT-PAYMENT OF ROYALTY ON OIL AND GAS BY M/S OGDCL-RS 217 MILLION

The Audit pointed that the Ministry of Petroleum & Natural Resources did not recover royalty on condensate/LPG from M/s OGDCL produced at Dhodak oil fields from its very inception, on the understanding that no sale of condensate to any third party was involved as it was being processed internally into white products. In June, 2007 the company however, paid Rs. 870 million as royalty on condensate provisionally stating it as 80% of the total liability. The lapse was pointed out to the Director General (PC) in October, 2008 and to the Ministry in April, 2009.

The PAO informed the PAC that the department apprised the DAC that the company was facing a severe liquidity crunch due to Circular Debt of almost Rs 85 billion. They also apprised that the balance payable amount of Rs. 217 million as highlighted by Audit has been recalculated to Rs 535 million due to fixing of price.

PAC DIRECTIVE

The PAC observed that such particular issues should be resolved at Ministry level and directed to constitute a Committee in the Ministry, **conduct meeting and report within one month.** Club this para with para 1.1(a)

4. **PARA 2.1 (PAGE 7&8-AR)**
NON-REALIZATION OF GAS DEVELOPMENT SURCHARGE FROM M/S TULLOW PAKISTAN DEVELOPMENT RS 148.735 MILLION

The Audit pointed out that M/s Tullow Pakistan Development had not been paying gas development surcharge since October, 2003. This was pointed out to the department in the previous audit report as well. In addition to the previous arrears of Rs 1, 346.516 million up to 30th June, 2007 already pointed out by Audit, the company did not pay GDS of Rs 148. 735 million due for the year 2007-08 raising the recoverable to Rs 1, 495.251 million plus interest levialbe thereon under the law for late payment, on the plea that a writ petition in this regard was pending before the Honorable Islamabad High Court. Audit observed that there was no stay from the Honorable Court against recovery of the GDS nor did the DG (Gas) undertake effective measures for recovery of government dues as arrears of land revenue as per directives of the DAC meeting held last year in November, 2007. The lapse was pointed out to the Director General (Gas) in December, 2008 and to the Ministry in April, 2009.

The PAO informed the PAC that the matter was subjudice in the court of law. Moreover, it was also intimated that the Honorable High Court ordered to freeze the accounts of company and the respondent was also directed to deposit the future amount received on account of GDS in the same accounts in addition to the amounts which was to be received from their clients.

PAC DIRECTIVE

The PAC directed to constitute a strong legal team and look into such cases. Club this para also with previous paras 1.1(a) and 1.1(b), **report within one month to the PAC.**

5. **PARA 2.2 (a) (PAGE 8-AR)**
NON-REALIZATION OF INTEREST ON LATE-PAYMENT OF GAS DEVELOPMENT SURCHARGE RS 173.019 MILLION

Audit pointed out that M/s Pakistan Petroleum Limited Karachi and M/s Sui Southern Gas Company Limited, Karachi made late payment of gas development surcharge during the year 2007-08. This attracted interested @ 15% per annum which was neither paid by the said gas marketing companies nor the Director General (Gas) take cognized of these late payments. This deprived the government of revenue of Rs 173.019 million.

The lapse was pointed out to the Director General (Gas) in March, April 2009 and to the Ministry of Petroleum and Natural Resources in May, 2009.

The PAO informed the PAC that the principal amount of Rs.1, 319 million has been recovered. However, interest of Rs.197.88 million was still due for which the case has been taken up with the government for waiver. In another case it was informed that payment of interest Rs.4.864 million was not due as all payments were in time.

PAC DIRECTIVE

The PAC settled this para subject to the recovery of interest of Rs.197.88 million also. Report to be presented within **one month to the PAC.**

6. **PARA 2.2 (b) (PAGE 9-AR)**
NON-REALIZATION OF INTEREST ON LATE-PAYMENT OF GAS DEVELOPMENT SURCHARGE RS 15.379 MILLION

Audit pointed out that the Sui Northern Gas Pipelines Limited booked interest of Rs 15.379 million (total Rs 443.836 million out of which Rs. 428.457 million has already

been pointed out by Audit previously) on amounts overdue from WAPDA vide Note 15.2 in final accounts for the financial year 2007-08. The company is operating under a covenant signed with the World Bank according to which 17.5% profit is guaranteed to it. This amount when realized is payable as gas development surcharge because it was over and above the prescribed profit margin (17.5%) of the company. Thus non-realization of interest on overdue amounts to the company is in fact causing blockage of revenue due to the government. The lapse was pointed out to the DG (Gas) and Ministry in April, 2009.

The PAO informed the PAC that the mater would be taken up with the company for early payment.

PAC DIRECTIVE

The PAC directed the PAO to take up the matter with gas companies for recovery of gas development surcharge of proportionate basis out of receipts of the Circular Debt. Report to the PAC **with in one month.**

7. **PARA 2.2 (c) (PAGE 10-AR)**
NON-REALIZATION OF INTEREST ON LATE-PAYMENT OF GAS DEVELOPMENT SURCHARGE RS 15.526 MILLION

Audit pointed out that the M/s Pakistan Petroleum Limited Karachi did not pay gas development surcharge in April, 1998 on the pleas that WAPDA had not been making the payment to it. The matter was decided by the ECC which directed M/s PPL to make payment in monthly installments equal to 7.5% of current month's liability. Payment of monthly installment was required to be made along with current month's payment. But M/s PPL deposited the said monthly installments of arrears late with a delay ranging from 1 to 29 days. However, interest of Rs 15. 526 million leviable under Section 3 of the Natural Gas (Development Surcharge) Ordinance 1967 was not paid. The DG (Gas) having jurisdiction also did not take cognizance of the matter. The lapse was pointed out to the DG (Gas) in March/April, 2009 and to the Ministry of Petroleum in May, 2009.

The PAO informed the PAC that the Ministry stated that the late payment surcharge up to 30.06.2001 has been waived off under SRO No (I)/2008 dated 27th June, 2008 which cover the amount pointed out by Audit in this para.

PAC DIRECTIVE

The PAC observed that the financial constraint should be resolved at Govt level and the decision of DAC should be implemented. Recovery should be on proportionate basis. Report to the **PAC within one month.**

8. **PARA 3.1 (PAGE 11-AR)**
NON-REALIZATION OF DISCOUNT ON CONDENSATE FROM M/S OGDCL IN RESPECTOF DHODAK OIL REFINER RS 869.975 MILLION.

Audit pointed out that M/s OGDCL had been producing petroleum products (i.e condensate, natural gas, LPG etc.) since September, 1994 from Dhodak field. The company had not been paying royalty and discount on condensate produced from this filed since its inception on the understanding that there was no sale of condensate to third party because the same processed into white products by its own installed refiner. The company, however, paid royalty on condensate in June, 2008 on the basis of value of the condensate produced from its Dakhni field but did not pay discount retained on local crude oil price. While ascertaining royalty payment, the company adopted a value of Dakhani condensate provisionally on the pleas that Dhodak field is situated in the same region and product is also of like kind and quality. On the basis of the said field's price formula, the company was liable to pay discount on local crude oil price @ 10% of the value i.e. US$ 34/barrel which comes to US$ 3.40/barrel.

As per company's own calculations adopted for the purpose of royalty, discount on local crude oil price due to the government comes to Rs. 869.975 million (approx.). During the year 2007-08, prices of condensate soared up to US $ 160/barrel and gain in price more than the pricing formula as per the PCA was also to be shared in the ratio of 50:50. Therefore, the final liability against the OGDCL in respect of Dhodak field needs to be determined on the basis of price to be fixed for the field and also keeping in view the

windfall. The lapse was pointed out to the DG (Oil) by Audit in December, 2008 and to the Ministry in April, 2009.

The PAO informed the PAC that the price of Dhodak condensate has been notified for calculation of discount applicable for the said field, which was sufficient for depositing the amount into government account.

PAC DIRECTIVE

The PAC directed to deposit the amount by the company and recovery report be presented to the **PAC within one month**.

9. **PARA 4.1(PAGE 13-AR)**
INADMISIBLE REFUEND ALLOWED TO REFINERIES RS 17,208.912 MILLION.

Audit pointed out that according to the decision of the Economic Coordination Committee (ECC), dated 25th April, 1993, refineries were allowed to be operated on import parity price and rate of return of profit margin on the paid up capital was limited to a range of 10 to 40 percent including other income. Audit had pointed out vide para 2.3 of the Subject Study Report on Refunds of Developments Surcharge on Petroleum Products for the year 2000-01 that certain refineries while claiming profit shortfall excluded some portion of other income (i.e. other income from non refiner operations) although such income was required to be included as per decision of the ECC. The para was discussed by PAC which constituted an Internal Departmental Committee (IDC) for final findings and recommendations.

The IDC recommended that responsibility be fixed, for allowing inadmissible refunds to refineries, on account of profit shortfall due to non inclusion of other income and that the amount so paid for the entire period 1992 onwards be worked out and recovered.

Pursuant to the above recommendations, a special audit conducted by the Auditor General of Pakistan's department revealed that three refineries claimed refund on account of profit shortfall during the period from 1992-93 to 2001-2002, although they were

earning a profit ranging between 10% and 40% and there was no loss to the refineries on account of any profit shortfall. The refund so claimed amounting to Rs. 17,075,823 million though inadmissible were paid to the claimants during the said period.

An amount of Rs 113.089 million was also paid in excess on account of profit shortfall due to non inclusion of other income from non refinery operation. Thus total amount of Rs 17,208,912 million was paid in excess to the refineries.

The Ministry did not give any specific reply to this para, It, however, accepted the audit observation during discussion in the DAC meeting.

PAC DIRECTIVE

The PAC directed to constitute a Committee at Govt and Public Sector level under the Chairmanship of PAO and one member will be nominated by the PAC. There should be a recovery schedule. The para will basically be decided in the DAC meeting in the first instance. **Report within one month to the PAC.**

10. **PARA 4.2 (PAGE 14-AR)**
SHORT REALIZATION OF REVENUE ON ACCOUNT OF PROFIT IN EXCESS OF PERMISSIBLE CEILING OF 40% RS. 389.133 MILLION

Audit pointed out that according to decision of the Economic Coordination Committee (ECC) April, 1993, refineries were allowed to be operated on import parity price and rate of return in the shape of profit margin including other income was limited to a range 10% to 40% on the paid up capital.

Two refineries namely National Refinery Limited, Attock Refinery Limited earned profit in excess of 40% during the year 1993 to 1999. The amount of profit in excess of 40% was required to be deposited into government treasury but Rs. 389.133 were less deposited.

The PAO informed the PAC that the refineries have been asked to pay the dues as pointed out by audit. Final position shall be intimated in due course.

PAC DIRECTIVE

The PAC observed that this is similar to previous para and should be resolved at the PAO level. Report to PAC about recovery position. A briefing should be given to the PAC in June, 2010. Include this para also in the report to be presented to the **PAC within one month.**

11. **PARA 5.3 (PAGE 17-AR)**
NON-REALIZATION OF ROYALTY ON LEQUEFIED PETROLEUM GAS FROM E & P COMPANIES

Audit pointed out that according to section 2 of the Mines and Oilfields and Mineral Development (Government Control) Act, 1948 read with rule 36 of the Pakistan Petroleum (Exploration and Production) Rules, 2001, a holder of a lease shall pay royalty at the rate of 12.5 percent of petroleum produced and saved.

Certain E&P companies were producing LPG in their oil & gas fields but were not paying royalty thereon. On pointing out by Audit, three E & P companies started paying royalty on LPG but one company i.e. M/s Orient Petroleum Investment Incorporation (OPII) did not pay the royalty either in respect of its own operated field or of its shares in other fields. The lapse was pointed out to the DG (PC) in October, 2008 and to the Ministry in April 2009.

The PAO informed the PAC that the DG PC informed the DAC on 8.05.2009 that the royalty was not leviable at the time on LPG on sale value. It was leviable on the quantity used in extraction of LPG. The Ministry, however, apprised that issue raised has been addressed through Petroleum Policy, 2007 at the instance of Audit.

PAC DIRECTIVE

The PAC directed the department to assess the actual liability and recover the ame and get it verified from Audit and report to the PAC.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

12. **PARA 177.3(PAGE 256-257-ARPSE)**

Audit pointed out that the working results of the Company for the year 2007-08 as compared to the previous years are tabulated below:-

Rs. in Million

	2007-08	**% Inc/ (Dec)**		**%Inc/(Dec)**	**2005-06**	**% Inc/ (Dec)**	**2004-05**
Gas sales quantity (MMCF)	597,913	4	576,658	0.91	571,481	6	537,086
Gas sales value	123,404	1	122,091.652	13	107,897.291	27	84,710/404
Add: (Less): Dufferebtial Margin/ (gas development surcharge (GDS)	750.496	-	(9,514.600)	365	(2,046.177)	53	(1,333.069)
Net Sales	124,155,033	10	112,577.052	6	105,851.114	27	83,3787.335
Rental Services income and deferred credit etc.	2,409.968	15	2,092,735	19	1,752.304	0.51	1,743.369
Total Income	126,565.001	10	114,669,787	7	107,603.418	26	85,120.704
Cost of gas sold	109,107.461	10	99,168.250	8	91,986.318	29	71,192.390
Operating Cost	8,364.691	11	7,565.421	15	6,581.810	17	5,642.480
Depreciation	4,812.167	8	4,439.623	5	4,218.128	16	3,646.644
Total expenses	**122,284.319**	**10**	**111,173.294**	**8**	**102,786.256**	**28**	**80,481.514**

Operating profit	**4,280.682**	**22**	**3,496.493**	**(27)**	**4,817.162**	**4**	**4,639.190**
Other operating income	1,446.568	(22)	1,855.118	1	1,828.399	99	918.747
Share in profit of associate before tax	0.422	(13)	0.485	-	-		-
Other operating expenses	957.194	297	241.324	(30)	346.300	43	241.730
Finance Cost	789.247	(80	860.715	(27)	1,180.203	12	1,054.730
Profit before taxation	3,981.231	(6)	4,250.057	(17)	5,119.058	20	4,261.477
Taxation	1,484.541	(6)	1,571.307	12	1,396.816	(8)	1,525.499
Profit after taxation	2,496.690	(7)	2,678.343	(28)	3,722.244	36	2,735.978
EPS	4.55		4.88		6.78		4.98

The Company earned a profit before tax of Rs 3,981.231 million in 2007-08, as compared to Rs. 4, 250.057 million in 2006-07. The decrease in EPS is mainly due to 11% increase in operating cost due to abnormal increase in Unaccounted for Gas (UFG) which could not be controlled by the SNGPL in spite of repeated deductions/cuts while giving the price increase by OGRA.

The PAO informed the PAC that Audit report has mentioned that the reason for decrease in cost of sale and operating expenses is not in accordance with facts as both of these items are pass-through items in the tariff formula. SNGPL profits are computed @ 17.5% of operating fixed assets and the operating expenses (i.e. cost of sales as well as operating cost) have been allowed in full. OGRA has however, made deductions on account of UFG in excess of benchmark rate as well as other disallowances which resulted in gross profit/net profit and EPS was also decreased from Rs. 4.88 in 2006-07 to Rs. 4.55 in 2007-08.

PAC DIRECTIVE

The PAC observed that due to decrease in profitability, the earning per share was decreased from Rs. 4.55 as on 30th June, 2008 to Rs. 0.50 as on December 31, 2009. PAC also observed that SNGPL donated Rs. 100 million to LUMS where Chairman/three members (including Managing Director) of SNGPL Boards were also the members of LUMS Boards. PAC directed the Management/PAO to make presentation about donations to LUMS, increase in UFG Losses and decrease in profit EPS within one month.

13. **PARA 182(PAGE 264-ARPSE)**
EXTENSION IN SERVICE TO MANAGING DIRECTOR IN VIOLATION OF GOVERNMENT INSTRUCTIONS RS 29.880 MILLION

Audit pointed out that in pursuance of Cabinet Secretariat letter dated December 04, 2007 re-employment on contract is restricted to few cases where the expertise to the civil servant is required by the Autonomous / Semi- autonomous Bodies / Corporations etc; under administrative control of the Government and requires approval of the Prime Minister. All cases of re-employment are subject to the following conditions/ criteria.

i. Non availability of suitable qualified or experienced officer to replace the retiring officer,
ii) The officer is a highly competent person with distinction in his profession / field,
iii) The re-employment does not cause a promotion blockage; and
iv) Retention of retiring officer for a specified period is in the public interest.

The Managing Director of SNGPL retired from service in March 2003 after attaining age of superannuation. Frequent extensions on yearly basis were given to the officer since March 2003, without observing the above criteria. The continuous extensions had blocked the promotions of senior most officers, depriving them to become the Chief Executive of the organization. The frequent extensions were not in line with the instructions of Cabinet Secretariat, as it has blocked the induction of new / young blood

generation through promotions. An amount of Rs. 29.880 million was paid to the officer since March 2003 to March 2009.

The matter was pointed out to the management and Ministry on May 26, 2009. The management in its reply dated June 30, 2009 stated that the services of incumbent Managing Director were re-hired on contract basis after his superannuation since March 15, 2003. His contractual employment renewed from time to time by the Prime Minister of Pakistan who was the competent authority.

The PAO informed the PAC that SNGPL is a Public Limited Company registered under the Companies Ordinance 1984 governed by its Board of Directors. The appointment of Chief Executive/Managing Director of the Company is made as envisaged under the provisions of Article 95 of the Memorandum and Article of the Company read with Section 199 of the Companies' Ordinance, 1984.

14. **PARA 183(PAGE 265-ARPSE)**
IRREGULAR APPOINTMENT OF OFFICERS ON CONTRACT AFTER SUPERANNUATION RS 21.214 MILLION

The Audit pointed out that as per Cabinet Secretariat letter, dated December 04,2007 re-employment on contract after superannuation is restricted to few cases where the expertise of the servant is required by the Autonomous/Semi-autonomous Bodies/Corporations under administrative control of the Govt. requires approval of the Prime Minister. All cases of re-employment are subject to the following conditions/criteria.

i) Non availability of suitable qualified or experienced officer to replace the retiring officer,
ii) The officer is a highly competent person with distinction is his profession/field,
iii) The re-employment does not cause a promotion blockage and
iv) Retention of the retiring officer for a specifiied period is in the public interest.

v) The management of SNGPL re-employed 14 officers beyond age of superannuation without fulfilling the prescribed formalities during 2003 to 2008 hence, their appointments were considered irregular, as these are in contravention of specified conditions/criteria.

PAC DIRECTIVE

The PAC clubbed paras 182 & 183 and settled.

15. i) **PARA 184 (PAGE 267-ARPSE)**
LOSS DUE TO NON RECOVERY OF LIQUIDATED DAMAGES AND MARKUP CHARGES FROM SUPPLIER RS. 2.600 MILLION

The Audit pointed out that as per clause 4 of the Appendix "A" the liquidated damages will be recovered from the supplier in case of failure to provide the consignment within the stipulated time.

A purchase order dated September 28, 2006 was placed on M/s Rikans for procurement of different polythene fittng valuing US$ 641,834. The subject was required to deliver the goods witin 3 to 4 months after receipt of operative L.D. The supplier made partial delivery of US $ 214,804 and drew the total amount from the bank, however remaining supplies were made on June 20, 2007 after 74 days. The claims of Rs. 2.600 million {Rs. O.528 million on account of loss of markup @ 10% for 74 days (US$ 427,052) and liquidated damages of Rs. 2.072 million were pending against the supplier whereas the Performance Warranty Bond Guarrantee was expired on March 30, 2008.

The matter was pointed out to management and Ministry on May 7, 2009. The management in its reply dated June 30, 2009 intimated that notice to the supplier to reimburse the L.D and markup was issued and was being pursued. The reply was not convincing as the management could recover the amount before expiry of PWGB. As the collateral had been expired hence chances of recovery were remote.

ii) **PARA 189(PAGE 276-277-ARPSE)**
LOSS DUE TO NON PROCUREMENT OF STORE AT RISK AND COST OF DEFAULTER FIRM (US $ 2.018 MILLION) RS.139.227 MILLION AND NON FORFEITURE OF BID MONEY RS. 5.500 MILLION

Audit pointed out that in terms of clause 21.1 and 21.2 of Part B, Section-II of the tender documents, if a contractor fails to comply with the terms of the contract and in case he does not remedy his failure within a period of ten days after the receipt of notice, the contract will be terminated and the goods shall be purchased at the risk and cost of the defaulter firm. Moreover in terms of clause 13.5.1 and 13.5.2 of the said documents, the bid bond will be forefeited if the supplier with draws his bids during the period of bid validity and fails to furnish performance bond.

In OGDCL, Islamabad tenders for the procurement of 37,000 meters seamless pipes (size 6".8.10") were opened on August 24, 2007. Financial bids of the technically qualified bidders were opened on September 30, 2007 to M/s. Huffaz Seamless Industries Ltd, Karachi being the lowest bidder with US$3.484 million. The successful bidder was bound into submit performance bond/guarantee within 15 days after issuance of LOI. After expiry of validity period of the firm on January 1, 2008, the purchase order was issued by OGDCL vide letter dated February -01, 2008. The firm refused to supply the stores on the plea that they have not received the LOI and the purchase order was received on February 12, 2008 after expiry of the validity period. The management cancelled the deed and the material was purchased for US$ 5.502 million from M/s Shahzad International vide purchase order dated April 30, 2008. The company sustained loss of US $ 2.018 million equal to Pak Rs. 139.277 million (US $ 5.502 million US$ 3.383 million. The bid bond for Rs. 5.500 million f defaulting firm was released on November 5, 2008. The audit is of the view that undue favour was granted to the firm and no action was invited to black list the firm and OGDCL had to sustained a loss of Rs. 144.727 million (Rs.139.227+5.5—million) due to delay in finalization of the purchase order.

PAO explained that in response to the subject tender, M/s Huffaz Seamless Pipe Industries, Karachi had quoted separately 15% Sales Tax and 1% Special Excise Duty in their bid which was found technically responsive and financially lowest. As the E&P companies were exempted from paying 15 GST therefore, the case was initially approved by MD & CEO in favour of M/s Huffaz, Karchi without 15% GST and inclusive of 1% CED.

The LOI was issued on December 3, 2007 within validity of their bid i.e. January 1, 2008.

As regard to the late issuance of purchase order and follow up, it is clarified that OGDCL could not receive the exemption certificate from DGPC regarding 15% GST exemption and therefore, management advised to re-submit case for approval to enhance the LOI value by 15% GST. The case was processed accordingly and after approval of MD & CEO, the PO dated February 1, 2008 was issued after inclusion of 15% GST in favour of M/S Huffaz, Karachi. During the revised approval, the supplier remained in touch for issuance of purchase order alongwith revised amount including 15% GST. The confirmation of LOI and submission of Performance Bank Guarantee was not provided by the supplier.

It is further clarified that the steel prices were very high world-wide at that time almost by 60-70% that can be verified from the prices of Pak Steel during January 2008 to November 2008. This increase is also applicable on E&P companies as per ECC decision No.ECC-47/3/2004, dated May 20, 2004. May be due to this very reason M/s Huffaz, Karachi could not maintain their quoted prices and declined on February, 2008 to accept purchase order upon receipt after expiry of their bid bond and submitted received financial bid enhancing the bid value by 35%. Since the bid bond was expired on 31st January, 2008 and conditional LOI was issued excluding 15% GSt to M/s Huffaz, but later on exemption from DGPC was not provided vide their letter No.DGPC/Imp-9(9)/2007 Tax exemption dated February 4, 20008 therefore, encashment of bid bond was illogical.

As regard to blacklisting of the firm, the case was initiated against the firm and submitted to the management, however, the management did not agree to blacklist the company on the plea that M/s Huffaz, Karachi is the only API certified company in Pakistan as it will not be in the interest of Pakistan and local industry. In case of black listing of the firms in future OGDCL had to purchase invariably at a higher rate of 20% to 25%.

PAC DIRECTIVE

The PAC clubbed paras 184 & 189 being serious irregularities and aspect of favoritism and directed to inquire in the matter at PAO level and **report within one month to the PAC.**

16. **PARA 166 (PAGE 243-ARPSE)**
NON RECOVERY OF LATE PAYMENT SURCHARGE RS. 3.534 BILLION

The Audit pointed out that as per terms and conditions of agreement for the sale of gas, the bill amount shall be paid by the customer within 30 days after each preceding billing month. In case of delay in payment, late payment surcharge shall be levied at the bank rate on the total value of the bill.

Pakistan Petroleum Limited (PPL) did not recover late payment surcharge as heavy amount was outstanding as under:-

(Rs. in million)

Customer	Period	Amount
WAPDA	July 2001 to March 2009	2,847.575
SSGCL	October 2006 to March 2009	499.654
SNGPL	October 2008 to March 2009	187.242
Total		3,534.471

Having no resolve in the matter, DAC recommended the para for placement before the PAC.

PAO explained that the PPL has executed various agreements with WAPDA, SSGCL and SNGPL for sale of gas from various operated and non operated fields which allow the customers the credit period ranging from 18 days to 2 months.

The customers of PPL are continuously defaulting in timely settlement of PPL's gas sales bills from October 2006. In this respect, PPL has taken all necessary steps for recovery of the dues from the defaulting customers including serving of disconnection notices. Moreover, the Ministry of Petroleum and Natural Resources has also been requested on a regular basis to intervene for settlement of PPL's outstanding dues by the defaulting customers. However, the long outstanding issue of over dues still remains unresolved. As on 5th March 2010 an amount of Rs. 20,170 million as overdue outstanding from the defaulting customers.

PPL has also been raising debit notes on defaulting customers for payment of late payment surcharge (LPS) on delayed payment of gas sales bills. To date, LPS of Rs. 5,701.289 million is receivable from the defaulting customers. The customer wise breakup of LPS is given below:-

Customer	Period	Amount
WAPDA	July 2001 to Jan 2010	3,313.933
SSGCL	Oct 2006 to Jan 2010	1,256.193
SNGPL	Oct 2008 to Jan 2010	1,131.163
		5,701.289

PPL continues to follow defaulting customers for payment of LPS. However, despite constant follow up and reminders the customers have failed to respond to any of PPL's reminders.

It was noted that the issue of overdue receivables and late payment surcharge is part of the inter corporate circulate Debt. This issue will only be settled once the Government takes initiatives for settlement of the Inter Corporate Circulate Debt. The Company has continuously been following Ministry of Petroleum and Ministry of Finance for early

resolution of the issue. In this regard a meeting was also held in Islamabad on 14th November, 2008 which was attended by representatives of various companies involved in the Inter Corporate Circulate Debt and the Advisor to PM on Petroleum and Natural Resources. In the aforesaid meeting it was agreed that the companies will reconcile their outstanding balances and send them to Ministry of Finance for settlement through Inter Corporate Circulate Debt. The matter of LPS was also discussed in the meeting and it was decided that the issue of LPS will also be resolved once the issue of overdue is settled. However, the issue of overdue receivables is yet to be resolved.

PAC DIRECTIVE

The PAC settled the para subject to verification by Audit.

17. **PARA 169(PAGE 246-ARPSE)**
LOSS DUE TO SHORT DELIVERY OF POL PRODUCT RS. 3.120 MILLION

The Audit pointed out that as per clause 10 to 13 of cartage agreement dated June 12, 1990 between Pakistan State Oil (PSO) and M/s. Farhat Transport Company (the contractor), the safety of goods in transit and to ensure proper delivery of quantity and quality of goods to consignee and to obtain proper receipts of the delivery was responsibility of the contractor.

Contrary to above, POL products (HSD, LDO and M.S) costing Rs. 6.119 million were short delivered by the contractor at destinations during the period 1994 to 2000. The management recovered an amount of Rs. 2.999 million in installments up to December 2001. However, the balance recovery of Rs. 3.120 million could not be recovered which was outstanding as on June 30, 2008.

The non-recovery was reported to the management in June 2009. Subsequently the matter was discussed in the DAC meeting held on July 1, 2009. The DAC directed the management to pursue the recovery suit in the court of law.

PAO explained that in the year 1999 the Cartage Contractor requested for payment of amount in installments. The request was approved by the management. But the Cartage Contractor failed to pay as committed.

Summons were served on the defendants through district Judge Chakwal in March 2007 but the Bailiff reported that the defendant has died and the court directed that the plaintiff should provide details of legal heirs of the defendants for service of summons. Due to the judicial crisis, the courts mostly remained closed for the past two years delaying every process of litigation and the case is being pursued now.

As per instructions of the DAC, PSO is pursuing the recovery suit in the court of law. However, we have done our best efforts but the whereabouts of the legal heirs of the defendants could not be traced. PSO is now hiring the services of a private investigator to find out the traces of the legal heirs of the defendant to provide the same to the court to service summons and further proceed the case on merit.

PAC DIRECTIVE

The PAC clubbed the para with deferred paras for inquiry and **report to the PAC within one month.**

18. **PARA 170 (PAGE 247-ARPSE)**
NON SETTLEMENT OF OUTSTANDING DUES RS. 73 MILLION

Audit pointed out that as per Credit Control and Billing (CCB) System of the Pakistan State Oil (PSO), the CCB department has to take no unwarranted risk and to monitor that payment of all receivables is made within the credit terms and specified time.

PSO supplied POL products to the directorate General of Investment Promotion and Supplies during the period 2000-01 to 2001-02, but their cost amounting to Rs. 73 million was not recovered which was outstanding as on June 30, 2008.

The department was closed down in 2001, however, the management did not take effective steps for realization of the receivable in time and with the passage of time, their conversion into bad debts cannot be ruled out.

PAC DIRECTIVE

The PAC directed the management to take up the matter in Board of Management for decision and inform the Audit accordingly. The PAC deferred the para till the decision of the Board of Management meeting to be held on 5th June, 2010.

19. **PARA 171 (PAGE 247-ARPSE)**
NON-RECOVERY OF COST OF SUPPLIED HSD RS. 158 MILLION

The Audit pointed out that as per Credit Control and Billing (CCB) system of the Pakistan State Oil (PSO) the CCB department has to take no unwarranted risk and to monitor that payment of all receivable is made within the credit terms and specified time.

PSO supplied High Speed Diesel (HSD) to M/s Pakistan Motor Ways Contractors Joint Venture (PMC-JV) during the period March 2004 to December 2005. The supplies were made on the basis of local letters of credit L/C established by the PMX-JV in favour of PSO. However, PSO could not realize the dues amounting to Rs. 158 million due to non-submission of their bills within the validity of L/C. Consequently, PMC-JV agreed in November 2006 to pay the balance amount in installments. But failed to honor their commitment and no recovery could be made by PSO till June 30, 2008.

The non-recovery was pointed out to management in June 2009.. Subsequently the matter was discussed in the DAC meeting held on July 1, 2009. The DAC directed the management to pursue the recovery suit in the court of law.

The PAO explained that PSO had supplied POL to PMC-JV/SKB Engineering on credit terms through secured credit against L/Cs. To claim the payments against this L/Cs PSO needed the following documents:-

- Original Copy of L/C

- Material Receipt Vouchers (MR Vs) i.e. acknowledgement of supplies form the customer.

In most of the cases despite PSO's follow-up, customer failed to deliver PSO the MRVs and the original copy of L/Cs in time: due to which validity period fo said L/Cs got expired and despite PSO raised bills against these L/Cs, no payment whatsoever was released by L/C opening banks on the grounds that L/Cs are expired.

Since then PSO has been vigorously follow-up with PMC-JV/SKB Engineering for reconciliation/recovery of outstanding amount and has also written numerous letters and held meetings with their officials. All these efforts resulted in obtaining commitment from them for the payment of Rs. 108 million first (as per their schedule) and consent for reconciliation of remaining Rs. 50 million, despite PSO's vigorous follow-up, no payment has been made so far.

Keeping in view the failure of commitment to release payment as per their given schedule, PSO served a legal notice to the principles of PMC/JV/SKB Engineering in 2008; reply to which was then received by PSO in which the customer has categorically refused to pay the outstanding amount. This case is now with our legal department and all concerned departments are working in close liaison with our legal counsel for filing of recovery suit against PMC/JV/SKB Engineering and consortium.

As per instructions of the DAC, recovery suit has been filed on February 13, 2010 before the Sr. Civil Judge, Islamabad. The learned judge after hearing the submissions of our advocate served notices upon defendants and adjourned the case for March 27, 2010.

PAC DIRECTIVE

The PAC deferred the para, fix responsibility as to why the case was not taken up and **report to the PAC within one month**.

20. i) **PARA 1.2 (PAGE 3-AR)**
SHORT-REALIZATION OF ROVALTY ON LPG RS. 19.807 MILLION

ii) **PARA 1.3 (PAGE 4-5-AR)**
NON REALIZATION OF ROYALTY FROM TWO SHARE HOLDERS OF BADAR BLOCK OILFIELD RS. 29.717 MILLION

iii) **PARA 5.1 (PAGE 17-AR)**
NON-REALIZATION OF PETROLEUM DEVELOPMENT LEVY FROM DHODAK REFINERY LIMITED (SUBSIDIARY OF M/S OGDCL)

iv) **PARA 5.2 (PAGE 18-AR)**
NEED FOR AMENDMENT IN RULES TO CHECK UNDUE RETENTION OF COLLECTED REVENUE BY COLLECTING AGENTS

v) **PARA 5.4 (PAGE 20-AR)**
LATE PAYMENT OF REVALTY BY E&P COMPANIES SUI NORTHERN GAS PIPELINES LIMITED

vi) **PARA 177 (PAGE 255-ARPSE)**

vii) **PARA 177.1 (PAGE 255-256-ARPSE)**

viii) **PARA 177.2 (PAGE 255-ARPSE)**

ix) **PARA 177.4 (PAGE 257-ARPSE)**

x) **PARA 177.5 (PAGE 257-ARPSE)**

xi) **PARA 177.6 (PAGE 258-ARPSE)**

xii) **PARA 177.7 (PAGE 258-ARPSE)**

xiii) **PARA 177.8 (PAGE 259-ARPSE)**

xiv) **PARA 177.9 (PAGE 259.260-ARPSE)**

xiv) **PARA 177.10 (PAGE 260-ARPSE)**

xv) **PARA 177.11 (PAGE 260-261-ARPSE)**

xvi) **PARA 178 (PAGE 261-262-ARPSE)**
NON-RECOVERY FROM M/S GUDDU POWER STATION SINCE 2005 – RS. 175.965 MILLION

xvii) **PARA 179 (PAGE 262-ARPSE)**
NON RECOVER FROM CONSUMERS OF GURGURI AND URBASHI VILLAGE OF DISTRICT KARACK RS. 65.126 MILLION

xviii) **PARA 180 (PAGE 263-ARPSE)**
LOSS DUE TO PREMATURE FAILURE OF DOMESTIC METERS RS. 55.498 MILLION

xix) **PARA 181 (PAGE 264-ARPSE)**
IRREGULAR PAYMENT OF SPECIAL EXCISE DUTY RS. 45.528 MILLION

xx) **PARA 185 (PAGE 267-268-ARPSE)**
NON RECOVERY ON ACCOUNT OF RISK AND COST PURCHASE RS. 2.739 MILLION

xxi) **PARA 186 (PAGE 268-ARPSE)**
THEFT OF STORES ITEMS VALUING RS. 1.816 MILLION

xxii) **PARA 187 (PAGE 269-ARPSE)**
LOSS DUE TO NON-ACCEPTANCE OF MARINE INSURANCE CLAIM US $ 14,684 (RS.0881 MILLION)

OIL AND GAS DEVELOPMENT COMPANY LIMITED

xxiii) **PARA 188 (PAGE 270-ARPSE)**

xxiv) **PARA 188.1 (PAGE 270-271-ARPSE)**

xxv) **PARA 188.2 (PAGE 271-273-ARPSE)**

xxvi) **PARA 188.3 (PAGE 273-ARPSE)**

xxvii) **PARA 188.4 (PAGE 274-ARPSE)**

xxviii) **PARA 188.5 (PAGE 275-276-ARPSE)**

xxix) **PARA 190 (PAGE 277-ARPSE)**
LOSS DUE TO NON-INITIATING RISK AND COST ACTION AGAINST THE DEFAULTING SUPPLIER US$ 195,600 RS. 13.692 MILLION

xxx) **PARA 191 (PAGE 278-279-ARPSE)**
LOSS OF MATERIAL IN TRANSIT RS. 8.687 MILLION

xxxi) **PARA 192 (PAGE 279-280-ARPSE)**
IRREGULAR APPOINTMENT OF CONSULTANTS AND PAYMENT RS. 3.175 MILLION

xxxii) **PARA 193 (PAGE 280-281-ARPSE)**
LOSS DUE TO NON INITIATING RISK PURCHASE ACTION AGAINST THE DEFAULTER FIRM RS. 3.114 MILLION

xxxiii) **PARA 194 (PAGE 281-ARPSE)**
LOSS DUE TO NON-FINALIZATION OF PROCUREMENT CASE WITHIN VALIDITY PERIOD US $ 17,850 (RS 1.071 MILLION)

xxxiv) **PARA 195 (PAGE 282-283-ARPSE)**
LOSS DUE TO SHORT SHIPMENT OF STORE RS. 0.709 MILLION

PIRKOH GAS COMPANY (PVT.) LIMITED

xxxv) **PARA 196 (PAGE 284-ARPSE)**
BACK GROUND INFORMATION

xxxv) **PARA 196.1 (PAGE 285-ARPSE)**

xxxvi) **PARA 196.2 (PAGE 285-ARPSE)**

xxxvii) **PARA 196.3 (PAGE 286-ARPSE)**

xxxviii) **PARA 196.4 (PAGE 286-ARPSE)**

xxxix) **PARA 196.5 (PAGE 286-ARPSE)**

xxxx) **PARA 196.6 (PAGE 286-ARPSE)**

PAKISTAN MINERAL DEVELOPMENT CORPORATION (PVT.) LIMITED

1) **PARA 197 (PAGE 287-ARPSE)**

2) **PARA 197.1 (PAGE 288-ARPSE)**

3) **PARA 197.2 (PAGE 289-ARPSE)**

4) **PARA 197.3 (PAGE 289-ARPSE)**

5) **PARA 197.4 (PAGE 290-ARPSE)**

6) **PARA 197.5 (PAGE 290-ARPSE)**

7) **PARA 198 (PAGE 290-ARPSE)**
LOSS DUE TO NON RECOVERY OF RISK PURCHASE COST FROM THE DEFAULTING SUPPLIER RS. 23.652 MILLION

LAKHRA COAL DEVELOPMENT COMPANY LIMITED

xxxviii) **PARA 199 (PAGE 292-ARPSE)**

xxxix) **PARA 199.1 (PAGE 292-ARPSE)**

xl) **PARA 199.2 (PAGE 293-ARPSE)**

xli) **PARA 199.3 (PAGE 294-ARPSE)**

GOVERNMENT HOLDING (PVT.) LIMITED

xlii) **PARA 200 (PAGE 295-ARPSE)**

xliii) **PARA 200.1 (PAGE 295-ARPSE)**

xliv) **PARA 200.2 (PAGE 296-ARPSE)**

xlv) **PARA 200.3 (PAGE 296-ARPSE)**

xlvi) **PARA 200.4 (PAGE 297-ARPSE)**

xlvii) **PARA 200.5 (PAGE 298-ARPSE)**

xlviii) **PARA 200.6 (PAGE 298-ARPSE)**

PAKISTAN PETROLEUM LIMITED

xlix) **PARA 165 (PAGE 243-ARPSE)**

l) **PARA 165.1 (PAGE 243-ARPSE)**

li) **PARA 167 (PAGE 244-ARPSE)**
LOSS DUE TO OVER-PAYMENT TO THE CONTRACTOR IN VIOLATION OF CONTRACT AGREEMENT RS. 13.057 MILLION

PAKISTAN STATE OIL COMPANY LIMITED

lii) **PARA 168 (PAGE 246-ARPSE**
NON-RECOVERY OF OLD OUTSTANDING DUES AGAINST SUPPLY OF LUBRICANTS TO VARIOUS CUSTOMERS RS. 1.166 MILLION

SAINDAK METALS (PVT.) LIMITED

liii) **PARA 172 (PAGE 249-ARPSE)**

liv) **PARA 172.1 (PAGE 249-ARPSE)**

SUI SOUTHERN GAS COMPANY LIMITED

lv) **PARA 173 (PAGE 251-ARPSE)**

lvi) **PARA 173.1 (PAGE 251-ARPSE)**

lvii) **PARA 173.2 (PAGE 251-ARPSE)**

lviii) **PARA 174 (PAGE 252-ARPSE)**

lix) **PARA 175 (PAGE 253-ARPSE)**
NON-RECOVERY OF TARIFF INVOICES ON ACCOUNT OF ZAMZAMA GAS FIELD RS. 26.464 MILLION

lx) **PARA 176 (PAGE 253-ARPSE)**
LOSS DUE TO UNAUTHORIZED SALE OF HOUSE HOLD ITEMS TO EX-MANAGING DIRECTOR RS. 0.224 MILLION

PAC DIRECTIVE

On the presentation of the above paras by the Audit, the Public Accounts Committee directed the Ministry to implement the DAC's decisions and report to PAC/Audit.

ACTIONABLE POINTS

The following are the actionable points arising out from the discussion of the PAC meeting on the Audit Report 2008-09 pertaining to the Ministry of Petroleum & Natural Resources held on the 15th June, 2011:-

AUDIT REPORT ON THE ACCOUNTS OF NON-TAX RECEIPTS OF THE MINISTRY OF PETROLEUM AND NATURAL RESOURCES FOR THE YEAR 2008-09

1. i) **PARA 4.1. (PAGE 13-AR)**
INADMISIBLE REFUEND ALLOWED TO REFINERIES RS 17,208.912 MILLION.

ii) **PARA 4.2 (PAGES 14-AR)**
SHORT REALIZATION OF REVENUE ON ACCOUNT OF PROFIT IN EXCESS OF PERMISSIBLE CEILING OF 40%- RS. 389,133 MILLION.

Audit pointed out that the above paras were discussed in PAC meeting held on 20-05-2010, the refineries contested the Ministries' demand for recovery on the ground that being the affectees, they were never called for, in the proceedings and requested to provide them an opportunity of being heard before issuance of PAC directives. Considering the request of the refineries, the PAC constituted a Special Committee with the direction to review the entire case afresh, hearing the view point of all the stakeholders. The meeting of the Special Committee was held on 26-07-2010 which was attended by the refineries, Ministry of Petroleum, Audit and a member nominated by the PAC. The draft/provisional minutes of the meeting could not be finalized as the DG RRA wanted to verify certain facts presented by the refineries and seek approval of the office of the Deputy Auditor General, RRA wing and the Auditor-General of Pakistan. The office of the Auditor-General of Pakistan raised certain queries/observations which were communicated to the Ministry and subsequently discussed in the DAC meeting.

The PAO explained that in May 2010, accepting the Audit point of view the Ministry asked the refineries to deposit the amount as pointed out by audit.

PAC DIRECTIVE

The paras were remanded back to the DAC with the direction that PAO may ensure that record is produced to Audit and the para finalized by **10th July, 2011.**

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN STATE OIL COMPANY LIMITED

2. **PARA 169-(PAGE 246-ARPSE)**
LOSS DUE TO SHORT DELIVERY OF POL PRODUCT RS. 3.120 MILLION

Audit pointed out that the para was discussed earlier in PAC meeting held on 20th May, 2010 and gave the following directive:-

> "The PAC clubbed the para with deferred paras for inquiry and report to the PAC **within one month."**

The PAO informed that for further recovery, the case is being pursued in the court of Law.

PAC DIRECTIVE

The para was remanded back to the DAC with the directions that the PAO may reassess all such cases, pursue Court cases vigorously and suggest systemic changes for ensuring for ensuring that delays such as occurring in this case, are not repeated. Steps already taken for putting internal controls and systems of monitoring in place may be sent to the PAC Secretariat and Audit in **one week's time.**

3. **PARA 170 (PAGE 247-ARPSE)**
NON SETTLEMENT OF OUTSTANDING DUES RS. 73 MILLION

Audit pointed out that the para was discussed earlier in PAC meeting held on 20th May, 2010 and gave the following directive:-

> "The PAC directed the management to take up the matter in Board of Management for decision and inform the Audit accordingly. The PAC deferred the para till the decision of the Board of Management meeting to be held on 5th June, 2010."

The PAO explained that as per directive of the PAC the matter was placed before BoM of the company for writing off the outstanding amount. This has been done in the Board meeting dated August 6, 2010, and verified by Audit.

PAC DIRECTIVE

The para was settled since the Board of Management has approved to write off the outstanding amount.

4. **PARA 171 (PAGE 247-ARPSE)**
NON-RECOVERY OF COST OF SUPPLIED HSD RS. 158 MILLION

Audit pointed out that the para was discussed earlier in PAC meeting held on 20th May, 2010 and gave the following directive:-

> "The PAC deferred the para, fix responsibility as to why the case was not taken up and **report to the PAC within one month**."

The PAO explained that as per instruction of PAC a report PMC-JV was submitted on June 25, 2010 to Ministry of Petroleum & Natural Resources on June 25, 2010.

- Recovery suit has been filed on February 13, 2010 before the Sr. Civil Judge, Islamabad. The learned Judge after hearing the submissions of our advocate served notices upon Defendants and adjourned the case for March 27, 2010.
- The suit was fixed on March 27, 2010 however no proceedings had taken place as the Judge was on leave.
- Later on the case was fixed for hearing on July 27, 2010 on which receipts of notices issued in the name of the defendants who failed to appear on the previous date as 11 out of total 18 Defendants have entered their appearance in the Court so far. The learned Judge was pleased to Order the issuance of Notices through TCS to the rest of the Defendants with and additional Order to the present Defendants to file written statements. The case was fixed for hearing on October 11, 2010.

- Subsequently, the case, due to its pecuniary jurisdiction, has been transferred to Islamabad High Court, no notice for hearing has yet been issued by the Court.

The matter is under review of Ministry of Petroleum & Natural Resources and further action would be taken as per their recommendations.

PAC DIRECTIVE

The para was kept pending with the direction that the PAO may carry out an inquiry personally, and fix responsibility, which has been found lacking in the inquiry earlier conduct by the M/O Petroleum. The PAC also noted that there was a systemic failure in handling of such cases in the Ministry and also that Legal Department of the Ministry is not doing its job properly. It was directed that the Attorney General's Office may be approached for early settlement of all such cases. A report may be submitted on the above in **one month's time.**

PLANNING AND DEVELOPMENT DIVISION

1. OVERVIEW

Appropriation Accounts 2007-08, Special Audit Report of Federal DERA Unit (FDU) for the year 2005-06 (2003-06) and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to Planning & Development Division were taken up for examination by the Public Accounts Committee on **23rd April, 14th June, 2nd November, 7th December, 2010 and 25th June, 2011.**

1.1 The PAC considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving unauthorized expenditure on procurement of vehicles, loss due to investment in stock exchange, non-production of audited accounts, non-accountal of sale deeds, irregular/un-economical purchases, irregular payments, etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issues, directing the PAO to take appropriate action.

1.3 There were 54 paras and 2 grants reported by Audit. These paras/grants were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of PAC. 02 grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Division. The Committee gave directives on 06 paras, while the committee on 48 Audit paras directed the PAO to implement the DAC decisions. The PAC ordered recoverable sums amounting to **Rs** _____ out of which a sum of **Rs** _____ has been realized. For the remaining amount, the Committee directed the Division to affect recoveries within the stipulated time in each case. It was also decided that the progress of implementation of the PAC directives would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 23rd April, 2010 pertaining to **Planning and Development Division** on the Special Audit Report of Federal Dera Unit for the Financial year 2003-06:-

The Public Accounts Committee (PAC) in its meeting held on 19th December, 2009, examined the Special Audit report of Federal Dera Unit (FDU) and recommended necessary action,

The Hon. Chairman PAC constituted a Special/Sub-Committee under the Convenership of Mr. Zahid Hamid, MNA alongwith Mr. Hamid Yar Hiraj and Mr. Bahadur Ahmed Khan Sihar MNAs as its members; with the following ToR:

> "To further examine the Report submitted by the PAO in the first week of February, 2010. Thereafter, the report of the Sub-Committee will be discussed in the next meeting of PAC held during the month of February to financial the issues."

The Special/Sub-Committee held its meeting on 9th February, 2010 at 2:30 p.m in Committee Room #2, Parliament House, Islamabad and discussed the Special Audit Report in detail.

Mr. Zahid Hamid MNA/Convener of the said Committee presented the above report before the PAC in its meeting held on 23rd April, 2010. The Convener of the committee informed the PAC that the paras given in the report were examined/discussed in detail. The Committee found that the irregularities have been established in the appointments made in the Federal Dera Unit (FDU) and one month time was given to get Ex-post facto approval from the Establishment Division and (Finance and Law Division were it so required.) but the same has not been obtained.

PAC DIRECTIVE

The PAC directed the PAO to take immediate steps/action on the recommendations made by the Special/Sub-Committee and report to the PAC Secretariat and Audit.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on 14th June, 2010 pertaining to Planning and Development Division for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:

APPROPRIATION ACCOUNTS (CIVIL)VOLI -2007-08)

1. **GRANT NO.96-PLANNING AND DEVELOPMENT DIVISION (PAGE 655-AA)**
(Excess of Rs 27,479,694)

The Audit pointed out that the grant was closed with an excess of Rs 27,479,694 which worked out to 8.20 percent of the total grant. An amount of Rs 3,800,535 (1.13%) was surrendered increasing net excess to Rs 31,280,229(9.33%).A supplementary grant of Rs 17,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the reasons of excess/saving are as under:-

i) Due to revision of Pay Scales and increase in Regular Allowances allowed w.e.f 01-07-2007
ii) Due to non filling of 42 posts of staff.

PAC DIRECTIVE

The PAC regularized the grant with the direction to ensure good financial management by monthly monitoring of the budget in future.

2. **GRANT NO.157-DEVELOPMENT EXPENDITURE OF PLANNING AND DEVELOPMENT DIVISION (PAGE 657-AA)**
(Saving of Rs 12,455,117,205)

The Audit pointed out that the grant was closed with a saving of Rs 12,455,117,205 which worked out to 80.40 percent of the total grant. An amount of Rs 10,528,382,267 (67.96%) was surrendered leaving net saving to Rs. 1,926,734,938 (12.44%). A

supplementary grant of Rs 181,574,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The department pointed out variations in the figure of actual expenditure of Rs. 184,100,000 and surrender of Rs 1,195,074,733. All these differences are due to non reconciliation by the Department even submission of draft Appropriation Accounts on 15-11-2008.

The PAO explained that the saving occurred due to the following reasons:-

i) The IMU is an Umberlla Project for Development of Infrastructure Institutional Capacity Building and preparation of Project Feasibility Studies.During 2007-08 an amount of Rs 174.131 million was surrendered in favour of Ministries and Rs 414,792 million was surrender to government in time. Out of balance of Rs44.783 million, an amount of Rs 17.911 million was utilized by the Infrastructure Management Unit (IMU) and Rs 30.456 million was received through re-imbursement by donors and debited against this project. After taking into account the amount of re-imbursement of Rs 30.456 million there is an excess of Rs 3.58 million instead of savings of Rs 26.872 million as shown in appropriation accounts.

ii) The amount retained for release to the City Govt. Sindh to conduct studies, but they could not submit the study due to which the unspent balance could not be surrendered.

iii) Due to non release of funds by the Finance Division.

iv) Due to following reasons:-

The allocation was made for more than actual requirement of the IGDP Offices. Approved cost of project was Rs 45.492 (m) and closing date of project was 30-06-2008 but the project duration was extended up to 30-06-2009 by the competent authority with the conditions that projects approved cost will not be exceeded, as such the savings were surrender in time.

v) Due to ban on recruitments by the Government.

vi) Surrendering of amount in favour of Cabinet Division.

PAC DIRECTIVE

The PAC regularized the grant with the direction to make sure that mis-management will not occur in future.

AUDIT REPORT ON THE ACCOUTNS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

3. **NATIONAL LOGISTIC CELL (NLC)**

Audit pointed out that Annual Audited Accounts of Public Sector Enterprises for the years 2007-08 & 2008-09 were to be provided to the Directorate General of Commercial Audit & Evaluation, Lahore by January 15, 2009 and January 15, 2010 respectively. Despite repeated, D.O letters, telephonic conversations and personal visits, the management of National Logistic Cell failed to provide their Annual Audited Accounts for the year 2007-08 &2008-09 by prescribed date. Non-submission of the accounts needs to be explained.

PAC DIRECTIVE

The PAC deferred this with the direction to submit a report in this regard **with in one week** to the PAC.

4. **PARA 202(PAGE 301-302-ARPSE)**
UN-AUTHORIZED GRANT OF LOAN TO JOINT VENTURE- RS.75 MILLION

Audit pointed out that as per clause-3 of loan agreement executed between NLC and Japan Power Generation Limited (JPGL), "the NLC loan shall be re-payable by 31 December 2007, but in no event shall be extended beyond 30 June, 2008".

NLC entered into a loan agreement with JPGL on July 02, 2007 for the purpose of meeting the existing liabilities. The loan was repayable by December 31, 2007 along with 14% interest per annum. The loan would not be extended beyond June 30, 2008. The loan

in question was not repaid by the JPGL. The company paid an interest of Rs13.118 million up to September 30, 2008 in two installments.

As per quarterly accounts of the company ending on September 30, 2008 the company has shown a net loss of Rs.206.473 million. Keeping in view the financial position of the company chances of repayment of NLC loan of Rs.75 million was remote. The loan of JPGL was sanctioned by the DG NLC. Moreover, no authority has been delegated to the DG NLC in the Delegation of powers for sanctioning loan to any Joint Venture or outside agency. The loan to JPGL was sanctioned despite the fact that NLC had loan liability of Rs.4, 739 million at the time of sanctioning loan.

The PAO explained that the NLC is pursuing the matter vigorously to recover the principal amount of loan and interest thereon.

PAC DIRECTIVE

The PAC directed to hold enquiry and fix responsibility for unauthorized grant of loan to JPGL when NLC had a loan liability of Rs 4,739 million as on June, 30, 2007 beside effecting recovery of the loan along with interest from the defaulting Company.

5. **PARA 203 (PAGE 302-303-ARPSE)**
OVERPAYMENT TO SUB-CONTRACTORS DUE TO MIS-MANAGEMNET – RS.44.098 MILLION

The Audit pointed out that in accordance with the agreement made between M/s NLC and subcontractors, no mobilization advance or any advance will be permissible to the sub-contractors. The payment will be released to sub-contractor on the submission of bill on RAR with documentary proof. The Officer In charge (OIC), Works will scrutinize and authenticate the progress of work included in the RAR/bill and will release the payment. The payment to subcontractor will be made, from the payment received for the work which has been vetted and approved by the client".

i) In NLC a project for construction of Cadet College Swabi was taken over from the HQ Log Area, Peshawar on March 25, 2006 for construction of hostel block, administration block, cadet mess, residential colony, museum/yadgar and external works etc at a total cost of Rs.471.000 million. The period of contract was 21 months till December 37, 2007. In order to complete the work within the stipulated time, the management of NLC awarded the construction work to the different sub-contractors, but the sub-contractors also failed to complete the work assigned to them. The sub-contractors submitted their claims for payments and management had released their payments of Rs.21.303 million without proper checking of basic legal formalities. As all the sub-contractors have been defaulted without completing construction work assigned to them, therefore, the chances of recovery of over payment of Rs.21.303 million were remote.

ii) Similarly M/s. NLC and University of Peshawar entered into an agreement for the construction of residential houses at Peshawar University, at a total cost of Rs. 180.690 million, later on reduced to Rs.101.180 million vide contract dated May 16, 2005. The NLC HQ Engineers further sublet the construction work to four Sub-Contractors on pick and choose basis without obtaining their past experience and their financial status. The OIC Works, Peshawar, paid frequent advances without verification of actual work done against the claims of Sub-Contractors. Despite getting the handsome amount, the performance of the Sub-Contractors remained very slow due to which M/s. Peshawar University cancelled the contract in June, 2008. On the cancellation of the contract the measurement of the work done was carried out and it was found that the contractors were over paid an amount of Rs.22.795 million.

The PAO explained that efforts are being made for recovery of over payment from the contractors through lodging of FIR and the case has been referred to the legal cell of NLC to take necessary action against the contractors to deposit the amount received by them over and above the work done. The issue is, however, being investigated in detail and disciplinary action is being initiated against the officials for mismanagement /

overpayment to Sub-Contractors. The DAC in its meeting held on July 22, 2009, directed NLC to finalize the enquiry proceedings at an early date.

PAC DIRECTIVE

The PAC directed to lodge FIR against the culprit and inform the PAC **with in 24 hours.** Initiate enquiry against the culprits and place their names on ECL. Let the PAC know the names of Sub-Contractors. Report to the PAC **within 15 days**

6. **PARA 205 (PAGE 305 ARPSE)**
WASTEFUL EXPENDITURE ON FEASIBILITY STUDY- Rs.32 MILLION

Audit pointed out that as per Para-6 of NLC investment policy, "the objectives in the investment of NLC fund is to provide the highest investment return while ensuring maximum possible protection of capital, using authorized investment instruments and managing the risk profile of the portfolio. It will be ensured that liquidity position of NLC remains healthy all the time".

NLC entered into an agreement with M/s. HARO Construction Services (Pvt.) Ltd for preparation of feasibility study and valuation report of land/building of multi mixed commercial project, Jinnah Avenue (Blue Area), Islamabad. Plot no.63-D and 63-E were purchased at a cost of Rs.1, 493.333 million. As per clause-2 of the agreement, an amount of Rs. 32.00 million was agreed to be paid upon Rs. 32 million was paid to the firm on March 03, 2008. Later on the proposal of multi mixed commercial project was dropped by the management of NLC and expenditure incurred on account of feasibility study had gone waste.

The PAO explained that as per directives of the DAC dated 22 July, 2009, revaluation of the property has been got done through M/s A. Khalid Associate. As per the revaluation report assets depicted appreciation.

PAC DIRECTIVE

The PAC directed to club this para with para 203.

7. **PARA 206 (PAGE 306-ARPSE)**
LOSS ON ACCOUNT OF INVESTMENT IN ESTABLISHMENT OF ENERGY DEVELOPMENT SERVICES CO. (PVT.)LTD- RS.19.738 MILLION

Audit pointed out that as per Para-6 of NLC fund is to provide the highest investment return while ensuring maximum possible protection of capital, using authorized investment instruments and managing the risk profile of the port folio. It will be ensured that liquidity position of NLC remains healthy all the time".

NLC established an Energy Development and Services Company (EDSC) in August, 2007 with the authorized capital of Rs.100 million and paid up capital of Rs. 100 million and paid up capital of Rs. 30 million under the Chairmanship of Director General and three other Directors. The purpose of the Company was to work in sectors of Thar Coal, services to Oil and Gas Companies, LPG trade and Power Sector. The Company became operative from October 01, 2007, therefore, other professional General Managers were hired at special pay package. The management failed to achieve the purpose for which the Company was established and it was wound up on June 30, 2008. The Company sustained a loss of Rs.19.738 million on account of payment of special pay package to the hired officers up to June 2008.

PAC DIRECTIVE

The PAC directed to club this para with pervious paras 203 and 205.

8. **PARA 207 (PAGE 307-ARPSE)**
PAYMENT OF PENALTY DUE TO DELAY IN COMPLETION OF PROJECT-Rs.10.118 MILLION

Audit pointed out that as per contract agreement between M/s. NLC and University of Peshawar dated May 19,2005, the completion period of the construction of houses at Peshawar University was 18 month (till October 2006). As per clause-2 A of the agreement, in case of failure, penalty @10% of the total value of contractual work will be recovered from the NLC.

NLC HQ Engineers entered into an agreement with Peshawar University for construction of 100 Nos houses at Peshawar University worth Rs. 180.620 million on May 19, 2005 on lump sum contract rate of Rs 835 per sq. ft. Subsequently the scope of work was reduced to Rs.101.180 million for 60 houses. The management of NLC sub-let the said work to the contractors without including the penalty clause in event of default. The sub-contractors failed to complete the work even after the extended period, up to June, 2008. Due to non-completion of work within stipulated period the contract was cancelled on August 23,2008 and NLC paid penalty @10% of the contract value i.e. Rs.10.118 million on August 23, 2008.

PAC DIRECTIVE

The PAC clubbed this para with other pervious paras. The PAC directed the PAO to have Consultant Report and NLC Report before the PAC in the first week of August 2010. The PAC further directed to inform PAC of the liabilities/assets, currant Stock Value (Market value) of NLC. The PAC will look into these after the receipt of Reports.

PARA 208 (PAGE 308-ARPSE)
UN-AUTHORIZED ALLOCATION OF VEHICLES – Rs.9.926 MILLION

Audit provided that according to SOP No. 103/2008 (revised), the officers of NLC other than Director General, were authorized for allocation of vehicles not more than 1600 cc according to their entitlement. In NLC certain officers have been allocated Toyota Land Cruiser Prado (3000 cc) for their use. Thus the allocation of Prado vehicles Rs.9.926 million to the non-entitled officers was unauthorized.

PAC DIRECTIVE

The PAC also clubbed this para with other paras. "The PAC also directed the NLC to submit complete report on tax evasion on account of import of vehicles on the basis of a certificate regarding exemption of custom duty and sales tax."

PRESENTATION ON SPECIAL AUDIT REPORT ON THE ACCOUNTS OF FEDERAL DERA UNIT FOR THE PERIOD 2003-06

The PAO elaborated giving a detail presentation on the Special Audit Report of Federal Dera Unit. After hearing the explanation given by the PAO to the PAC, the PAC directed that keeping in view the presentation fix responsibility on the person(s) and report to the PAC within 3 days. Also let the PAC know who the Secretaries were during this tenure and what action has been taken against the persons.

ANNEXURE-I SERIAL NO. 17 (PAGE 372-ARPSE)
NON SUBMISSION OF ACCOUNTS

PARA 201 (PAGE 301-ARPSE)
IRRUGULAR AWARD OF CONTRACTS WITHOUT OPEN TENDER-RS 168.511 MILLION

PARA 204 (PAGE 304-ARPSE)
LOSS OF ACCOUNT OF REJECTED CLAIMS- RS 40.843. MILLION

PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

PARA 209 (PAGE 309-ARPSE)
AUDIT COMMENTS

PARA 209.1 (PAGE 310-ARPSE)
WORKING RESULTS

PARA 209.2 (PAGE 310-ARPSE)
AUDIT COMMENTS

PARA 209.3 (PAGE 310-ARPSE)
AUDIT COMMENTS

PARA 209.4 (PAGE 311-ARPSE)

PAC DIRECTIVE

On presentation of the above paras by the Audit, the Public Accounts Committee directed the Ministry to implement the DAC's decisions and report to PAC/Audit.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 2nd November, 2010, pertaining to **Planning and Development Division,** on the Audit Report 2008-09 and Special Audit Report of Federal DERA Unit are given below:-

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NATIONAL LOGISTIC CELL

1. **PARA 17 (ANNEXURE-I) (PAGE 372-ARPSE)**
NON SUBMISSION OF ACCOUNTS.

Audit pointed out that annual audited accounts of Public Sector Enterprises, for the years 2007-08 & 2008-09, were to be provided to the Directorate General of Commercial Audit & Evaluation, Lahore by January 15, 2009 and January 15, 2010 respectively. Despite repeated requests, the management of National Logistic Cell (NLC) failed to provide their annual audited accounts for the years 2007-08 & 2008-09 by the prescribed date. Non-submission of the accounts needs to be explained.

The PAO explained that the annual audited accounts, duly approved by National Logistic Board (NLB) for the year 2007-08, have been furnished to Audit vide NLC HQ, letter, dated September 07, 2010. The Annual Accounts for 2008-09 have been initialed by the Chartered Accountant and will be submitted after the approval of NLB.

PAC DIRECTIVE

The Principal Accounting Officer was directed that provision of Annual Audit Accounts, carried out by Chartered Accounts, is mandatory to the Auditor-General's Office and are

to be provided in time. The Chairman further observed that the Public Accounts Committee directives must be taken seriously and implemented within the given time. The Accounts of NLC outstanding under the para, may be provided to the Auditor-General and a report may be submitted by end December, 2010.

2. **PARA 202 (PAGE 301-302-ARPSE)**
UN-AUTHORIZED GRANT OF LOAN TO JOINT VENTURE – RS. 75 MILLION.

Audit pointed out that as per clause-3 of loan agreement executed between NLC and Japan Power Generation Limited (JPGL), "the NLC loan shall be re-payable by 31st December, 2007 but in no event shall be extended beyond 30th June, 2008". NLC entered into a loan agreement with JPGL on July 02, 2007 for the purpose of meeting the existing liabilities. The loan was repayable by December 31, 2007 along with 14% interest per annum. The loan would not be extended beyond June 30, 2008. The loan in question was not repaid by the JPGL. The company paid an interest of Rs. 13.118 million up to September 30, 2008 in two installments.

PAC DIRECTIVE

The PAO was directed to submit inquiry report to the PAC Secretariat within two weeks, redouble efforts for further recoveries, hold monthly meetings of the DAC and have an Operational Audit of all joint ventures under taken by the NLC.

3. **PARA 203 (PAGE 302-303-ARPSE)**
OVERPAYMENT TO SUB-CONTRACTORS DUE TO MIS-MANAGEMENT - RS. 44.098 MILLION.

Audit pointed out that in accordance with the agreement made between M/s NLC and Sub-contractors, no mobilization advance or any advance will be permissible to the Sub-contractors. The payment will be release to Sub-contractor on the submission of bill on RAR with documentary proof. The Officer Incharge (OIC), Works will scrutinize and authenticate the progress of work included in the RAR/bill and will release the payment.

The payment to Sub-contractor will be made, from the payment received for the work which has been vetted and approved by the client.

The PAO explained that the inquiry is in the process of finalization.

PAC DIRECTIVE

The PAO was directed to examine the inquiry report submitted by the inquiry officer in this case and submit the report, with his comments, to the PAC Secretariat in **2 weeks time.**

4. **PARA 205 (PAGE 305-ARPSE)**
WASTEFUL EXPENDITURE ON FEASIBILITY STUDY – RS. 32 MILLION.

Audit pointed out that as per Para -6 of NLC. Investment Policy, "the primary objectives in the investment of NLC fund is to provide the highest investment return while ensuring maximum possible protection of capital using authorized investment instruments and managing the risk profile of the portfolio. It will be ensured that liquidity position of NLC remains healthy all the time".

The PAO explained that as per directives of the DAC dated 22 July, 2009, revaluation of the property has been got done through M/s A. Khalid Associate. As per the revaluation report, dated 09-07-2008, the forced sale value of the assets is Rs. 5031 million.

PAC DIRECTIVE

The PAO was directed to personally look into the case and send a report along with his comments to the PAC Secretariat in **2 weeks time.**

5. **PARA 206 (PAGE 306-ARPSE)**
LOSS ON ACCOUNT OF INVESTMENT IN ESTABLISHMENT OF ENERGY DEVELOPMENT SERVICES CO. (PVT.) LTD – RS. 19.738 MILLION.

Audit pointed out that as per Para-6 of NLC Investment Policy "the primary objectives in the investment of NLC fund is to provide the highest investment return while ensuring maximum possible protection of capital, using authorized investment instruments and

managing the risk profile of the portfolio. It was be ensured that liquidity position of NLC remains healthy all the time."

The PAO explained that in the light of composition of the Board, manpower was hired and payment was made to them for pay & allowance. Moreover in the discussion of DAC meeting held on 22-07-2009 the Para was recommended for settlement. However in the minutes it has been mentioned that the amount in question be regularized. In his point of view this Para stands settled as only payment of pay & allowance to the staff was made.

PAC DIRECTIVE

The PAO was directed to personally look into the case and send a report along with his comments to the PAC Secretariat in **2 weeks time.**

6. **PARA 207 (PAGE 307-ARPSE)**
PAYMENT OF PENALTY DUE TO DELAY IN COMPLETION OF PROJECT – RS. 10.118 MILLION.

Audit pointed out that as per contract agreement between M/s. NLC and University of Peshawar dated May 19, 2005, the completion period of the construction of houses at Peshawar University was 18 months (till October 2006). As per clasue-2 A of the agreement, in case of failure, penalty @ 10% of the total value of contractual work will be recovered from the NLC. NLC HQ Engineer entered into an agreement with Peshawar University for construction of 100 Nos houses at Peshawar University worth Rs. 180.620 million on May 19, 2005 on lump sum contract rate of Rs. 835 per sq. ft. Subsequently, the scope of work was reduced to Rs. 101.180 million for 60 houses. The management of NLC sub-let the said work to the contractor s without including the penalty clause in even of the default. The Sub-contractor failed to complete the work even after the extended period, up to June, 2008. Due to non-completion of work within stipulated period the contract was cancelled on August 23, 2008 and NLC paid penalty @ 10% of the contract value i.e. Rs. 10.118 million on August 23, 2008.

The PAO explained that the inquiry is still under process.

PAC DIRECTIVE

The PAO was directed to comply with the PAC directive of 14-06-2010 and ensure that nothing is pending with the Ministry by December, 2010 when the next meeting will be held.

7. **PARA 208 (PAGE 308-ARPSE)**
UN-AUTHORIZED ALLOCATION OF VEHICLES – RS. 9.926 MILLION.

Audit pointed out that according to SOP No. 103/2008 (revised), the Officers of NLC, other than Director General were authorized allocation of vehicles of not more than 1600 cc. In NLC, certain officers have been allocated Toyota Land Cruiser Prado (3000 cc) for their use. Thus the allocation of Prado vehicles valuing Rs. 9.926 million to the non-entitled officers was unauthorized.

The PAO explained that the case is under process.

PAC DIRECTIVE

The PAO was directed to submit a list of vehicles giving details of their allocation to officers by name. A complete confirmation on import of vehicles without duties and taxes may be included in the report.

SPECIAL AUDIT REPORT ON FEDERAL DERA UNIT, PLANNING & DEVELOPMENT DIVISION, ISLAMABAD FOR 2003-06

8. **PARA 1.1(PAGE 12-SAR)**
IMPROPER SELECTION/APPOINTMENT OF CONTRACT STAFF

Audit pointed out that the process of selection of contract staff was started in September, 2005 and completed in December, 2005. The following deviations of rules were observed in the selection process:-

a) The procedure followed for appointment deviated from prescribed terms of contract for which approval of the Establishment Division is yet to be obtained.

b) Deviation in the pay package of DERA-I and DERA-II were made without approval of Finance and Law & Justice Divisions.

c) Thirteen out of sixteen officers/officials appointed on contract basis were already working on contract in FDU. The selection of eight employees was made fairly as they possessed lower qualifications and experience.

d) A corrigendum to the advertisement inviting applications was published 13 days after the expiry of the last date prescribed for receipt of applications without extending the deadline to apply.

The PAO explained that:-

a) The posts were advertised in the newspapers. Short listing of each category was done. Candidates selected by the respective committees were appointed. All the procedures prescribed by the Establishment Division were followed.

b) Pay package for contract employees of DERA was got approved from the Finance Division vide their U.O. No. 4(10)R-3/2002-588 dated 25.09.2002.

c) The employees already working in FDU were selected after they qualified the test and interview.

d) Sufficient number of applications in each category were received, therefore, non-adherence of the period prescribed for receipt of applications may not be stressed.

PAC DIRECTIVE

The PAO may expedite ex-post facto approval from Establishment Division to regularize the procedure for recruitment followed by DERA-II; expedite disciplinary action against M/s Muhammad Khalid, Manager (I&C) and Mr. Khaild Rafique, Admn Officer (DERA); get ex-post facto approval from Finance Division for pay package of DERA-II. Report in this regard may be submitted **within 2 weeks.**

9. **PARA 1.2(PAGE 14-SAR)**
IMPROPER APPOINTMENT OF ASSISTANT ACCOUNTS OFFICER

Audit pointed out that an advertisement was published in the daily "Jang" and "Dawn" on 21st September, 2005 and 22nd September, 2005 requiring submission of applications

within 10 days i.e. upto October 2, 2005. The advertisement, however, did not mention number of posts to be filled, age limit, pay package and regional quota. After the expiry of 13 days of the last date fixed for the receipt of application, the qualifications of B.Com/SAS prescribed by the Establishment Division for the post of Assistant Accounts Officer were relaxed to FA by issuing a corrigendum on 16-10-2005 in the daily "Dawn" for which NPD was not competent.

The PAO explained that as decided by the DAC, the matter has been referred to the Establishment Division for regularization which was being followed up.

PAC DIRECTIVE

The PAO was directed to specify the disciplinary actions proposed to be taken/under process, against the 2 officers identified by the inquiry committee and report within 2 weeks. For officers who have retired from service, the Accountant General Pakistan Revenues may be contacted to check whether an undertaking for future recoveries, was taken from the retiring officers, as per rules, before their pension was finalized.

10. **PARA 1.3(PAGE 15-SAR)**
IRREGULAR PAYMENT OF RS. 4.560 MILLION ON ACCOUNT OF PAY OF CONSULTANT DUE TO IRRGULAR APPOINTMENT WITHOUT APPROVAL OF ESTABLISHMENT DIVISION.

Audit pointed out that a Federal Implementation Advisor was appointed with pay package of Rs.120,000 per month w.e.f. 30-09-2002 without fulfilling the requirements contained in Establishment Division's OM No. 8/10/2000-CPI dated 21-03-2000, for a period of two years which was extended for four different spells from 01-10-2004 to 30-06-2006. Both the appointments and extensions are irregular in view of the following:-

a) The professional qualifications, experience and age limit were not prescribed in consultation with the Establishment Division.
b) Concurrence of FPSC was not sought before processing and granting extension beyond two years during the contract as required under sub-para-v of Establishment Division OM dated 21-03-2000, mentioned above.

c) Pay package of Implementation Advisor was not included in the case of other project employees for seeking approval of Finance Division. Resultantly, the manner and procedure for appointment and period of contract was not got approved from the Establishment Division, which was a specific condition imposed by the Finance Division, while agreeing to pay package of contract employees of the project.

The PAO explained that the appointment of the Implementation Advisor was made according to the guidelines issued by Establishment Division vide UO No. 1103/2001-MSW-III dated 25.01.2002. However, during the DAC meeting the Federal DERA Unit changed its stance and said that the Consultant was recruited under the procurement guidelines of ADB. However, implementation Advisor was allowed to continue his services in DERA-II, which was not donor funded, without initiating fresh hiring process under the Establishment Division's Guidelines.

PAC DIRECTIVE

The PAO was directed to provide the approval of ADB regarding TORs, pay package and final NOC for hiring of Brig ® Shahid Hameed Khan as Consultant for DERA project. He was further directed to fix responsibility for not following guidelines of Establishment Division in the appointment of the Consultant. Report may be submitted in **2 weeks.**

11. **PARA 1.4(PAGE 17-SAR)**
IRREGULAR APPOINTMENT OF ASSISTANT IMPLEMENTATION ADVISOR RESULTING IN IRREGULAR PAYMENT OF SALARY OF – RS. 1.565 MILLION INCLUSIVE OF – RS. 0.675 MILLION ON ACCOUNT OF UN-AUTHORIZED EXTENSIONS

Audit pointed out that an army officer was appointed as Assistant Implementation Advisor on 24-02-2003. Perusal of record revealed that his selection was not made in transparent manner and the Guidelines issued by the Government of Pakistan, Establishment Division on 25-01-2002 were not kept in view during the selection process.

The PAO explained the latest status as under:-

S.#	Name & Designation	Present Status
1.	Mr. Perveiz Ijaz Sheikh, Joint Secretary	Disciplinary proceedings stand abated against the officer under FR. 54-A. He retired from service on 08.08.2005.
2.	Brig (R) Shahid Hameed Khan, Federal Implementation Advisor	Disciplinary preceding stand abated against the officer under FR. 54-A. His contract was terminated w.e.f. 18.12.2009. It is pointed out by Audit that as the report relates to 2003-06, hence termination on a much later date i.e 18.12. 2009 is not covered under FR-54-A.
3.	Mr. Muhammad Anwar, Ex-NPD	Disciplinary proceeding stand against the officer under FR. 54-A. He retired from service on 09.05. 2010.
4.	Mr. Mahmood Ayaz, AAO	Disciplinary proceedings against Mr. Mahmood Ayaz are under process in CGA office. A reminder was issued to CGA on 26.10.2010 to expedite the case. The CGA vide his letter dated 28.10.2010 has called some documents from P&D Division to prepare charge sheet.

PAC DIRECTIVE

The PAO was directed to provide the qualification/experience of the Consultant, Col. (R) Sheryar, along with permission of the competent authority to relax his Qualification/experience and whether the contract was extended by the competent authority. He was further directed to fix responsibility for not following guidelines of Establishment Division in the appointment of the Consultant. Report may be submitted within **2 weeks.**

12. **PARA 2.1(PAGE 19-SAR)**
MAINTENANCE OF VEHICLES IN EXCESS OF PROVISION MADE IN PC-I

According to PC-I of Establishment of Federal Dera Unit for Drought Emergency Relief Assistance (DERA) Programme and Technical Assistance for Capacity Building, Federal DERA Unit, Islamabad, was required to maintain only seven (07) vehicles as detailed below:-

i)	No. of Vehicles shifted from SAP	=	4
ii)	Provision made in PC-I for purchases of Vehicles	=	3
	Total	=	7

Three vehicles, the provision of which was made in the PC-I were purchased in May, 2003 at a cost of Rs. 3.477 million (Sunny Nissan 1973 cc). In addition to the above 03, more vehicles (02 Honda Civic 1600 cc and 01 Toyota Hilux Double Cabin 2779 cc) were purchased during June, 2005 at a cost of Rs. 4.821 million for which there was no provision in PC-I.

The PAO explained that the scope of DERA Project involved execution of short term drought mitigation schemes in 68 districts, Cholistan and ABAD area. Reliable and road worthy vehicles were required to visit the schemes, therefore, three Nissan Sunny diesel vehicles were purchased to achieve the objective, and the scope of work had been extended in Phase-II which covered 80 districts, FATA, FANA, AJK and ICT, therefore, three additional vehicles including one Double Cabin 4x4 were also purchased for DERA-II Programme.

PAC DIRECTIVE

The para was remanded back to the DAC for re-examination/settlement **within 2 weeks.**

13. **PARA 2.7(PAGE 27-SAR)**
UN-AUTHORIZED JOURNEYS OF 172,604 KILOMETERS PERFORMED FROM OFFICE TO UN-CONCERNED PLACES/OFFICES

Audit pointed out that journeys of 172,604 kilometers were performed by the officers/officials of the Federal DERA Unit from office to places/offices with which Federal DERA Unit apparently has no official concern, whereas the purpose of journey had been recorded in the Movement Registers as "Official" to cover up the unjustified journeys.

The PAO explained that P&D Division conducted an enquiry and established that official journeys performed during office hours is 591,165, KM. Journeys of 331,004 KMs performed after office hours, but covered under Staff Car Rules for late sitting. Journeys of 60, 466 KMs cannot be considered authorized.

PAC DIRECTIVE

The PAO was directed to expedite recoveries from the officers held responsible by the Inquiry Committee and to inform the PAC Secretariat **in 2 weeks.**

14. **PARA 2.10(PAGE 31-SAR)**
IMPROPER MAINTENANCE OF MOVEMENT RECORD OF VEHICLES

Audit pointed out that the scrutiny of movement registers revealed the following irregularities:-

i) Non-recording of name and designation of user in movement register of Honda Civic Car No. GD 547 (1600cc).

ii) Irregular use of vehicle (KIA Grand Sportage GA 379 -1998 cc) by keeping blank the relevant columns of movement registers.

iii) Recording entries in movement register of vehicle No. IDM-5876 for excess distance than actual.

iv) Improper maintenance of movement registers of vehicles such as:

a) non-recording of time of journey;
b) Non-indication of user's name;
c) Purpose of journey not mentioned;
d) Un-signed entries;
e) Non-recording of weekly/fortnightly certificate regarding inspection.

These irregularities were discussed in DAC, to which the department replied that the then Transport Officer was responsible for the lapses and his services had already been terminated.

The PAO explained that the DAC recommended for completion of Movement Registers in all respects or get the irregularities condoned by the competent authority i.e Cabinet Division.

PAC DIRECTIVES

The PAC noted that the improper maintenance of movement record of vehicles was a systemic issue and needs to be corrected. Steps to be taken in this regard may be sent to the PAC Secretariat within **2 weeks.**

15. **PARA 2.11(PAGE 32-SAR)**
IRREGULAR JOURNEY (20,909 KILOMETERS) PERFORMED BY VEHICLE NO. GD 718 HONDA CIVIC 1600 cc

Audit pointed out that the above mentioned vehicle was shown as used for "Protocol duty to Consultant" during the entire period commencing from 21-07-05 to 27-05-06 with total journey of 20,909 KMs (o to 20909) performed in the city area of Islamabad/Rawalpinidi.

The PAO explained that the vehicle was used by various officers of FDU and occasionally by Consultants for local logistic support and that the driver responsible for improper maintenance of movement register had been warned in writing.

PAC DIRECTIVE

The PAO was directed to expedite recoveries from the Officers held responsible by the Inquiry Committee and to inform the PAC Secretariat within **2 weeks.**

16. **PARA 3.1(PAGE 35-SAR)**
WITH-HOLDING OF RE-IMBURSEMENT CLAIMS OF FEDERAL DERA UNIT BY ASIAN DEVELOPMENT BANK VALUING US $ 6.048 MILLION

Audit pointed out that review of the "Summary and disbursement of withdrawal applications under ADB Loan No. 1413 for DIMRC programme as on 22nd June, 2006" disclosed that huge amount of US $ 6.048 million was withheld by Asian Development Bank out of claims of total expenditure of Rs. 7,614.413 million incurred on schemes in

all the four provinces due to improper processing of claims without required documentation.

The PAO explained that the re-imbursement claims were not admitted by Asian Development Bank and the same were transferred to ERRA instead. It has been recommended by the DAC that department may justify the case before PAC with documentary evidences.

PAC DIRECTIVE

The para was settled with the direction that documentary evidence to the effect that the amount involved was transferred to ERRA by the Asian Development Bank may be provided to Audit.

17. **PARA 3.4(PAGE 40-SAR)**
BLOCKAGE OF CAPITAL WORTH RS 1,422.920 MILLION DUE TO NON-SURRENDERING OF ANTICIPATED SAVINGS IN TIME

Audit pointed out that during the review of cash book maintained by the Federal DERA Unit, Islamabad, it was observed that in disregard to the codal provision, saving of Rs. 1,422.920 million (1,914.268 + 3.652) was surrendered to the Federal Treasury Office on the last date of the Financial Year i.e. 30-06-2006 vide cheque No. 655323 dated 30-06-2006. This speaks of the lack of financial control of the Authorized Controlling Officer of the FDU and led to blockage of capital of Rs.1, 422.920 million.

The PAO explained that the matter was referred to the Auditor General of Pakistan on 10th May, 2010 for initiating disciplinary action against the former NPD (Mr. Muhammad Anwar). The above named officer had retired from service on 9th May, 2010 before receipt of P&D Division letter dated 10th May, 2010.

PAC DIRECTIVE

The PAC settled the para.

18. **PARA 4.1(PAGE 50-SAR)**
UN-AUTHORIZED EXPENDITURE OF RS. 0.173 MILLION ON USE OF MOBILE PHONES

Audit pointed out that four (04) mobile sets, along with connections, were purchased in March, 2003 at a cost of Rs. 85,404 for National Project Director and three Consultants of the project "Technical Assistance for Capacity Building of Federal DERA Unit". They used the mobile phones and incurred and expenditure of Rs. 87,422.37 from government account during the financial year 2003-04 and 2004-2005 to which they were not entitled. Recovery of un-authorized expenditure incurred on the purchases and use of mobile phones may be made from the persons responsible.

The PAO explained that there is no provision for purchases of Mobile phones for officers below BPS-21 and the P&D Division has got the expenditure regularized from Finance Division (FA's organization).

PAC DIRECTIVE

The PAC settled the para. In addition to the above paras, the PAO was also directed to forwarded the Special Audit Report on National Logistic Cell to the Office of the Chairman PAC and to Auditor-General of Pakistan.

PARAS RECOMMENDED FOR SETTLEMENT BY THE SPECIAL COMMITTEE OF PAC IN ITS MEETING HELD ON 9th FEBRUARY, 2010 SUBJECT TO DISCIPLINARY ACTION.

19. i) **PARA 2.2(PAGE 21-SAR)**
IRREGULAR USE OF VEHICLE NO. IDB-9350 FOR 55,405 KILOMETERS JOURNEY BY DDO – RECOVERY OF RS 24,757

ii) **PARA 2.3(PAGE 23-SAR)**
IRREGULAR JOURNEY (6,666 KILOMETERS) PERFORMED BY VEHICLE NO. GD-719 TOYOTA HILUX DOUBLE CABIN PICK –UP (2779 cc)

iii) **PARA 2.4(PAGE 24-SAR)**
UN-AUTHORIZED USE OF TWO VEHICLES BY AN OFFICER AT THE SAME TIME

iv) **PARA 2.5(PAGE 26-SAR)**
IRREGULAR USE OF VEHICLES ON SUNDAYS COVERING 11,942 KILOMETERS

v) **PARA 2.6(PAGE 26-SAR)**
RECORDING OF ENTRIES OF JOURNEYS IN MOVEMENT REGISTER ON DATES NOT EXISTING IN CALENDAR

vi) **PARA 2.8(PAGE 28-SAR)**
UNJUSTIFIABLE JOURNEY OF 1,585 KILOMETERS PERFORMEND DURING ONE DAY BY VEHICLE NO. IDK-6247 (SUZUKI CULTUS)

vii) **PARA 2.9(PAGE 30-SAR)**
UN-AUTHORIZED EXPENDITURE OF RS. 0.111 MILLION INCURRED ON POL

PAC DIRECTIVE

The above paras were clubbed together and the Chairman directed that the names, and actions taken against all those identified to be proceeded against in various cases, may be sent to him in within 2 weeks time by the Principal Accounting Officer.

AUDIT PARAS SETTLED BY THE SPECIAL COMMITTEE OF PAC IN ITS MEETING HELD ON 09th FEBRUARY, 2010.

20. i) **PARA 2.12 (PAGE 33-SAR)**
NON-ACKNOWLEDGING THE RECEIPT OF NEWLY PURCHASED VEHICLE AT DESTINATION AND UNJUSTIFIED RETENTION OF A VEHICLE BY FEDERAL DERA UNIT, ISLAMABAD

ii) **PARA 2.13 (PAGE 34-SAR)**
UN-AUTHENTIC PAYMENT OF RS. 0.922 MILLION ON ACCOUNT O POL/CNG CHARGES THROUGH PSO FLEET AND CORPORATE CARD SYSTEM

iii) **PARA 3.2 (PAGE 36-SAR)**
UN-AUTHORIZED COLLECTION OF QUOTATIONS BY OFFICIAL OF FDU INVOLVING PAYMENT OF RS. 1.569 MILLION WITHOUT INITIATING ANY PROCUREMENT PROCESS

iv) **PARA 3.3 (PAGE 37-SAR)**
IRREGULAR/UNJUSTIFIED AWARD OF HONORARIUM OF RS. 1.567 MILLION INCLUSIVE OF Rs. 0.483 MILLION TO UNCONCERNED EMPLOYEES OF OTHER OFFICES.

v) **PARA 3.5 (PAGE 40-SAR)**
IRREGULAR EXPENDITURE OF RS. 0.813 MILLION ON RENOVATION OF ROOMS OF OFFICERS OF PLANNING AND DEVELOPMENT DIVISION, "P" BLOCK PAK SECRTARIAT, ISLAMABAD

vi) **PARA 3.6 (PAGE 41-SAR)**
IRREGULAR EXPENDITURE OF RS. 0.714 MILLION NCURRED ON INSURANCE OF GOVERNMENT VEHICLES

vii) **PARA 3.7 (PAGE 42-SAR)**
IRREGULAR PURCHASE OF 16 NEW AIR CONDITIONERS VALUING RS. 0.608 MILLION

viii) **PARA 3.8 (PAGE 43-SAR)**
UN-AUTHORIZED EXPENDITURE OF RS. 0.483 MILLON ON PURCHASE OF MATERIAL AND COLLECTION QUOTATIONS THEREAFTER TO SHOW OBSERVANCE OF CODAL REQUIREMENTS

ix) **PARA 3.9 (PAGE 45-SAR)**
PURCHASE OF MATERIAL WITHOUT OBTAINING QUOTATIONS OF RS. 0.047 MILLION

x) **PARA 3.10 (PAGE 46-SAR)**
IRREGULAR POSTING PF ASSOSTANT CHIEF (NPS-8) AGAINST HIGHER POST OF MANAGER COORDINATOR IN FDU

xi) **PARA 3.11 (PAGE 48-SAR)**
SPLITTING UP OF PC-I TO AVOID APPROVAL OF ECNEC

xii) **PARA 3.12 (PAGE 49-SAR)**
IMPROPER MAINTENANCE OF CASH BOOK

xiii) **PARA 4.2 (PAGE 51-SAR)**
NON-RECOVERY OF TELEPHONE CHARGES OF RS. 0.038 MILLION INCURRED OVER AND ABOVE THE CEILING FIXED

PAC DIRECTIVE

On the presentation of the above paras, the PAC directed the PAO to implement the DAC decision and report to PAC/Audit

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 7th December, 2010 pertaining to **Planning & Development Division** on the Special Audit Report on Federal Dera Unit for 2003-06 and NLC Report on Audit Para 214-ARPSE 2005-2006 are given below:-

SPECIAL AUDIT REPORT OF FEDERAL DERA UNIT, PLANNING & DEVELOPMENT DIVISION,ISLAMABAD (2003-2006)

1 **PARA1.1 (PAGE 12-SAR)**
IMPROPER SELECTION/APPOINTMENT OF CONTRACT STAFF

Audit pointed out that the para was earlier examined in the PAC meeting held on 02-11-2010, and the PAO was directed to expedite Ex-post-facto approval from Establishment Division/ Finance Division for condonation/regularization of the procedure for recruitment followed by DERA; expedite disciplinary action against M/s Muhammad Khalid, Manager (I&C) and Khalid Rafique, Admn Officer (DERA); get Ex-post-facto approval from Finance Division for pay package of DERA-II. Report in this regard may be submitted within 2 weeks.

The PAO explained that in line with PAC directives during meeting of 02.11.2010 the matter has again been taken up with the Finance Division for Ex-post-facto approval of pay package of DERA-II. Progress in this regard will be intimated on receipt of reply from Finance Division.

2. **PARA1.2 (PAGE 14-SAR)**
IMPROPER APPOINTMENT OF ASSISTANT ACCOUNTS OFFICER

Audit point out that the Special Committee in its meeting held on 9th February, 2010 had advised the PAO that the case be reffered to the Establishment Division for regularizing the issue. The PAC in its meeting held on 02-11-2010 further directed to specify the disciplinary actions against the 2 officers identified by the Inquiry Committee and report within 2 weeks. AGPR be contacted to check whether an undertaking was taken from retiring officers.

The PAO explained that disciplinary actions have been taken against M/s Muhammad Khalid, Manager (I&C) and Syed Khalid Rafi, Admn Officer. Availability of undertaking in respect of both retired officers i.e. Mr. Parveiz Akhtar, Ex-Deputy Secretary and Mr. Muhammad Anwar, Ex-NPD has been confirmed.

3. **PARA 1.3 (PAGE 15-SAR)**
IRREGULAR PAYMENT OF – RS. 4.560 MILLION ON ACCOUNT OF PAY CONSULTANT DUE TO IRREGULAR APPOINTMENT WITHOUT APPROVAL OF ESTABLISHMENT DIVISION

Audit pointed out that the Special Committee in its meeting held on 9th February,2010 noted that the retention of the officer for DRAPP/DERA-II which was not a donor funded project, required completion of codal formalities in accordance with the Establishment Division's guidelines which was not done. Even the matter was not referred to the Establishment Division for regularization.

Audit further pointed out that the para was also examined in PAC meeting held on 02-11-2010 and the PAO was directed to provide:-

i) Approval of ADB regarding TORs, pay package and final NOC for hiring of Brig (Retd) Shahid Hameed Khan as Consultant for DERA project.
ii) He was further directed to fix responsibility for not following guidelines of Establishment Division in the appointment of the Consultant.
iii) Report may be submitted in 2 weeks.

The PAO explained that the requisite documents in respect of Brig. (Retd) Shahid Hameed Khan i.e. approval of ADB regarding TORs, pay Package and final NOC have been provided and got verified by Audit. Under the Ministry of Finance (Expenditure Wing) Notification No. F.2(6)/Exp-III/94 dated 12-12-1998, the rules of ADB prevail over Government rules. The existing recruitment rules of Establishment Division circulated vide their OM dated 21-03-2000 were fully observed. Copies of relevant correspondence were also provided to Audit. The Audit, however, observed that the above interpretation was also applicable to DERA-I only which was governed under the agreement signed with ADB. Regarding fixing responsibility against Ex-NPD DERA, it was intimated by Auditor General Office that no disciplinary action can be taken against the retired Government servant under FR-54-A.

4. **PARA 1.4 (PAGE 17-SAR)**
IRREGULAR APPOINTMENT OF ASSISTANT IMPLEMENTION ADVISOR RESULTING IN IRREGULAR PAYMENT OF SALARY OF RS. 1,565 MILLION INCLUSIVE OF RS. 0.675 MILLION ON ACCOUNT OF UN-AUTHORIZED EXTENSIONS

Audit pointed out that the Special Committee of PAC in its meeting held on 9th February,2010 had directed the PAO for referring the case to Establishment Division for regularization of appointment of Assistant Implementation Advisor which was not done.

Audit further pointed out that para was also examined in PAC meeting held on 2-11-2010 and the PAO was directed to provide the qualification, experience of the Consultant, Col (Retd) Sheryar along with the competent authority to relax his qualification/experience and whether the contract was extended by the competent authority. He was further directed to fix responsibility for not following guidelines of Establishment Division in the appointment of the Consultant. Report was to be submitted **in 2 weeks.**

The PAO explained that the copy of whole process of appointment including evaluation paper, qualification, experience of Col. (R) Sheryar was provided to Audit. Audit, however, observed that the employee did not possess the requisite four years experience of working with ADB assisted projects. The Contract for the period 2004-05 was extended by the Ex-NPD Raja Abdul Hameed, whereas, the extension in contract for

further period was made with the approval of Secretary, P&D Division. The disciplinary action against Ex-NPD DERA has already been taken up with the Auditor General Office. In reply the Auditor General Office has intimated that no disciplinary action can be taken against the retired Government Civil Servant under FR-54-A.

5. **PARA 2.1 (PAGE 19-SAR)**
MAINTENANCE OF VEHICLE IN EXCESS OF PROVISION MADE IN PC-I

Audit pointed out that the para was earlier examined in PAC meeting held on 2-11-2010 and the Para was remanded back to the DAC for re-examination/settlement within 2 weeks.

The PAO explained that as per direction of PAC relevant record was provided to Audit for verification. DAC recommended the Para for settlement.

6. **PARA 2.7 (PAGE 27-SAR)**
UN-AUTHORIZED JOURNEYS OF 172,604 KILOMETERS PERFORMED FROM OFFICE TO UN-CONCERNED PLACES/OFFICES

Audit pointed out that the para was earlier examined in PAC meeting held on 02-11-2010 and the PAO was directed t expedite recoveries from the officers held responsible by the inquiry Committee and to inform the PAC Secretariat in 2 weeks.

The PAO explained that a letter to D.G DRAPP Audit was issued on 12-11-2010 along with copy of the Inquiry Report containing detail of recoveries to be made from the concerned officers. Similarly NPD, DERA has been requested to expedite the recoveries from the officers/officials held responsible by the Inquiry Committee.

7. **PARA 2.10 (PAGE31-SAR)**
IMPROPER MAINTENANCE OF MOVEMENT RECORD OF VEHICLES

Audit pointed out that the para was earlier examined in the PAC meeting held on 02-11-2010 and the PAC noted that the improper maintenance of movement record of vehicles was systemic issue and needs to be corrected. Steps to be taken in this regard may be sent to the PAC Secretariat in 2 weeks.

The PAO explained that copy of the Inquiry Report was furnished to DG DRAPP Audit along with detail of recoveries to be made from the concerned officers. Similarly, NPD has been requested to expedite the recoveries from the officers/officials held responsible by the Inquiry Committee. In the light of PAC directives the DERA administration informed that:-

i) Necessary steps have been taken since 2008 to ensure proper maintenance of record.

ii) Staff Car Drivers have been directed to strictly comply with the instructions contained in the Rules of Use of staff Car, 1980 read with the rules for use/maintenance of project vehicles to avoid such recurrence.

iii) Transport Officer is regularly checking the Movement Register of the vehicles which are further certified by the Supervisory Officer as well as fortnightly checking by him.

8. **PARA 2.11 (PAGE 32-SAR)**
IRREGULAR JOURNEY (20,909 KILOMETERS) PERFORMED BY VEHICLE NO. GD 718 HONDA CIVIC 1600CC

Audit pointed out that the para was earlier examined in PAC meeting held on 02-11-2010 and the PAC noted that the improper maintenance of movement record of vehicles was systemic issue and needs to be corrected. Steps to be taken in this regard may be sent to the PAC Secretariat in 2 weeks.

The PAO explained that copy of the Inquiry Report was furnished to DG DRAPP Audit along with detail of recoveries to be made from the concerned officers. Similarly, NPD has been requested to expedite the recoveries from the officers/officials held responsible by the Inquiry Committee. In the light of PAC directives the DERA administration informed that:-

i) Necessary steps have been taken since 2008 to ensure proper maintenance of record.

ii) Staff Car Drivers have been directed to strictly comply with the instructions contained in the Rules of Use of Staff Car, 1980 read with the rules for use/maintenance of project vehicles to avoid such recurrence.

iii) Transport Officer is regularly checking the Movement Register of the vehicles which are further certified by the Supervisory Officer as well as fortnightly checking by him.

9. **PARA 3.1 (PAGE 35-SAR)**
WITH-HOLDING OF RE-IMBURSEMENT CLAIMS OF FEDERAL DERA UNIT BY ASIAN DEVELOPMENT BANK VALUING US $ 6.048 MILLION

Audit pointed out that the Para was settled with the direction that documentary evidence that the amount involved was transferred to ERRA by the ADB may be provided to Audit.

The PAO explained that para already settled by PAC. However, as per direction of the PAC necessary documents have been provided and got verified by the Audit.

PAC DIRECTIVE

i) **FEDERAL DERA UNIT**

The Chairman directed that all recoveries including two not identified in original report, on account of misuse of transport may be effected **within two months,** censure all officers who have retired including the then Principal Accounting Officer and Director of the project and initiate disciplinary proceedings against the concerned. It was also noted that the PAC will propose new legislation for imposing post retirement punishments.

ii) **NATIONAL LOGISTIC CELL REPORT ON PARA 214-ARPSE-2005-06**

The Chairman observed that the Chief of Army Staff had also initiated an inquiry into the issue and should take into account the reports of the Planning and

Development Division, the Consultant's report and the Special Audit Report while conducting the inquiry and the outcome may be shared with the Public Accounts Committee. It was also stated that the PAC is not targeting only the Stock Exchange fiasco but also other irregularities, lack of transparency and failure in observing rules and regulations committed by the National Logistic Cell. It was observed that those responsible must be categorized on account of their deeds and not their profession.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 25th June, 2011 pertaining to **Planning and Development Division** on the Special Audit Report on Audit Para 214-ARPSE 2005-2006(NLC Report) are given below:-

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2005-6

1. **PARA 214 (PAGE 257-ARPSE-2005-06)**
LOSS DUE TO INVESTMENT IN STOCK EXCHANGE IN VIOLATION OF CHAIRMAN'S INSTRUCTIONS-RS.5.387 MILLION

The Audit pointed out that the para was earlier discussed on 17-02-2009, 29-10-2009 and 07-12-2010 and in the last meeting the PAC gave the following directive:-

"The Chairman observed that the Chief of Army Staff had also initiated an inquiry into the issue and should take into account the reports of the Planning and Development Division, the Consultant's report and the Special Audit Report while conducting the inquiry and the outcome may be shared with the Public Accounts Committee. It was also stated that the PAC is not targeting only the Stock Exchange fiasco but also other irregularities, lack of transparency and failure in observing rules and regulations committed by the National Logistic Cell. It was observed that those responsible must be categorized on account of their deeds and not their profession."

The PAO/Secretary, Planning and Development Division informed the Committee that Court of inquiry has been completed and the report has been sent to the GHQ after which it will be sent to the M/O Defence.

PAC DIRECTIVE

The PAC directed that the Ministry of Defence may submit the report, on National Logistic Cell scam, to the PAC Secretariat **by 30th June, 2011** otherwise the Public Accounts Committee will announce its own judgment, as it has found serious violations of Rules/Regulations and even flaunting of Prime Minister's orders by three Army Generals and one Civilian Officer, based on the reports of Mr. Hamid Hassan, Prasilian Consultant, Navid Zafar Hussain Jafri and internal inquiry report by the Planning and Development Division.

MINSITRY OF POPULATION WELFARE

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the Ministry of Population Welfare were taken up for examination by the Public Accounts Committee on **14th June, 2010.**

1.1 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.

1.2 There were only 2 grants presented by the AGPR, which were regularized the by the PAC with the direction that there should be zero saving /excess in future.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on 14th June, 2010 pertaining to M/O Population Welfare for the Appropriation Accounts 2007-08 are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO.97-POPULATION WELFARE DIVISION (PAGE 671-AA)**
(Saving of Rs 19,634,535)

AGPR pointed out that the grant was closed with a saving of Rs 19,634,535 which worked out to 10.51 percent of the total grant. An amount of Rs 17,909,200 (9.58%) was surrendered leaving net saving to Rs 1,725,335(0.92%). A supplementary grant of Rs 1,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the saving was due to the following reasons:-

i) Due to 15% increase in the pay w.e.f 1st July, 2007.

ii) Due to vacant posts.

iii) The Ministry of Health raised observation on Medical reimbursement claim submitted by the Directorate of P&P Lahore for approval amounting to Rs 372,000/-

iv) Due to late submission to cases for residential hiring by the officer/official which could not be matured before the closing of financial year.

v) As the income tax deducted at source of Rs 57,418/- was erroneously not incorporated in the reconciliation statement and Accountant was also transferred, therefore, payment of rent was not paid and the saving occurred.

vi) Saving of Rs 84,000 occurred due to the fact that telephone bills were less received against the estimated expenditure.

PAC DIRECTIVE

The PAC regularized the grant subject to zero saving/excess in future.

2. **GRANT NO.158-DEVELOPMENT EXPENDITURE OF POPULATION WELEFARE DIVISION (PAGE 673-AA)**
(Saving of Rs 841,877,833)

AGPR pointed out that the grant was closed with a saving of Rs 841,877,833 which worked out to 19.45 percent of the total grant. An amount of Rs 852,851,911 (19.70%) was surrendered resulting into an excess of Rs 11,074,078(0.25%).

The PAO explained the reasons of excess/saving as below:-

i) Due to dollar rate fluctuation for payment by the State Bank of Pakistan for the procurement of contraceptives through UNFPA, New York. The excess expenditure incurred was to equalize the Proforma invoice of US $ 3,028,839.31/- At the time, Performa Invoice was received, the $ rate was Rs 62/- per dollar while at the time of actual transfer of funds the exchange rate was Rs 67.30 per US $.

ii) Due to revision of pay scales w.e.f 01-07-2007, upgradation of posts and less budget allocation.

iii) Due to vacant posts, late submission of bills by the media agencies, excess surrender of saving, law & order situation in South/North Waziristan and Kurram Agencies, non receipt of TA/DA claims etc.

PAC DIRECTIVE

The PAC regularized the grant.

MINISTRY OF PORTS AND SHIPPING

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Ports and Shipping were taken up for examination by Public Accounts Committee (PAC) on **10th June, 2010.**

1.1 The PAC considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving overpayments, outstanding advances, undue payments, losses, irregular payment, outstanding rents, defective procurements, non-production of record etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 14 paras and 2 grants reported by Audit and AGPR. These paras were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of PAC. 12 paras/grants were recommended for settlement by the Committee. The Committee gave directives on 04 paras.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on June 10, 2010 to examine the Appropriation Accounts for the year 2007-08 and Audit Report 2008-2009.

APPROPRIATION ACCOUNTS (CIVIL)-2007-08)

1. i) **GRANT NO 100-PORTS AND SHIPPING DIVISION (PAGE 703-AA)**
(Saving of Rs. 48,582,505)

AGPR pointed out that the grant closed with a saving of Rs. 48,582,505 which works out to 29.94 percent of the total grant. An amount of Rs. 6,961,505 (4.29%).was surrendered leaving net saving of Rs. 41,621,000 (25.65%). A

supplementary grant of Rs. 2,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the saving was due to ban on recruitments, non utilization of funds on account of economy measures and low traffic volume during initial stage of port operation at Gwadar.

ii) **GRANT NO 176-CAPITAL OUTLAY ON PORTS AND SHIPPING DIVISION (PAGE 706-AA)**
(Saving of Rs. 302,644,016)

AGPR pointed out that the grant closed with a saving of Rs. 302,644,016 which works out to 39.97 percent of the total grant. An amount of Rs. 125,975,000 (16.64%) was surrendered leaving net saving of Rs. 176,669,016 (23.34%).

The PAO explained that the savings occurred due to less expenditure in various projects i.e. GPIA, Gwadar Port Civic Centre, Construction of East Bay Expressway to link Gwadar with National Road Network & Acquisition of Land for Row of East Bay Expressway to Link Gwadar with National Road Network.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 2 grants with the direction that there should be zero saving and zero excess, otherwise, the PAC will take serious note in future. The PAC also directed the PAO to adopt good budget principles to avoid saving/excess.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN NATIONAL SHIPPING CORPORATION

2. **PARA 212 (PAGE 317-ARPSE)**
LOSS DUE TO EXPENDITURE ON VOYAGE EXCEEDING THAN INCOME RS. 35.512 MILLION

Audit pointed out that Rule-10 (i) of GFR provides that "Every Public Officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money". In Pakistan National Shipping Corporation (PNSC) a number of voyages were made by various vessels in which expenditure exceeded than the freight income by Rs. 35.512 million which reflected an imprudent business strategy causing the loss to the Corporation. The NRL deducted the amount on account of shortage of Oil more than the permissible limit of 0.4%.

The PAO informed the PAC that in response to letter No. 3(44)/2009-F&A (Part-I) dated 8-10-2009 from Ministry of Ports and Shipping, Islamabad forwarding minutes and decisions of the DACD meeting held under the Chairmanship of Secretary, Ministry of Ports and Shipping at Karachi on 27-06-2009, PNSC has already provided all requisite documents & details through letter NO. Fin/G.Audit/2007-08 dated 3-11-2009 to Audit. The PAO further informed the PAC that the department is trying to minimize the losses and the outstanding recovery will be made early.

PAC DIRECTIVE

The PAC took a very serious view of losses occurred in the Corporation and directed the PAO to investigate the real causes for which the Corporation sustained a huge loss on the voyages. The PAC further directed the PAO to discuss the para again at DAC level to find the way to recover the balance amount and report thereof be placed before PAC within 2 months.

PORT QASIM AUTHORITY

3. **PARA 213 (PAGE 319-ARPSE)**
AUDIT COMMENTS

Audit pointed out that Port Qasim Authority was established in 1973 under the Port Qasim Authority Act, 1973. Principle activity of the Authority is to provide services of ships movement, storage, berthage, wharfage and towage, etc., besides developing and

managing an industrial estate within its occupied area. The Authority is included in the list of organization which has not submitted their audited accounts.

The PAO informed the PAC that audited accounts up to the year 2004-05 has been provided to Audit. The audit of Accounts for the year 2005-06 are presently under finalization. The appointment of Auditors for the year 2006-07 and onward is under process of approval. The draft accounts are ready and soon after the appointment of Auditors, the Audit of Accounts will be undertaken by Auditors. The PAO assure the Committee that all the accounts of the authority will be finalize up to 31st December, 2010.

PAC DIRECTIVE

On a commitment given by the Secretary, the PAC directed to finalize the accounts (up to date) up to 31st December, 2010. The PAC further directed to discuss the para thoroughly again at DAC level to scrutinize for not finalizing the accounts well in time, fix responsibility with a report to PAC. The PAC pended the para.

4. **PARA 214 (PAGE 319-ARPSE)**
LOSS DUE TO IRREGUALR APPOINTMENT OF A CONSULTANT FOR REVISION OF PQA ACT 1973

Audit pointed out that the guidelines issued by the Establishment Division through U.O No.11.3/2001-MSW-III dated 25-01-2002 regulating appointment of consultants for strict compliance by all Ministries/Divisions/Organizations provides as under:-

1. Consultancy should be widely advertised indicating the requirements as

    a. Terms of reference/specific tasks to be accomplished by consultants.
    b. Details of output required of consultant.
    c. Anticipated benefits from proposed assignment.
    d. Professional expertise & experience required for the task to be under taken.
    e. Approximate time required for completion of job.

f. Cost estimates.

2. Advertisement of consultancy will indicated the rage of compensation of package, including various facilities, depending on the nature of work involved. The applicants will be short listed and prioritized by an in-house committee of client organization.

3. For General/Non-development budget funded consultancies a selection board, headed by the Secretary of the Ministry/Division concerned and including a representative each of Establishment Division & Finance Division, will recommend a penal of at least three candidates in order or merit for consideration of the appointing authority. The selection Board should also recommend the compensation package for the consultant place on the panel.

Port Qasim Authority (PQA) appointed a Barrister as consultant on April 08, 2007 for revision of PQA Act 1973 and drafting rules & regulations at a fixed professional fee of Rs. 1,500,000 with the term of 50% advance payment without observing the regulations as laid down for the appointment of consultant. Subsequently, her contract, amount was enhanced up to Rs. 2,600,000 on August 06, 2008. However, she did not provide any consultancy of service receiving an advance payment of Rs. 1.550 million on November 2008. Thus, the management extended her undue favor at the cost of Authority's funds which was a loss to the organization.

The PAO informed the PAC that Port Qasim Authority came into existence with the promulgation of PQA Act (No. XLIII) of 1973 defining the parameters for functioning for the Authority. In view of significant commercial and technological developments taking place world over, commensuration amendments in the PQA Act, 1973 become necessary to harmonized it with the changing needs of a modern international port; truly depicting the PQA's Mission Statement. Accordingly, the matter was placed before the PQA Board for appointment of Legal Consultant to review and amend the placed before the PQA Act. Within this context, the Board vide its B.R No. 129/2006 dated 12-08-2006 agree that "Legal Consultant be appointed to review and amend the PQA Act.

Subsequently, the Board vide its BR No.41/2007 dated 14-06-20007, agreed to appoint Barrister Shahida Jamil as Consultant for Amendment/Review of the PQA Act 1973, Review of Service Rules/Regulations and PQA Regulations on a lump sum amount of Rs. 1.5 million. Since Barrister Shahida Jamil was already working on similar assignment for sister concern KPT; possessing adequate experience and knowledge of legal reforms pertaining to the modern landlord port operation; and had gained special knowledge of port reforms during her collaboration with the World Bank, she was preferred in the best interest of the organization and thus assigned the task for PQA. Estimated time for completion of the assignment was 9 to 12 months; ending on 25-11-2009. She was working on the assigned work and a concrete output was expected to come out before completion of the period. As regards cost estimates, she initially demanded Rs. 2.5 million. However, after extensive negotiations, she agreed at an amount of Rs. 1.5 million for revision of PQA Act and subsidiary rules, reducing the scope of work by excluding the revision of PQA Service Regulations. Subsequently, since PQA Service Regulations were also essentially required to be framed, the matter was re-negotiated with her and agreed at an amount of Rs. 2.55 million. The PAO further informed that the contract with advocate has already been terminated and the consultant has been ask to refund the amount of Rs. 1,550,000/-.

PAC DIRECTIVE

The PAC raised the following observations:-

i) Fix responsibility against whoever violated the Establishment Rules in appointing Barrister Shahida Jameel, without advertisement.
ii) Why the Board powers were enhanced to appoint her contrary to rules.
iii) Why undue favor was given to the consultant and 50% advance payment was made?

The PAC directed the PAO to conduct inquiry, fix responsibility and report to PAC within 15 days. The PAC further directed to ensure recovery from the consultant as early as possible.

5. **PARA 216 (PAGE 321-ARPSE)**
LOSS DUE TO ALLOTMENT OF INDUSTRIAL/COMMERCIAL PLOTS TO MANAGEMENT AND THEIR FAMILIES' MEMBERS RS. 190.389 MILLION

Audit pointed out that the as per para-10 (iii) of GFR Vol-I "Standards of Financial Property" no authority should exercise its powers of sanctioning expenditure to pass or order which will be directly to his own benefit. In Port Qasim Authority (PQA), the management allotted costly industrial/commercial plots to the tune of Rs 190.389 million to themselves and their family members which reflect misuse of power and availing of undue benefit and family at the cost of Organizational interest. The officers of PQA earned a sum of Rs. 190.389, 824 by acquiring industrial and commercial plots at nominal rates and by selling/relating the plots at market price at cost of authority in an irregular way which was a clear loss to the Authority. Besides, the basic objective of development of industrial and commercial estate was undersigned by allotting the plots to kith and kim and not to the real industrialists and commercial center planners.

The PAO informed the PAC that allotments were made to 29 PQA officers, their spouses/dependents at the prevalent rates, under the General Terms & Conditions applicable in the year 1996. it may be noted that prior to the audit observation, the matter has also been investigated by the Prime Minister Implementations and Inspection Commission, who visited Port Qasim Authority on 27-1101997 and called for a report on allotment made to PQA officers, which was accordingly furnished. Upon investigating the allotments thoroughly, the PMI & IC vide its report dated 10-01-1998 found that the same have been made in accordance with the specified procedure and no special favor/concession has been given to any of the official in this respect. Notwithstanding the above, it is maintained that the allotments made to 29 PQA officers, their spouses & dependents have strictly been in accordance with General Terms & Conditions of Allotment Policy, without extending any undue favor to them. It may be noted that the general policy/condition of allotting plot of PQA has been liberal since beginning with a view to encourage investments in the commercial/industrial area of the port. As such, these conditions/policy, despite having been framed in 2000 and modified in 2005, still do not put any bar or restrict allotment of plots to the officials and their

dependents/relatives. Hence, no irregularity has occurred in this respect. As regards issue of PQA Board Members/Secretary PQA's becoming self-beneficiary of their decision, it is clarified that 33% rebate allowed to them on peripheral Development Charges, was subsequently withdrawn vide B.R No. 4001 dated 26th February, 1998. Accordingly, the rebates allowed were recovered from concerned Board Members and Secretary PQA. Hence, they have not been the beneficiary of their decision on allotment of plots; by getting those on same terms & conditions applicable on other allottees.

PAC DIRECTIVE

The PAC took serious view for misuse of powers and directed the PAO to hold an inquiry into the matter, fix responsibility against person(s) and report to PAC within one month. The PAC further directed that the name of the then Board Members may also be indicated who took advantage of their position to acquire plots. The PAC pended the para for discussion in the next PAC meeting.

GWADAR PORT AUTHORITY

6. i) **ANNEXURE-I (PAGE 372-ARPSE)**
NON-SUBMISSION OF ACCOUNTS

GWADAR FISH HARBOUR-CUM-MINI PORT

ii) **ANNEXURE-II (PAGE 372-ARPSE)**
NON-SUBMISSION OF ACCOUNTS

LIGHTHOUSES AND LIGHTSHIPS DEPARTMENT

iii) **PARA 210 (PAGE 315-ARPSE)**
AUDIT COMMENTS

iv) **PARA 210.1 (PAGE 315-ARPSE)**
AUDIT COMMENTS

PAKISTAN NATIONAL SHIPPING CORPORATION

v) **PARA 211 (PAGE 316-ARPSE)**
AUDIT COMMENTS

vi) **PARA 211.1 (PAGE 316-ARPSE)**
AUDIT COMMENTS

vii) **PARA 211.2 (PAGE 317-ARPSE)**
AUDIT COMMENTS

viii) **PARA 211.3 (PAGE 317-ARPSE)**
AUDIT COMMENTS

PORT QASIM AUTHORITY

ix) **PARA 215 (PAGE 320-ARPSE)**
NON-RECOVERY OF DECREED AMOUTN RS. 1.118 MILLION

x) **PARA 217 (PAGE 322-ARPSE)**
LOSS DUE TO NON-CREDITING OF DEPOSITED BANK DRAFTED SINCE 2004 RS. 163.653 MILLION

PAC DIRECTIVE

On the presentation of above 10 audit paras, the PAC directed the PAO to implement the recommendations of the DAC. These paras are considered to be settled subject to verification/satisfaction of Audit Department.

MINISTRY OF POSTAL SERVICES

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Pakistan Post Office Department for the year 2008-09, pertaining to the Ministry of Postal Services were taken up for examination by Public Accounts Committee on **24th May, 8th December, 2010 and 6th May, 2011.**

1.1 The PAC having considered Audit's views as well as explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving defective contracts, financial indiscipline, misuse of funds, violation of rules, cases of non-recovery, blockage of funds, irregular expenditures and overpayments of huge amounts etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 36 paras and 1 grant reported by Audit/AGPR. These paras/grant were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of PAC. 02 paras/grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directions on 20 paras, while on 15 paras the Committee directed the PAO to implement the recommendations of the DAC. The PAC ordered recovery amounting to **Rs** ---------- out of which **Rs.**---------- has been realized. The Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives would be reviewed in future sessions.

1.4 In some cases the Committee directed Audit to verify details/facts, given in certain cases, by the Ministry in defence of the viewpoint presented by PAO.

1.5 The PAC while examining the Audit reports constituted an Inter Departmental committee (IDC and three Sub-Committees to scrutinize some cases).

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 24-05-2010 to examine the Appropriation Accounts for the year 2007-08 and Audit Report for the year 2008-09.

APPROPRIATION ACCOUNTS OF PAKISTAN POST OFFICE DEPARTMENT FOR THE YEAR 2007-08

1. **GRANT NO. 18-PAKISTAN POST OFFICE DEPARTMENT(PAGE 9-AA)**
(Excess of Rs 297,665.801)

Chief Accounts Officer pointed out that the grant closed with an excess of Rs 297,665.801 which works out to 5.12% of the total grant.

The PAO explained that the reasons for excess expenditure were due to revision of pay and allowances, pension and operating obligatory expenses. Moreover, two houses were purchased by the department.

PAC DIRECTIVE

The Public Accounts Committee taking a very serious view of financial mis-management, directed the PAO to hold an inquiry for purchase of 2 houses, fix responsibility, take action against the person(s) and report to PAC within 30 days. The grant was deferred for discussion in the next meeting of PAC.

AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN POST OFFICE DEPARTMENT FOR THE YEAR 2008-09

2. **PARA 1.1 (PAGE 1-AR)**
UNAUTHORIZED EXPENDITURE OF RS 63.726 MILLION ON PURCHASE AND RENOVATION OF TWO HOUSES

Audit pointed out that according to Articles 42 and 43 of PT&T IAC Vol-I, the capital should be charged the cost of increasing or adding to the assets of the department .The cost of erection of additional assets will also be borne by capital or working expenses. DG PPO Department purchased two houses at Islamabad worth Rs 62,965,000 out of Renewals Reserve Fund (RR Fund) during 2007-08. Another expenditure of Rs 761,300 was incurred out of RR Fund on additional fixture and installations in a newly purchased house. Neither approval of Finance Division was obtained nor the expenditure was capitalized. The purchase was made by ignoring the instructions of Finance Division which instructed the PPO Department not to incur any expenditure on purchase of houses until the proposal is approved by administrative Ministry and Ministry of Finance vide letter dated 25-04-2007.

The PAO informed the PAC that the case was referred to Finance Division. It clarified that accounting error cannot be rectified in 2009-10 through supplementary grant.

PAC DIRECTIVE

The PAC took a very serious view for violation of rules and directed the Ministry to advice the Director General, Post Office to proceed against the Officers of the Engineering and Account Wing who gave advice, against Rules to the senior management to purchase two houses causing loss to the exchequer of Rs. 63.726 million and report to PAC within 30 days. It was also directed that the Ministry may consult M/o Finance for regularization of the figures in the appropriate head. The paras were pended for discussion in the next PAC meeting.

3. i) **PARA 1.2 (PAGES 2-AR)**
UNAUTHORIZED EXPENDITURE OF RS 196.699 MILLION ON PAYMENT OF CORPORATE AND SERVICE INCENTIVES

Audit pointed out that as per Rule-12 of the Rules of Business, 1973, and para 9(d) of System of Financial Control and Budgeting issued by the Finance Division vide O.M. dated 13th September, 2006, the approval of Finance Division is required before issuing any orders that may affect the finances of the Federation. DG, PPO Department incurred an expenditure of Rs. 196.699 million on payment of corporate and service incentives without approval of the Finance Division during 2007-08. The Finance Division did not approve the budget for grant of incentives but the department made payments of incentives by re-appropriation. The expenditure was incurred on payment of incentives by ignoring the instructions of Finance Division vide letter dated 25-04-2007 which instructed the PPO Department not to incur any expenditure on grant of incentives until the proposal is approved by administrative Ministry (MoC) and Ministry of Finance vide letter dated 25-04-2007.

The PAO informed the PAC that the case was referred to Finance Division for regularization of all unauthorized allowances, but these incentives were not approved. However, the same has been taken up with Finance Division and further payment has been stopped till the decision of the Finance Division.

ii) **PARA 1.3 (PAGES 3-AR)**
UNAUTHORIZED EXPENDITURE OF RS 56.278 MILLION ON PAYMENT OF UNAPPROVED ALLOWANCES

Audit pointed out that as per Rule-12 of the Rules of Business, 1973, and para 9(d) of System of Financial Control and Budgeting issued by the Finance Division vide O.M. dated 13th September, 2006, the approval of Finance Division is required before issuing any orders that may affect the finances of the Federation. DG, PPO Department incurred an expenditure of Rs 56.278 million on payment of a new allowance "Good Performance Allowance" @ Rs 115 per month and

enhanced the rate of "Postal Operational Allowance" from Rs 140 to Rs 200 per month during 2007-08 without prior approval of the Finance Division.

The PAO informed the PAC that the case is subjudice. However, the case has been referred to Finance Division for regularization.

iii) **PARA 1.4 (PAGES 3-AR)**
UNAUTHORIZED RE-APPROPRIATION OF FUNDS- RS 130.189 MILLION

Audit pointed out that according to Sl. No. 5(II) (C) (ii) of Annex-I to System of Financial Control and Budgeting, 06, all powers of appropriation and re-appropriation conferred upon administrative Ministries/Divisions/ Departments and other authorities are subject to the prior consent of the Financial Advisor/Finance Division. Contrary to the above instructions, DG, PPO Department re-appropriated funds of Rs 130.189 million from different heads of accounts vide letter dated 30th June, 2008 without prior approval of Finance Division.

The PAO informed the PAC that the case was referred to the Finance Division for regularization.

iv) **PARA 1.5 (PAGE 4-AR)**
UNAUTHORIZED EXPENDITURE OF RS 38.749 MILLION ON ACCOUNT OF PAYMENT TO CONTINGENT PAID STAFF

Audit pointed out that according to Para 11 (A) (vi) of System of Financial Control and Budgeting issued vide Finance Division O.M dated 13th September, 2006, the Financial Advisor shall submit proposals for appointment of contingent paid staff to AFS (E) for approval. In violation of above instructions, DG, PPO Department incurred an expenditure of Rs 38,749,122 on engagement of contingent paid/daily wages staff under the head "A-01277 Contingent Paid Staff" without approval of posts from Finance Division for appointment of contingent paid staff during 2007-08.

The PAO informed the PAC that the case was referred to Finance Division for regularization.

PAC DIRECTIVE

The PAC took a very serious view for violation of rules pointed out by Audit in the above 4 paras and directed the PAO to fix responsibility and report to PAC within 30 days. The paras were pended for discussion in the next PAC meeting.

4. **PARA 2.1 (PAGE 8-AR)**
MISAPPROPRIATION OF RS 4.024 MILLION DUE TO LESS ACCOUNTAL OF CASH

Audit pointed out that according to Article 369 of PT&T IAC, Vol-I, the postmaster is personally responsible to see that all money transactions are brought to the account as soon as possible after they occur and that the accounts received from the sub and branch offices under his jurisdiction are correctly accounted for. The Postmaster must himself verify the balances of the Head Office and test the correctness of his accounts every day. In GPO Bahawalpur, cash amounting to Rs 44,778,297 received from town post offices was kept out of account on certain dates. Moreover, an amount of Rs 4,024,167 was less accounted for in the Treasurer's Cash Book on next day.

The PAO informed the PAC that the matter was investigated through an inquiry committee and no cash was found short.

PAC DIRECTIVE

The PAC directed the PAO to re-constitute the inquiry committee headed by a senior officer for fixing responsibility and report to PAC within one month. The PAC pended the para for discussion in the next PAC meeting.

5. **PARA 2.2 (PAGE 8-AR)**
OVERPAYMENT OF RS 6.704 MILLION TO MILITARY PENSIONERS

Audit pointed out that according to Finance Division letter dated 2nd July, 2004 increase in pension @ 16% was allowed to those pensioners who retired prior to revised pay scales, 1994, while 8% increase was allowed to those pensioners who adopted basic pay scales, 1994. The said increase was not admissible to re-employed pensioners. Further, according to Finance Division letter dated 1st July, 2005, the increases allowed on pension @ 15% & 8% w.e.f 01.07.2003 and 01.07.2004 respectively shall not be admissible to Government servants who would draw pension under the revised pay scales 2005. Similarly, according to paras 11 (i) and (ii) of the PMP Rules, a military pensioner may get his pension transferred from one station to another and his application along with pension certificate and other relevant documents will be sent to that post office after closing his account. Contrary to above provisions, thirteen (13) formations of PPO Department made overpayment / double payment of Rs 6,704,362 to certain military pensioners.

The PAO informed the PAC that the recovery has been made in most of the cases and efforts are being made for balance recovery.

PAC DIRECTIVE

The PAC directed the PAO as under:-

i) Recover the over paid amount within next six months and get the recovery particulars verified from audit.
ii) Fix responsibility for over payment made.
iii) Evolve a system of verification of data between GPOs and M/o Defence, Regimental Centers/Soldier Boards.
iv) Review the system of disbursement for improvement in weak areas and report to PAC.

The PAC will discuss the para again in the next PAC meeting.

6. **PARA 2.4 (PAGE 10-AR)**
LOSSES, FRAUDS AND MISAPPROPRIATIONS OF RS 101.190 MILLION

Audit pointed out that according to Article 24 of PT&T, Initial Account Code Vol-I and Sl.No.7 of Appendix-2 to GFR Vol-I, loss and fraud cases are required to be reported to Audit office immediately on occurrence. In all such cases, departmental proceedings should be instituted at the earliest against all the delinquents even against a government servant prosecuted in a criminal court. On scrutiny of registers of losses and defalcations for the year 2007-08, audit noticed 145 cases of misappropriations, frauds, losses, dacoities and thefts involving Rs 101.190 million. These cases were neither reported to audit at the time of their occurrence nor appropriately processed or finalized.

The PAO informed the PAC that in certain cases recovery had been made and efforts were underway to affect recovery in remaining cases.

PAC DIRECTIVE

The PAC directed the PAO as under:-

i) Finalize all disciplinary cases against the accused.
ii) Effect recovery from the responsible person(s) and get the same verified from audit.
iii) Fix responsibility on inspecting officers for non detection of frauds.
iv) Report to PAC within 30 days.

7. **PARA 3.1 (PAGE 12-AR)**
UNAUTHORIZED PRINTING OF INLAND STAMPED ENVELOPES AND CARDS VALUING RS 33.900 MILLION FROM PPF AND NON RECOVERY OF PENALTY OF RS 0.585 MILLION

Audit pointed out that Rule 1 of Appendix 5 to PT&T, IAC Vol-I require that postage stamps which form sources of central revenues shall be printed only at the Pakistan Security Printing Corporation (PSPC), Karachi. Chief Controller of Stamps, Karachi incurred an expenditure of Rs 33,900,000 on printing of inland stamped envelopes, post cards, aerogramme and AD cards of various denominations from PPF. The contractor

failed to make supply within the stipulated period but penalty @ 5% amounting to Rs 584,800 was not imposed / deducted from payments made to the PPF.

The PAO informed the PAC that only envelopes are being got printed from PPF. Moreover, the management of PSPC has declined to print the stamped envelopes.

PAC DIRECTIVE

The PAC pended the para with the direction to PAO to place the case before ECC for final decision and report to PAC.

8. **PARA 3.2 (PAGE 13-AR)**
IRREGULAR EXPENDITURE OF RS 18.878 MILLION ON PRINTING OF STATIONERY AND FORMS FROM PPF

Audit pointed out that according to Sl. No.13 & 44 of the System of Financial Control and Budgeting, 2006 the printing work through private press, other than a press of Printing Corporation of Pakistan (PCP) should be undertaken only if PAO is satisfied that it is in public interest to do so and records a certificate to that effect. Advance payment is admissible to other Government Departments and Government owned/controlled organizations in exceptional cases only. PPO Department incurred an expenditure of Rs 18.878 million on printing of stationery & forms without obtaining rates from PCP and a certificate from PAO. The payments were made at different rates for the same job during the financial year and an advance payment of Rs 1.685 million was also made to PPF.

The PAO informed the PAC that the printing of stationery and forms is done from PPF as per ECC's decisions. The decision of PAC on findings of IDC regarding the same issue contained in Audit Para No.4.3 of audit report 2005-06 is still awaited as IDC has submitted its report to PAC for examining and issuing directives.

PAC DIRECTIVE

The PAC directed the PAO to hold a meeting with Mr. Muhammad Nasrul Aziz, Joint Secretary/Director (BC) Finance Division and Mr. Tahawaar Ahmed, Financial Advisor

to review the decision of ECC, under which PPOD awards the contracts to PPF, in the light of instruction of Finance Division issued vide letter dated 11-02-2010 and report to PAC within 7 days. The PAC pended the para for discussion in the next PAC meeting.

9. i) **PARA 3.4 (PAGES 15-AR)**
UNDUE FAVOUR TO PPF BY AWARDING CONTRACT FOR CONVEYANCE OF CASH WITHOUT OPEN TENDERS AND IRREGULAR PAYMENT OF RS 1.398 MILLION

Audit pointed out that according to Rule 21 of Public Procurement Rules, 2004, the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than one hundred thousand rupees. Two departmental cash vans were deployed for conveyance of cash in Islamabad Postal Area and Islamabad-Rawat line which were declared condemned. The contract for conveyance of mail for the same area was already awarded to Pakistan Post Foundation (PPF). On condemnation of departmental vehicles, the contract for conveyance of cash on this route was also awarded to PPF. The contract agreement was signed on 25-09-2007 which was made effective from 06-10-2006. The competitive rates were not obtained from reputed security agencies to ensure the security of cash. An expenditure of Rs 1,398,095 was incurred on this account.

The PAO informed the PAC that tenders/rates called for conveyance of mail were utilized for conveyance of cash also.

ii) **PARA 3.5 (PAGES 16-AR)**
IRREGULAR EXPENDITURE OF RS 3.753 MILLION ON ACCOUNT OF SECURITY SERVICES WITHOUT TENDERS

Audit pointed out that according to Rule-21 of Public Procurement Rules, 2004 the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than one hundred thousand rupees. PMG Karachi entered into an agreement with M/s FAMS Security Services (Pvt.) Limited on 5th September, 2005 for provision of security services at six GPOs in Karachi for one

year i.e. up to 5th September, 2006. The contract was extended for further one year and the rates were also enhanced by 20% without provision in the agreement instead of inviting the fresh tenders on expiry of the contract. An expenditure of Rs 3,752,592 was incurred on this account.

The PAO informed the PAC that the contract of the company was extended keeping in view the prevailing inflationary rate and increase in wages for various security reasons and in the best interest of the department.

iii) **PARA 3.7 (PAGES 18-AR)**
IRREGULAR EXPENDITURE OF RS 2.457 MILLION ON LOCAL PURCHASE OF MEDICINES WITHOUT TENDERS

Audit pointed out that Rules 20 and 21 of Public Procurement Rules, 2004 require that the procuring agency shall use open competitive bidding as a principal method of procurement of goods, services and works. The procuring agency shall engage in open competitive bidding if the cost of the object to be procured is more than one hundred thousand rupees. Four formations of PPO Department incurred an expenditure of Rs 2,456,969 on local purchase of medicines without selection of the lowest supplier through open tenders during 2007-08.

The PAO informed the PAC that certain medicines were purchased in bulk at hospital rates on discount basis and local purchase of medicines was made from reputed firms on emergent basis.

iv) **PARA 5.3 (PAGE 31-AR)**
VIOLATION OF PUBLIC PROCUREMENT RULES IN PURCHASE OF STORES WORTH RS 5.807 MILLION

PAC DIRECTIVE

The PAC took a very serious view for violation of PPRA rules and directed the PAO to fix responsibility and report to PAC within 30 days. The PAC clubbed the above 4 paras.

10. i) **PARA 3.3 (PAGE 14-AR)**
LOSS DUE TO LESS/NON FIXATION OF RENT FOR SPACE PROVIDED TO PPF OF RS 1.014 MILLION

ii) **PARA 4.4 (PAGE 23-AR)**
NON RECOVERY OF RS 10.765 MILLION FROM DISTRICT GOVERNMENTS DUE TO UN-REMUNERATIVE POST OFFICES

iii) **PARA 4.5 (PAGE 24-AR)**
NON RECOVERY OF RS 6.186 MILLION FROM PTCL ON ACCOUNT OF SHARE COST OF P&T MODEL SCHOOL

iv) **PARA 4.6 (PAGE 25-AR)**
NON RECOVERY OF RS. 4.070 MILLION FROM NATIONAL BANK OF PAKISTAN ON ACCOUNT OF SERVICE CHARGES

v) **PARA 5.1 (PAGE 29-AR)**
IRREGULAR CHARGING OF COMMISSION OF RS 157 MILLION ON DEPOSITS RETAINED FOR LESS THAN 90 DAYS

vi) **PARA 5.2 (PAGE 29-AR)**
WITHDRAWAL OF CASH ON PAPER CHITS FOR RS 10.634 MILLION

vii) **PARA 5.5 (PAGE 31-AR)**
IRREGULAR DEDUCTION OF SERVICE CHARGES ON COLLECTION OF WITHHOLDING TAX - RS 7.643 MILLION

PAC DIRECTIVE

The PAC could not discussed the above 7 highlighted paras. Therefore, these paras will be discussed in the next meeting of the Public Accounts Committee.

11. i) **PARA 1.6 (PAGE 5-AR)**
UNAUTHORIZED PAYMENT OF GOOD CONDUCT PAY AMOUNTING TO RS 0.935 MILLION

ii) **PARA 1.7 (PAGE 5-AR)**
UNAUTHORIZED PAYMENT OF HOUSE REQUISITION OF RS 0.214 MILLION AT UNSPECIFIED STATIONS

iii) **PARA 1.8 (PAGE 6-AR)**
UNAUTHORIZED EXPENDITURE OF RS 0.210 MILLION ON POL FOR PERSONAL VEHICLES

iv) **PARA 2.3 (PAGE 9-AR)**
IRREGULAR PAYMENTS OF RS 4.002 MILLION FROM BAIT-UL-MAL

v) **PARA 3.6 (PAGE 16-AR)**
IRREGULAR EXPENDITURE OF RS 3.726 MILLION ON PURCHASE OF COMPUTERS AND UPS.

vi) **PARA 3.8 (PAGE 19-AR)**
IRREGULAR EXPENDITURE OF RS 1.465 MILLION ON ACCOUNT OF CONVEYANCE OF MAIL WITHOUT OPEN TENDERS

vii) **PARA 4.1 (PAGE 20-AR)**
NON RECOVERY OF ESTABLISHMENT AND PRINTING CHARGES OF RS 146.078 MILLION FROM VARIOUS GOVERNMENT DEPARTMENTS

viii) **PARA 4.2 (PAGE 21-AR)**
NON REALIZATION OF HEAVY OUTSTANDING TERMINAL DUES OF RS 80.602 MILLION FROM FOREIGN POSTAL ADMINISTRATIONS

ix) **PARA 4.3 (PAGE 22-AR)**
LOSS OF RS 40.599 MILLION DUE TO NON-REALIZATION OF SERVICES CHARGES FROM PTCL

x) **PARA 4.7 (PAGE 26-AR)**
NON RECOVERY OF COMMISSION/SERVICE CHARGES OF RS 3.235 MILLION FROM GOVERNMENTS OF THE PUNJAB AND SINDH

xi) **PARA 4.8 (PAGE 26-AR)**
NON-DEDUCTION OF WITHHOLDING TAX OF RS 1.437 MILLION FROM THE PROFIT ON SAVING SCHEMES

xii) **PARA 4.9 (PAGE 27-AR)**
LOSS OF RS 1.493 MILLION DUE TO NON RECOVERY OF STANDARD RENT

xiii) **PARA 4.10 (PAGE 28-AR)**
LOSS OF RS 0.933 MILLION DUE TO NON RECOVERY OF UTILITY CHARGES FROM THE OCCUPANTS OF BACHELOR HOSTEL

xiv) **PARA 5.4 (PAGE 32-AR)**
NON REFUND OF SERVICE CHARGES OF RS 5.971 MILLION ON EMBEZZLED AMOUNT OF MILITARY PENSION PAYMENTS

xv). **PARA 5.6 (PAGE 34-AR)**
UNAUTHORIZED PREPARATION AND RETENTION OF CHEQUES AMOUNTING TO RS 8.480 MILLION TO AVOID LAPSE OF FUNDS

PAC DIRECTIVE

On the presentation of above 15 audit paras, the PAC directed the PAO to implement the recommendations of the DAC. These paras are considered to be settled subject to verification/satisfaction of Audit Department.

ACTIONABLE POINTS

Actionable Points arising from the discussions of the PAC meeting held on 8-12-2010 to examine the Audit Report for the year 2008-09 pertaining to M/o Postal Services are as under:-

AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN POST OFFICE DEPARTMENT FOR THE YEAR 2008-09

1. **PARA 1.1 (PAGE 1-AR)**
UNAUTHORIZED EXPENDITURE OF RS 63.726 MILLION ON PURCHASE AND RENOVATION OF TWO HOUSES (ITEM 2-AP-2008-09) (24-05-2010)

Audit pointed out that, ignoring the instructions of Finance Division, DG PPO Department purchased two houses at Islamabad worth Rs 62,965,000 out of Renewals Reserve Fund (RR Fund) during 2007-08. Another expenditure of Rs. 761,300 was incurred out of RR Fund on additional fixture and installations in a newly purchased house. Neither approval of Finance Division was obtained nor the expenditure was capitalized.

The PAO informed the PAC that in compliance with PAC directive, disciplinary action against the staff of Finance & Engineering group has been initiated by the Directorate General Pakistan Post, Islamabad.

PAC DIRECTIVE

The para was kept pending. The Chairman formulated a Committee led by Deputy Auditor-General, concerned Financial Adviser, Deputy Secretary, PAC Wing to examine the files on the subject to fix responsibility on the concerned officers/officials so that disciplinary action can be initiated. It was further decided that this Committee would review all the paras, discussed during the meeting, relating to the Ministry of Postal Services and submit a report in **two months time.**

2. **PARA 1.2 (PAGE 2-AR)**
UNAUTHORIZED EXPENDITURE OF RS 196.699 MILLION ON PAYMENT OF CORPORATE AND SERVICE INCENTIVES (ITEM 3(i)-AP-2008-09) (24-05-2010)

Audit pointed out that DG, PPO Department incurred an expenditure of Rs.196.699 million on payment of corporate and service incentives without approval of the Finance Division during 2007-08. The expenditure was incurred on payment of incentives by ignoring the instructions of Finance Division vide letter dated 25-04-2007.

The PAO informed the PAC that, in compliance with PAC directive, Inquiry Committee was constituted and its report was submitted to the Ministry of Postal Services Islamabad vide letter dated 3-8-2010 for onward submission to PAO. However, the DG (PPO) further assured that local offices, who are still paying corporate and service incentives amount to the employees will be identified, with the help of the Audit and the amounts will be recovered from persons to whom payments were made.

PAC DIRECTIVE

The Public Accounts Committee settled the para subject to regularization of the payment of past incentives by the M/O Finance and verification by Audit.

3. i) **PARA 1.3 (PAGE 3-AR)**
UNAUTHORIZED EXPENDITURE OF RS 56.278 MILLION ON PAYMENT OF UNAPPROVED ALLOWANCES (ITEM 3(ii)-AP-2008-09) (24-05-2010)

ii) **PARA 1.4 (PAGE 3-AR)**
UNAUTHORIZED RE-APPROPRIATION OF FUNDS- RS 130.189 MILLION (ITEM 3(iii)-AP-2008-09) (24-05-2010)

iii) **PARA 1.5 (PAGE 4-AR)**
UNAUTHORIZED EXPENDITURE OF RS 38.749 MILLION ON ACCOUNT OF PAYMENT TO CONTINGENT PAID STAFF (ITEM 3(iv)-AP-2008-09) (24-05-2010)

PAC DIRECTIVE

The above three paras were kept pending till regularization by the M/o Finance.

4. **PARA 2.1 (PAGE 8-AR)**
MISAPPROPRIATION OF RS 4.024 MILLION DUE TO LESS ACCOUNTAL OF CASH (ITEM 4-AP-2008-09) (24-05-2010)

Audit pointed out that in GPO Bahawalpur, cash amounting to Rs. 44,778,297 received from Town Post Offices was kept out of account on certain dates. Moreover, an amount of Rs. 4,024,167 was less accounted for in the Treasurer's Cash Book on next day.

The PAO informed that in compliance with PAC directive, Inquiry Committee was constituted and its report was submitted to the Ministry of Postal Services Islamabad vide letter dated 3-8-2010 for onward submission to PAO/PAC Secretariat.

PAC DIRECTIVE

The Public Accounts Committee settled the para.

5. **PARA 2.2 (PAGE 8-AR)**
OVERPAYMENT OF RS 6.704 MILLION TO MILITARY PENSIONERS (ITEM 5-AP-2008-09) (24-05-2010)

Audit pointed out that according to Finance Division letter dated 2nd July, 2004 increase in pension @ 16% was allowed to those pensioners who retired prior to revised pay scales, 1994, while 8% increase was allowed to those pensioners who adopted basic pay scales, 1994. The said increase was not admissible to re-employed pensioners. Further, according to Finance Division letter dated 1st July, 2005, the increases allowed on pension @ 15% & 8% w.e.f 01.07.2003 and 01.07.2004 respectively shall not be admissible to Government servants who would draw pension under the revised pay scales 2005. Similarly, according to paras 11 (i) and (ii) of the PMP Rules, a military pensioner may get his pension transferred from one station to another and his application along with pension certificate and other relevant documents will be sent to that post office after closing his account. Contrary to above provisions, thirteen (13) formations of PPO Department made overpayment / double payment of Rs.6,704,362 to certain military pensioners.

The PAO informed that in compliance with PAC directive, Inquiry was conducted by the Director General Pakistan Post Islamabad and report was submitted to PAC/Audit vide memo No.A&R.1-2/2010 dated 2-8-2010 and Rs.4.343 Million has been recovered out of Rs.6,407 Million.

PAC DIRECTIVE

The Public Accounts Committee observed that correct figures of overpayment/double payment to certain military pensioners were not given correctly by the Ministry, and due care should be taken in this regard. A Committee under Secretary, M/O Postal Services including Director General PPO, CMA, MAG, DG Audit and representative of M/O Finance was constituted to examine this systemic issue and submit its recommendations in **two month's time.**

6. **PARA 2.4 (PAGE 10-AR)**
LOSSES, FRAUDS AND MISAPPROPRIATIONS OF RS 101.190 MILLION (ITEM 6-AP-2008-09) (24-05-2010)

Audit pointed out that on scrutiny of registers of losses and defalcations for the year 2007-08, audit noticed 145 cases of misappropriations, frauds, losses, decoities and thefts involving Rs.101.190 million. These cases were neither reported to audit at the time of their occurrence nor appropriately processed or finalized.

The PAO explained that in certain cases recovery had been made and efforts were underway to effect recovery in remaining cases.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to expedite the remaining recoveries and get them verified by Audit in **one month's time.**

7. **PARA 3.1 (PAGE 12-AR)**
UNAUTHORIZED PRINTING OF INLAND STAMPED ENVELOPES AND CARDS VALUING RS 33.900 MILLION FROM PPF AND NON RECOVERY OF PENALTY OF RS 0.585 MILLION (ITEM 7-AP-2008-09) (24-05-2010)

Audit pointed out that in violation of rule1 of Appendix 5 to PT&T, IAC Vol-I, the Chief Controller of Stamps, Karachi incurred an expenditure of Rs.33,900,000 on printing of inland stamped envelopes, post cards, aerogramme and AD cards of various denominations from PPF. The Contractor failed to make supply within the stipulated period but penalty @ 5% amounting to Rs.584,800 was not imposed / deducted from payments made to the PPF.

The PAO informed that in compliance with PAC directives, PSPC was approached by Chief Controller of Stamps Karachi for execution of agreement. The PSPC vide their letter No.S-251/7403 dated 15-06-2010 has informed that a report has been submitted to the Ministry of Finance for feasibility study of the project.

PAC DIRECTIVE

The Public Accounts Committee directed that the Director General PPO may prepare a working paper on the issue which may be examined by the Committee formulated under Deputy Auditor-General which will submit its recommendations alongwith others in **two month's time.**

8. i) **PARA 3.2 (PAGE 13-AR)**
IRREGULAR EXPENDITURE OF RS 18.878 MILLION ON PRINTING OF STATIONERY AND FORMS FROM PPF (ITEM 8-AP-2008-09) (24-05-2010)

ii) **PARA 3.3 (PAGE 14-AR)**
LOSS DUE TO LESS/NON FIXATION OF RENT FOR SPACE PROVIDED TO PPF OF RS 1.014 MILLION (ITEM 10(i)-AP-2008-09) (24-05-2010)

iii) **PARA 3.4 (PAGE 15-AR)**
UNDUE FAVOUR TO PPF BY AWARDING CONTRACT FOR CONVEYANCE OF CASH WITHOUT OPEN TENDERS AND IRREGULAR PAYMENT OF RS 1.398 MILLION (ITEM 9(i)-AP-2008-09) (24-05-2010)

iv) **PARA 3.5 (PAGE 16-AR)**
IRREGULAR EXPENDITURE OF RS 3.753 MILLION ON ACCOUNT OF SECURITY SERVICES WITHOUT TENDERS (ITEM 9(ii)-AP-2008-09) (24-05-2010)

v) **PARA 3.7 (PAGE 18-AR)**
IRREGULAR EXPENDITURE OF RS 2.457 MILLION ON LOCAL PURCHASE OF MEDICINES WITHOUT TENDERS (ITEM 9(iii)-AP-2008-09) (24-05-2010)

vi) **PARA 4.4 (PAGE 23-AR)**
NON RECOVERY OF RS 10.765 MILLION FROM DISTRICT GOVERNMENTS DUE TO UN-REMUNERATIVE POST OFFICES (ITEM 10(ii)-AP-2008-09) (24-05-2010)

vii) **PARA 4.5 (PAGE 24-AR)**
NON RECOVERY OF RS 6.186 MILLION FROM PTCL ON ACCOUNT OF SHARE COST OF P&T MODEL SCHOOL (ITEM 10(iii)-AP-2008-09) (24-05-2010)

viii) **PARA 4.6 (PAGE 25-AR)**
NON RECOVERY OF RS. 4.070 MILLION FROM NATIONAL BANK OF PAKISTAN ON ACCOUNT OF SERVICE CHARGES (ITEM 10(iv)-AP-2008-09) (24-05-2010)

ix) **PARA 5.1 (PAGE 29-AR)**
IRREGULAR CHARGING OF COMMISSION OF RS 157 MILLION ON DEPOSITS RETAINED FOR LESS THAN 90 DAYS (ITEM 10(v)-AP-2008-09) (24-05-2010)

x) **PARA 5.2 (PAGE 29-AR)**
WITHDRAWAL OF CASH ON PAPER CHITS FOR RS 10.634 MILLION (ITEM 10(vi)-AP-2008-09) (24-05-2010)

xi) **PARA 5.3 (PAGE 31-AR)**
VIOLATION OF PUBLIC PROCUREMENT RULES IN PURCHASE OF STORES WORTH RS 5.807 MILLION (ITEM 9(iv)-AP-2008-09) (24-05-2010)

xii) **PARA 5.5 (PAGE 31-AR)**
IRREGULAR DEDUCTION OF SERVICE CHARGES ON COLLECTION OF WITHHOLDING TAX - RS 7.643 MILLION (ITEM 10(vii)-AP-2008-09) (24-05-2010)

PAC DIRECTIVE

The above 12 Audit paras could not be reviewed/discussed by the Public Accounts Committee. Therefore, the same will be reviewed/discussed in the next meeting of the PAC.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 06-05-2011 to examine the Audit Report for the year 2008-09.

AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN POST OFFICE DEPARTMENT FOR THE YEAR 2008-09

1. **PARA 3.3 (PAGE 14-AR)**
LOSS DUE TO LESS/NON FIXATION OF RENT FOR SPACE PROVIDED TO PPF OF RS 1.014 MILLION

Audit pointed out that according to Rule 5-A (1) of Rent Restriction Laws, the rent of non residential buildings shall stand automatically increased at the end of every three years of its tenancy by 25% of the rent already being paid by the tenant. Chief Controller of Stamps (CCS) Karachi allowed PPF to set up its printing press in the compound of GPO Korangi Karachi which was meant for maintaining the stock of stamps got printed by CCS KARACHI. Its godown was shifted to a rented building at higher rent and compromising the security of the revenue documents. The interest of the department was not observed while finalizing the contract to rent out the space to PPF at a lower rate and without periodical increase in the rates since 1993. Department sustained a loss of Rs. 1,013,914 due to non/less recovery of rent from PPF.

The PAO explained that the space was provided to PPF on lease for 20 years @ Rs. 11,666 per month w.e.f 01-02-93 which will expire in January 2013.

PAC DIRECTIVE

The Committee showed its displeasure that the Ministry of Postal Services was not prepared properly to attend the PAC meeting and were unable to come up with clear satisfactory replies. It was directed that the PAO may refer the matter to the Ministry of Law and Justice for legal opinion. The PAO may also determine whether there was actually any loss incurred by the Ministry, in consultation with Audit. A report may be submitted to the PAC Secretariat **within one month.**

2. **PARA 4.4 (PAGE 23-AR)**
NON RECOVERY OF RS 10.765 MILLION FROM DISTRICT GOVERNMENTS DUE TO UN-REMUNERATIVE POST OFFICES

Audit pointed out that according to instruction issued to the subordinate offices by DG, PPO, Islamabad vide letter No.Estt.12-4/2006 dated 27th January, 2007 the district Government may be approached to deposit the Non Refundable Contribution (NRC) in respect of Post Offices where the annual loss is in excess of Rs. 1,800. Four (04) formations of PPO Department did not recover an amount of Rs. 10,765,396 from

district Governments on account on un-remunerative post offices which are running in loss.

The PAO informed the PAC that Pakistan Post has to provide universal postal services and to deliver letters, Money orders and parcels to the Public at cheaper rate. These EDBPOs were opened to facilitate the General Public residing in remote areas.

PAC DIRECTIVE

The PAO was directed to initiate recovery proceedings with concerned District Governments but taking care that the Post Offices which are running in loss and located in remote areas are not closed because of non-recovery. It was also directed that a formula/policy may be made to affect such recoveries. A report may be submitted to the PAC Secretariat **within one month.**

3. **PARA 4.5 (PAGE 24-AR)**
NON RECOVERY OF RS 6.186 MILLION FROM PTCL ON ACCOUNT OF SHARE COST OF P&T MODEL SCHOOL

Audit pointed out that according to DG, PPO, Islamabad letter No. Wel.77-2/77 dated 13-10-1980, the pay and allowances of the entire staff of the P&T Model School would be shared equally by the Post Office/T&T departments out of their respective budgets. The share cost of Rs. 52,162,752 is recoverable from PTCL from 1986-87 to 2007-08.

The PAO explained before PAC that fee concession to the children of PTCL employees has been stopped. The PMG Lahore is perusing the case and next meeting is expected to be held, by the PTCL authorities in near future.

PAC DIRECTIVE

The PAO was directed to take up the case with Secretary Ministry of Information Technology/Chairman, PTCL personally, and get all the issues relating to recoveries from PTCL finalized under report to the Audit. Further, it was directed that future policy

may also be agreed upon mutually between the Ministry of Postal Services, the Secretary, IT and Audit. A report may be submitted to the PAC Secretariat **within one month.**

4. **PARA 4.6 (PAGE 25-AR)**
NON RECOVERY OF RS. 4.070 MILLION FROM NATIONAL BANK OF PAKISTAN ON ACCOUNT OF SERVICE CHARGES

Audit pointed out that an MoU was signed between Pakistan Post and National Bank of Pakistan (NBP) on 1st July, 2007 for delivery of bi-annual Statements of Accounts (SOAs) to the account holder of NBP @ Rs. 4.50 and Rs. 7.00 for ordinary and registered mails respectively w.e.f 01-7-2007 to 30-06-2008. PMG, Islamabad did not recover service charges amounting to Rs. 4,069,852 from NBP up to 30th June, 2008 relating to three GPOs under Islamabad circle.

The PAO informed the PAC that despite approaching the President National Bank of Pakistan Karachi time and again, outstanding dues have not so far been cleared by the Bank.

PAC DIRECTIVE

The PAO was directed to hold meeting with the Ministry of Finance, decide the recovery amount and request Ministry of Finance to direct the National Bank of Pakistan to settle the issue. Recovery position may be informed to the PAC Secretariat **within one month.**

5. **PARA 5.5 (PAGE 31-AR)**
IRREGULAR DEDUCTION OF SERVICE CHARGES ON COLLECTION OF WITHHOLDING TAX - RS 7.643 MILLION

Audit pointed out that according to Paras 1(ii), (iii) and 2 of CBR letter No. 2(6) Rev-Bud/92-Pt dated 31.03.2007 recalling the Finance Division's decision that Provincial Governments are not supposed to retain any amount as collection charges out of Federal levies and requested Finance Division to recover the amount retained by the PPO Department besides directing them to stop retaining further amount of Income Tax deducted on registration of Motor Vehicles and Saving Accounts etc. as service charges.

PPO Department as a withholding agent is deducting service charges @ 5% from collection of Income Tax/ Withholding Tax.

The PAO informed the PAC that the case was referred to Law & Justice Division for their legal opinion which opinioned that deduction of service charges by PPOD on collection of Withholding Tax is legal.

PAC DIRECTIVE

It was decided that the PAO will hold a meeting with FBR, Audit and CGA to decide the transfer of amount of Service Charges to the appropriate account. The para was settled subject to the out come of the above meeting to the satisfaction of Audit.

6. i) **PARA 5.1 (PAGE 29-AR)**
IRREGULAR CHARGING OF COMMISSION OF RS 157 MILLION ON DEPOSITS RETAINED FOR LESS THAN 90 DAYS (ITEM 10(v)-AP-2008-09) (24-05-2010)

ii) **PARA 5.2 (PAGE 29-AR)**
WITHDRAWAL OF CASH ON PAPER CHITS FOR RS 10.634 MILLION (ITEM 10(vi)-AP-2008-09) (24-05-2010)

PAC DIRECTIVE

On the presentation of above 02 audit paras, the PAC directed the PAO to implement the recommendations of the DAC.

PRESIDENT'S SECRETARIAT

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the President's Secretariat were taken up for examination by the Public Accounts Committee on **15th June, 2010.**

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issues, directing the PAO to take appropriate action.

1.2 There was only 1 grant presented by the AGPR. The Public Accounts Committee settled/regularized the above grant with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to ensure good budgeting principles to avoid saving/excess.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 15-06-2010 to examine the Appropriation Accounts for the year 2007-08.

APROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **STAFF, HOUSEHOLD AND ALLOWANCES OF THE PRESIDENT (PAGE 69-AA)**
(Net Saving of Rs 11,123,018)

AGPR pointed out that the grant closed with a saving of Rs 11,123,018 which works out to 3.27% of the total grant. An amount of Rs. 11,016,000 (3.24%) was surrendered leaving net saving of Rs. 107,018 (0.03%).

The PAO explained before PAC that the saving was mainly due to retirement of Garage Superintendent, recovery of the House Rent/Conveyance Allowance and non finalization of Medical claims etc. The PAO assure the Committee that due care will be taken in future.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above grant with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to ensure good budgeting principles to avoid saving/excess.

PRIME MINISTER's INSPECTION COMMISSION

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the Prime Minister's Inspection Commission were taken up for examination by the Public Accounts Committee (PAC) on **10th June, 2010.**

1.1 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.

1.2 There was only 1 grant presented by the AGPR, which was regularized by the PAC. However, the PAC noticed the cause of the ill effectiveness of the Government/Executives. Therefore the judiciary is taking suo-moto notices of mismanagement in the government departments. The general public feels that they get relief not from the Executives/Prime Minister's Secretariat/PMIC but from the judiciary. The PAC suggested to Chairman, PMIC to make the PMIC reports public after Prime Minister's approval. The PAC further suggested that the PMIC should be more active with regards to the inspection of development projects to ensure transparency/effective utilization of Government Funds.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on June 10, 2010 to examine the Appropriation Accounts for the year 2007-08.

APPROPRIATION ACCOUNTS (CIVIL)VOL-I-2007-08)

1. **GRANT NO 12-PRIME MINISTER'S INSPECTION COMMISSION(PAGE 53-AA)**
(Saving of Rs. 5,551,103)

AGPR pointed out that the grant closed with Saving of Rs. 5,551,103 which works out to 29.21 percent of the total grant. An amount of Rs. 5,422.110 (28.53%) was surrendered leaving net saving of Rs. 128.993 (0.67%).

The PAO/Chairman, PMIC explained before PAC that the savings were due to non filling of vacant posts and less expenditure in other operating allowances in the Prime Minister's Inspection Commission. The Chairman, PMIC also brief the Committee about the functions of the Prime Minister's Inspection Commission. He apprised the Committee that 80,000 applications were received to PMIC during the last year and same were forwarded to the departments concerned for necessary actions. The Chairman also informed the PAC that focal persons have been nominated in all departments for co-ordination with PMIC.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO/Chairman, PMIC to adopt good budgeting principles to avoid saving/excess. The PAC proposed that because of the ineffectiveness of the Government/Executives, the judiciary is taking suo-moto notices of mismanagement in the government departments. Here the PMIC should play its roles. The general public feels that they get relief not from the Executives/Prime Minister's Secretariat/PMIC but from the judiciary. The PAC suggested to Chairman, PMIC to make the PMIC reports public after Prime Minister's approval. The PAC further suggested that the PMIC should be more active with regards to the inspection of development projects to ensure transparency to the inspection of development projects to ensure transparency/effective utilization of Government Funds.

PRIME MINISTER'S SECRETARIAT

1. OVERVIEW

Appropriation Accounts 2007-08, pertaining to the Prime Minister's Secretariat were taken up for examination by the Public Accounts Committee on **10th June, 2010.**

1.1 There was only 1 Grant presented by the AGPR. The Public Accounts Committee settled/regularized the grant with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budgeting principles to avoid saving/excess.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on June 10, 2010 to examine the Appropriation Accounts for the year 2007-08 are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. GRANT NO 09-PRIME MINISTER'S SECRETARIAT (PAGE NO 91-AA)

(Excess of Rs. 74,072,120)

AGPR pointed out that the grant closed with an excess of Rs. 74,072,120 which works out to 19.02 percent of the total grant. An amount of Rs. 2, 723,301 (0.69%) was surrendered increasing net excess of Rs. 76.795,421 (19.72%). A supplementary grant of Rs. 77,637,306 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO stated that the excess was due to revision of pay and allowances, pension, payments allowing deputation allowance retrospectively by the Government to the employees of Prime Minister Secretariat and affect of increase in fuel price allowances, to meet with the requirements of contingent grant under direction of Prime Minister.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budgeting principles to avoid saving/excess.

MINISTRY OF PRIVATIZATION

1. OVERVIEW

Appropriation Accounts 2007-08, pertaining to the Ministry of Privatization were taken up for examination by the Public Accounts Committee on **10th June, 2010.**

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issues, directing the PAO to take appropriate action.

1.2 There was only 1 Grant presented by the AGPR. The Public Accounts Committee settled/regularized the grant with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budget principles to avoid saving/excess.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on June 10, 2010 to examine the Appropriation Accounts for the year 2007-08.

APPROPRIATION ACCOUNTS (CIVIL)VOL-I-2007- 08)

1. GRANT NO 98-PRIVATIZATION AND INVESTMENT DIVISION (PAGE NO 697-AA)

(Saving of Rs. 982,924)

AGPR pointed out that the grant closed with a saving of Rs. 982,924 which works out to 1.29% of the total grant. An amount of Rs. 400,000 (0.52%) was surrendered leaving net saving of Rs. 582,924 (0.76%).

The PAO explained that the saving was due to non filling of vacant posts and less expenditure in other operating allowances in the Privatization Commission.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budget principles to avoid saving/excess.

MINISTRY OF RAILWAYS

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Pakistan Railways for the year 2008-09, pertaining to Ministry of Railways were taken up for examination by the Public Accounts Committee on **12th February, 26th & 27th April, 25th October, 2010, 25th January and 5th May, 2011.**

1.1 The PAC considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving affairs of the procurement of Locomotives, overpayments, unauthorized occupation of Railway bungalow, shortage of Railways material, blockage of capital, suspected fraudulent payment, non-achievement of targets, losses due to acceptance of higher rates etc.

1.2 During the course of discussion in the meetings, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 112 paras and 2 grants reported by Audit. These paras/grants were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of PAC. 19 paras/grants were recommended for settlement by the Committee on the basis of clarifications given by the PAO. The Committee gave directions on 55 paras and on 40 paras the Committee directed the PAO to implement the recommendations of the DAC. The PAC ordered recoverable sums amounting to **Rs** ---------- out of which a sum of **Rs** ---------- has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable points arising out of the discussion of the PAC meeting held on 12th February, 2010 on the Appropriation Accounts and Audit Report pertaining to the Ministry of Railways for the year 2008-09, are as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

1. **GRANT NO. 177 (PAGE 709-AA)**
CAPITAL OUTLAY ON PAKISTAN RAILWAYS
(Saving of Rs. 1,117,879.000 Million)

AGRR pointed out that the grant closed with a saving of Rs. 1,117,879,000 which worked out to 13.33% of the total grant. The entire saving was surrendered in time.

APPROPRIATION ACCOUNTS OF PAKISTAN RAILWAYS FOR THE YEAR 2007-08

2. **GRANT NO.101(PAGE 12-AA)**
PAKISTAN RAILWAYS (REVENUE)
(Excess of Rs. 290,349 Million)

The Director Accounts pointed out that the grant closed with an excess of Rs. 290.349 million which worked out to 0.78% of the final grant.

The PAO explained that the excess expenditure was unavoidable due to obligatory payments as detailed below:-

- Increase of 10% and 15% in pension by the Government of Pakistan in the budget.
- Fuel rate of HSD increased from @ Rs.35.49 per liter to Rs.39.49 per liter Deduction by SBP on account of interest on overdraft exceeded by Rs.11.009 million than that provided in original and supplementary grant.
- 15% increase in pay in allowances.

3. **GRANT NO. 177 (PAGE 14-AA)**
CAPITAL OUTLAY ON PAKISTAN RAILWAYS
(Saving of Rs. 5,150.318 Million)

The Director Accounts pointed out that the grant closed with a saving of Rs. 5,150,318 million which worked out to 24% of final grant.

The PAO explained that the saving was due to the following reasons:-

- Non receipt of foreign material from abroad by the loaning agencies.
- Non finalization of procurement process of imported material.
- Non incurrence of expenditure on account of Custom Duty/Sales Tax due to non receipt of imported material till the close of the year.
- Pace of work on different projects could not be maintained due to Dec. (2007)'s riots in result of Benazir's assassination.

PAC DIRECTIVE

After hearing the Ministry's reply the PAC regularized the saving/excess of the grants with direction to ensure that there should be no excess no saving in future.

AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN RAILWAYS FOR THE YEAR 2008-09

4. **PARA 1.1(PAGE 1-AR)**
NON UTILIZATION OF AVAILABLE (SURPLUS) LAND

The Audit pointed out that out of 39132.24 acres available (surplus) land, 15699.60 acres had been put to profitable use, whereas 20357.41 acres land (excluding Katchi Abadies and encroachments) were lying unutilized. As such PR failed to utilize 52% of total available (surplus) land. Non-utilization of available land resulted in loss of potential earnings of millions of rupees and may result in its encroachment.

The PAO explained that it would not be fair to establish that the entire available land has commercial potential. It is further stated that there are disputes on title of land, besides resistance from provincial Government opposing Railways to lease out its land for

commercial ventures which badly hampered the potential earning from real estate. The efforts are being made for commercial utilization of surplus Railways land. For this purpose Federal Minister for Railways had held meetings with Chief Ministers of Punjab and Sindh to settle the issue of title of land with the Provinces.

PAC DIRECTIVE

i) The PAC directed the PAO to make legislation for amendments in the Railways Act regarding Railways jurisdiction and the same be placed before the PAC within one month.

ii) It was further directed to bring Magistrate System in Railways and also get help from Provincial Magistrate. If it ever has done earlier a copy of the letter written to Provincial Magistrate be provided to the PAC.

iii) The PAC directed that the banners for auction should be displayed at the concerned Railways Stations and the auction should be done at the same venue.

iv) Steps for maintenance of the Railways parks may also be under taken.

v) The measures be taken for making transparent ticketing systems and recruitment in Railways in lower grade.

vi) The PAC directed the Railways authorities to ensure implementations on the quires raised by the Audit/PAC

vii) It was also directed that a comprehensive briefing be prepared for the PAC about the surplus Railways land along with its full database (Master Plan) and other certain issues related to Railways within one month.

5. **PARA 1.2(PAGE 2-AR)**
NON RECOVERY OF RS.2.189.774 MILLION ON ACCOUNT OF RENTAL CHARGES

The Audit pointed out that rental charges amounting to Rs. 2,189.774 million were outstanding on account of leasing out of Railways land as detailed below:-

S.No.	Description	Amount (Rs in million)
i)	Agricultural Land for	27.332

		Cultivation for Nurseries	0.245
	ii)	Shops more than 100 sft	172.952
S	iii)	Khokha shops	30.663
	iv)	Parking stands	12.708
i	v)	For stacking	21.975
m	vi)	Oil Marketing Companies	26.004
	vii)	Others	850.899
l		**Total**	**1,142.778**

larly, Pakistan Railways failed to realize rental charges amounting to Rs 1,046.996 million form various Government departments including Provincial Food Departments. In some cases the land was occupied unauthorized. In majority of cases, the contact agreements were not available or had expired. As such, Pakistan Railways was not vigilant in recovering its dues promptly and reducing the amount of overdraft which was Rs 21,859 million as on 30-06-2008.

The PAO explained that:-

i) The Oil Management Companies had cleared all the outstanding dues of land rental charges up to 30.06.2009. Including the amount mentioned by the Audit during 2008-09.

ii) The Secretary Food, Government of Punjab, Sindh, Balochistan & NWFP have already been approached for depositing outstanding rental charges of grain godowns constructed on Railways land.

iii) Regarding rental charges against Agricultural land, shops, parking stands & stacking plots, efforts are being made at the divisional level to realize the outstanding rental charges through personal efforts, with the help of police and District Officer Revenue.

PAC DIRECTIVE

The PAC directed the PAO to recover the outstanding amount, reconcile with audit and report to PAC within one month.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meetings held on April 26 & 27, 2010 on the Audit Report for the Year 2008-2009.

AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN RAILWAYS FOR THE YEAR 2008-09

1) **NON RECOVERY OF PRICE OF LAND/LEASE/RENTAL CHARGES & OTHER RAILWAY DUES AMOUNTING TO RS. 7,439.106 MILLION. (CONSOLIDATED 20 AUDIT PARAS DETAILED BELOW)**

1.2 **NON-RECOVERY OF RS. 2,189,774 MILLION ON ACCOUNT OF RENTAL CHARGES (PAGE 2-AR).**

1.3 **LOSS DUE TO NON-RECOVERY OF PRICE OF LAND AND RENTAL CHARGES AMOUNTING TO RS. 164.538 MILLION (PAGE 3-AR).**

1.4 **NON-RECOVERY OF RENTAL CHARGES AMOUNTING TO RS. 79.445 MILLION FROM WAPDA (PAGE 4-AR).**

1.5 **NON-PAYMENT OF LEASE/RENTAL CHARGES IN RESPECT OF 1050 ACRES LAND OCCUPIED BY PAKISTAN RANGERS AND PAKISTAN ARMY (PAGE 5-AR).**

1.6 **LOSS OF RENTAL CHARGES AMOUNTING TO RS. 5.385 MILLION (PAGE 6-AR).**

1.9 **NON-RECOVERY OF LATE-PAYMENT CHARGES AMOUNTING TO RS. 21.816 MILLION (PAGE 10-AR).**

1.10 **LOSS OF RS. 41.077 MILLION DUE TO NON-RECOVERY OF APPROPRIATE RENTAL CHARGES (PAGE 11-AR).**

1.11 **NON-RECOVERY OF RS. 189.570 MILLION ON ACCOUNT OF COMMERCIALIZATION OF PLOTS (PAGE 11-AR).**

1.12 **LOSS OF RS. 36.752 MILLION DUE TO UNAUTHORIZED CONTIUATION OF OCCUPATION OF LAND (PAGE 12-AR).**

1.19 **NON-RETRIEVAL OF RAILWAY LAND VALUING RS. 5,110 MILLION (PAGE 15-AR).**

1.22 **IRREGULAR HANDING OVER OF RS. 10.5 ACRES LAND TO A HOUSING SOCIETY (PAGE 17-AR).**

2.5 **NON-RECOVERY OF RAILWAY DUES AMOUNTING TO RS. 157.702 MILLION (PAGE 22-AR).**

2.6 **NON-RECOVERY OF RAILWAY DUES AMOUNTING TO RS. 19.013 MILLION (PAGE 23-AR).**

2.7 **NON-RECOVERY OF RENTAL CHARGES AMOUNT TO RS. 32 MILLION FROM PAKISTAN POST OFFICE DEPARTMENT (PAGE 23-AR).**

2.8 **NON-RECOVERY OF RAILWAY DUE AMOUNTING TO RS. 11.748 MILLION (PAGE 24-AR).**

2.9 **NON-RECOVERY OF TV CABLE CROSSING CHARGES OF RS. 2.074 MILLION (PAGE 24-AR).**

4.2 **NON-RECOVERY OF RS. 13.572 MILLION FROM A FIRM (PAGE 44-AR).**

4.18 **NON-RECOVERY OF RS. 8.115 MILLION FROM A DEFAULTING FIRM (PAGE 53-AR).**

6.1 **NON-RECOVERY OF RAILWAY DUES AMOUNTING TO RS. 18.790 MILLION FROM ROYAL PALM GOLF AND COUNTRY CLUB (PAGE 62-AR).**

6.5 **NON-REALIZATION OF RENTAL CHARGES AMOUNTING TO RS. 382.795 MILLION FROM GOVERNMENT DEPARTMENTS AND PRIVATE BODIES (PAGE 65-AR).**

Audit pointed out that the department failed to recover the outstanding amount on account of lease of land/price of land/rental charges and other Railway's dues from the private persons, Provincial Government, Departments, Oil companies, WAPDA, Pakistan Rangers etc. In some cases, the land was occupied unauthorized. The contract agreements were not available or had expired. Pakistan Railways was not vigilant in recovering its dues promptly and reducing the amount of overdraft of Railways.

The PAO informed the PAC that a considerable amount has been recovered from certain Private/Government Departments. The other Departments have been given ejectment notices to vacate the Railway Land. The concerned officials of the Railways have also started anti encroachment drive. This is an on going process/exercise.

PAC DIRECTIVE

The PAC, taking a very serious view, directed the PAO as under:-

i) Submit a recovery schedule to the Public Accounts Committee within one week and pursue the cases proactively for recovering the outstanding amount.

ii) Conduct inquiry and fix responsibility in all cases.

iii) Direct the Department concerned for retrieval of land and recovery of railway dues.

iv) Direct the concerned Department for renewal of agreements/proper execution of agreements.

v) Direct the concerned Department to improve/stream line the over all system and bring proposals in the next meeting of the PAC suggesting solutions of problems.

2) **LOSS DUE TO NON DISPOSAL OF CONDEMNED WAGONS, MATERIAL/SCRAP VALUING RS.1545.099 MILLION.**
(CONSOLIDATED 04 AUDIT PARAS DETAILED BELOW)

3.5 LOSS OF RS. 122.143 MILLION DUE TO NON-DISPOSAL OF CONDEMNED WAGONS/MATERIAL (PAGE 36-AR).

5.1 NON-DISPOSAL OF SCRAP VALUIING RS. 1,018.728 MILLION (PAGE 57-AR).

6.3 BLOCKAGE OF SCRAP VALUING RS. 342 MILLION (PAGE 64-AR).

6.4 NON-DISPOSAL OF SCRAP VALUING RS.62.228 MILLION (PAGE 65-AR).

The Audit pointed out that the department failed to dispose off the condemned wagons, materials/scrap to avoid loss, theft of material, deterioration, storage and handling cost.

The PAO informed the PAC that two bulk sale orders of 39,000 M. tons for Rs, 1,119 million have been issued and lifting of material is in progress.

PAC DIRECTIVE

The PAC, taking a very serious view for misappropriations of Railway's assets, directed the PAO that the condemned wagons/material be disposed off at the earliest in a transparent manner and repot to PAC. The Railway department may ensure full co-operation with FIA and FIA inquiry should be completed immediately.

3) **LOSS DUE TO EXCESS CONSUMPTION OF FUEL AMOUNTING TO RS. 191.505 MILLION.**
(CONSOLIDATED 04 AUDIT PARAS DETAILED BELOW)

3.1 **CONSUMPTION OF FUEL VALUING RS. 102.652 MILLION IN EXCESS OF PRESCRIBED RATION (PAGE 33-AR).**

3.2 **EXCESS CONSUMPTION OF OIL VALUING RS. 52.672 MILLION (PAGE 34-AR).**

6.10 **LOSS AMOUNTING TO RS. 19.181 MILLION ON EXCESS/AVOIDABLE CONSUMPTION OF FUEL (PAGE 69-AR).**

6.11 **LOSS OF RS. 17.00 MILLION ON ACCOUNT OF EXCESSIVE CONSUMPTION OF FUEL DUE TO MISMANAGEMENT (PAGE 70-AR).**

The Audit pointed out that the Mechanical Department has consumed HSD oil in excess of quota fixed for locomotives. Besides, trains were detained on account of signals, carriage defects, late closing of level crossing delay in loading/unloading of luggage/parcels and communication failures during the period May 2007 to November 2008 and late completion of Bridge (i.e. 315 days) in Rohri-Khanpur Section.

The PAO informed the PAC that an inquiry committee has been constituted which has pointed out certain discrepancies and proposed measures to improve the consumption and monitoring of fuel.

PAC DIRECTIVE

The PAC directed the PAO to finalize the inquiry committees report within two weeks, fix responsibility and report to PAC. The PAC also directed the PAO to take concrete steps to avoid such losses in future.

4) **BLOCKAGE OF CAPITAL VALUING RS 181.457 MILLION.**
(CONSOLIDATED 03 AUDIT PARAS DETAILED BELOW)

4.3 **BLOCKAGE OF CAPITAL OF RS. 29.525 MILLION (PAGE 44-AR).**

4.19 **LOSS OF RS. 45.770 MILLION DUE TO PROCUREMENT OF MATERIAL OF INCORRECT SPECIFICATIONS (PAGE 54-AR).**

5.2 EXCESS PROCUREMENT OF MATERIAL WORTH RS. 200.384 MILLION (PAGE 57-AR).

The Audit pointed out that the department has given advance payment of Rs. 29.525 million i.e. 100% of cost of material to the supplier on 28th May 2008. The Railway management asked the supplier not to go for production till other imported material is arranged through international tender (Para 4.3). Material of Rs 45.770 million was procured in May and June 2008 without approval of design and specification (Para 4.19). Ordinary and emergency store valuing Rs 200.384 million was lying in store over and above he maximum prescribed limit (Para 5.2).

The PAO explained before PAC that CCP, Lahore has been directed to adjust the amount of advance against any order with M/s People Steel Mills. The PAO further intimated that as per inquiry report 100% advance payment was made with the approval of Chairman/Secretary Pakistan Railway's with the concurrence of Member Finance (para 4.3) 17% of overstocking has been cleared (para 5.2).

PAC DIRECTIVE

The PAC directed the PAO to implement the recommendations of the DAC within one week. The PAC further directed the PAO to plug the loop holes and to take concrete steps to avoid such losses in future.

5. **PARA 1.1 (PAGE 6-AR)**
NON-UTILIZATION OF AVAILABLE (SURPLUS) LAND

PAC DIRECTIVE

The PAC deferred the para for the next meeting.

6. **PARA 1.7 (PAGE 7-AR)**
EMBEZZLEMENT OF GOVERNMENT MONEY AND TAMPERING WITH RECORD

Audit pointed out that:-

i) Lease/rental charges amounting to Rs 849,276 recovered by the Inspector of Works (IOW), Pakpattan were not deposited into Government account. Besides, the relevant record was not available.

ii) An amount of Rs 5,000 was recovered by the IOW-II, Jabcobabad on 20th April, 2005 from Mr. Muhammad Sharif on account of call-deposit. The official did not deposit the amount in Railway account,

iii) A piece of land measuring 3.5 acres in Kasur was auctioned on 15th October, 2003. The approval was issued in favour of the highest bidder. However, the Inspector of Works handed over the possession of 4.5 acres by over-writing the area in the approval and all other correspondence on the subject.

iv) A piece of land measuring 6 acres on Pakpattan-Kasur section was leased out on 5th November, 2006 for three years. On 12th February, 2008 out of the said 6 acres, 3 acres were auctioned again and handed over to another person although previous lease was still operative.

The PAO explained before PAC as under:-

i) Matter has been referred to Railway Police Multan for lodging FIR and to initiate criminal proceedings in absentia.

ii) Show cause notice has been issued to Mr. Muhammad Nazir for his negligence.

iii) D.S Lahore has deputed AEN/Raiwind for detailed scrutiny of record with survey of the area pointed out by Audit to ascertain factual site position for further action.

iv) D.S Lahore has deputed AEN/Raiwind for detailed scrutiny of record with survey of the area pointed out by audit to ascertain factual site position for further action.

PAC DIRECTIVE

The PAC directed the PAO to lodge FIR against the person(s) who were involved in the cases, recover embezzled amount from the accused within two weeks. The PAC further directed the PAO to produce inquiry committee report/relevant record to Audit/PAC including name of those against whom action were taken during his posting in the Ministry.

7. **PARA 1.13 (PAGE 12-AR)**
LOSS OF RS 13.921 MILLION DUE TO CANCELLATION OF AUTCTIONS.

The Audit pointed out that in certain cases the auction was held but the process was cancelled subsequently. Fresh auctions were not held; resultantly Railway administration was deprived of rental charges amounting to Rs. 13.921 million.

The PAO informed the PAC that in certain cases auction proceedings remained held up due to ban on all types of leases for a brief period. However, extra vigilance is now being exercised in all the divisions to finalize auction proceedings within minimum possible time.

PAC DIRECTIVE

The PAC directed the PAO to investigate each case and furnish reports to Audit/PAC within two weeks. The PAC further directed the PAO to ensure implementation of the decisions of the Departmental Accounts Committee. To settle the issues between governments departments, the PAC directed to summon the concerned officer(s) from

CDA, Chief Commissioner Office (ICT), along with concerned Patwaries and record in the meeting of PAC scheduled for 29-04-2010.

8. i) **PARA 1.14 (PAGE 13-AR)**
LOSS OF RS 5.517 MILLION DUE TO NON-FINALIZATION OF THE AUCTION.

The Audit pointed out that in 188 cases of only two Divisions at Lahore and Multan auctions were held but the Auction Committee's recommendations were yet to be approved by the respective Divisional Superintendents. Resultantly, in 181 cases the previous lessees, who happened to be the highest bidders in the current auction, continued to hold the possession without paying rental charges. In remaining 8 cases the highest bidders were new parties but previous lessees continued to hold the land without paying any rental charges. The loss worked out to Rs 5.517 million.

The PAO informed the PAC that in both the divisions all out efforts are being made to effect recoveries in cases of over held leases and extra vigilance is also being observed to arrange and finalize auctions/sealed bidding process within least possible time.

ii) **PARA 1.16 (PAGE 14-AR)**
IRREGULAR OCCUPATION OF 14.08 ACRES LAND OVER AND ABOVE THE LEASED OUT LAND.

The Audit pointed out that at Karachi, Multan, Lahore, Rawalpinid, Peshawar and Workshops Divisions it was noticed that certain pieces of land measuring 13.26 acres were leased out but the lessees occupied 27.34 acres. Thus, 14.08 acres land was occupied in excess. Not only Pakistan Railway was deprived of the rental charges of the land in excess of the entitlement, but there is strong possibility of permanent encroachment of the land in excess of what has been leased out.

The PAO informed the PAC that the concerned Divisions have been instructed to re-measure the leased sites and retrieve the excess land in occupation with recovery of due lease charges.

iii) **PARA 1.17 (PAGE 14-AR)**
NON-DISPOSAL OF ASSESTS OF CLOSED SECTIONS.

The Audit pointed out that 19 various sections in six (6) Divisions were closed for all kinds of traffic, but Railway administration failed to use the resources by disposing of the track material, buildings and land in most of the cases/sections. Besides, the loss of material due to pilferage and deterioration with the passage of time cannot be ruled out.

The PAO explained before PAC that action in the matters are under process.

PAC DIRECTIVE

The PAC directed the PAO to discuss above 3 paras again at DAC level, fix responsibility and report to PAC within two weeks.

9. i) **PARA 2.1 (PAGE 18-AR)**
LOSS OF RS 37.516 MILLION DUE TO EXCESS PAYMENT.

The Audit pointed out that a sum of Rs 52.757 million was paid, in May, 2007, to Karachi Water & Sewerage Board (KW&SB), Karachi for providing 12" diameter water connection from 48" diameter water pipeline to augment water supply. But KW& SB provided a connection of 6" diameter, instead of 12" diameter, and from 27" diameter pipeline instead of 48" diameter. The charges of Rs. 15.241 million were payable by Pakistan Railway, thus an amount of Rs. 37.516 million was paid in excess to KW & SB. The loss could be avoided by exercising due vigilance and care.

The PAO informed the PAC that KW & SB authorities have been requested to restore supply of 12" dia connection instead of 6" dia connection.

ii) **PARA 2.2 (PAGE 18-AR)**
WASTEFUL EXPENDITURE OF RS 28.862 MILLION.

Audit pointed out that:-

i) A turntable was constructed at Faislabad in 2007-08 at a cost of Rs 7.583 million but could not put into operation due to one reason or other. Resultantly, the locomotives have to travel to Chak Jhumra bye-pass/triangle for turning purpose. Thus, not only an expenditure of Rs 7.583 million, incurred on construction of turntable, has gone waste but fuel valuing Rs 7.849 million has been consumed in traveling of the locomotive to Chak Jhumra and back during the period from April 2008 to January 2009.

ii) Seven (07) unmanned level-crossing on Hyderabad-Tando Adam section were converted into manned one in 2007 at a cost of Rs.11.013 million. These were again declared unmanned rendering all the expenditure as wasteful.

iii) Seven (07) unmanned level crossing on Rohri-Kahnpur section were converted into manned level-crossings in 2007 at a cost of Rs 10 million. Immediately after their completion, those were again declared unmanned, rendering all the expenditure as wasteful.

The PAO informed the PAC that:-

i) An inquiry committee comprising DEN-II Lahore and DAO/ Lahore inquired the matter. The inquiry committee concluded that the expenditure of Rs. 7.583 million had not gone waste as the turntable was commissioned in February, 2009 and is working satisfactory since then.

ii) & iii) The said level crossings were initially proposed to be converted into manned level crossings. Since, the provision of gateman did not exist in PC-1, the same was deferred till revision of the PC-1.

iii) **PARA 2.11 (PAGE 25-AR)**
SHORTAGE OF MATERIAL VALUING RS. 35.443 MILLION.

Audit pointed out that stock verifiers pointed out shortage of material valuing Rs. 35.443 million during the period ranging from December 2003 to November 2008. No action seems to have been taken to investigate the matter for fixing responsibility and making good the loss.

The PAO informed the PAC that shortages of material have been investigated and action has been taken against the accused. The GM Operations also apprised the committee that 5000 tons of scrap lying at Railway Station Lahore was lifted one of the contractor in convince of Railway's Staff.

PAC DIRECTIVE

After hearing the PAO, the PAC settled the above 03 paras subject to satisfaction/verification of record by Audit with a report to PAC within one month.

10. **PARA-2.12 (PAGE 26-AR)**

i) **NON-ACHIEVEMENT OF BEFENITS FROM PAYMENT OF RS 21.887 MILLION TO SNGPL.**

ii) **LOSS OF RS 55.144 MILLION PER ANNUM DUE TO DELAY IN HANDING OVER GAS DISTURBUTION SYSTEM TO SNGPL.**

Audit pointed out that in order to avoid the loss being incurred on bulk purchase of gas and its distribution by Pakistan Railway, it was rightly decided to hand over the distribution system at Lahore to SNGPL for which a sum of Rs. 21.887 million was paid in June, 2005. It has been observed that out of 33 colonies at Lahore, only 5 could be handed over to SNGPL up till May 2009.

The PAO informed the PAC that the work of laying of high pressure pipeline in remaining colonies will be handed over in due course of time.

PAC DIRECTIVE

The PAC directed the PAO to resolve the issue expeditiously, reconcile with Audit and report to PAC within one month.

11. **PARA 2.14 (PAGE 29-AR)**
INCURRENCE OF EXTRA EXPENDITURE OF RS. 2.429 MILLION DUE TO POOR PLANNING AND ESTIMATION.

Audit pointed out that a work of special repair to LPO Shed at Karachi Bandar, Karachi was awarded at a cost of Rs. 1.045 million. Subsequently, Railway administration increased the cost to Rs. 3.474 million on 26th April, 2007. Thus, due to poor estimation and bad planning the execution cost of the work was increased by 233 percent.

The PAO informed the PAC that the scope of quantum of work was increased in the interest of Railway earning.

PAC DIRECTIVE

The PAC took a very serious view of poor estimation and bad planning of Railway and directed the PAO to fix responsibility and also to improve the system with a report to PAC.

12. **PARA 3.3 (PAGE 35-AR)**
PILFERAGE/THEFT OF RAILWAY MATERIAL/EQUIPMENT VALUING RS.329.289 MILLION.

The Audit pointed out that fittings and equipment valuing Rs. 329.289 million were pilfered/stolen from the rolling stock during the period almost ranging from July 2007 to February 2009.

The PAO informed the PAC that a comprehensive circular has been issued to all the Superintendents of Railway Police with the direction to make all out efforts in coordination with the concerned Railway authorities to curb the menace of theft. 90% recovery of stolen material has since been made.

PAC DIRECTIVE

The PAC directed the PAO to give a break up of material to differentiate between cannibalization, pilferage and theft. The PAC further directed to take measures to curb the menace of theft and report to PAC within ten days.

13. **PARA 3.4 (PAGE 36-AR)**
WASTEFUL EXPENDITURE OF RS. 14.465 MILLION.

Audit pointed out that 150 Air Brake Bogie Tank Wagons (ZBTO) were covered into Flat Bed Container Wagons (ZBFCT) at a cost of Rs. 11.515 million in January 2006. Subsequently, those were re-converted into Air Brake Bogie Tank Wagons (ZBTO) at an expense of Rs. 2.950 million in April 2008. Consequently, expenditure of Rs. 14.465 (11.515+2.950) million went into the waste due to injudicious decision of converting and re-converting of the rolling stock.

The PAO informed the PAC that due to high demand for oil traffic it was decided to remount 150 Nos. barrels on ZBFC/Ts frames to convert these into ZBTOs and the conversion was carried out accordingly.

PAC DIRCETIVE

The PAC settled the para subject to verification of record by Audit.

14. **PARA 3.6 (PAGE 37-AR)**
LOSS OF RS.12.821 MILLION DUE TO NON-CONVERSION OF BOILERS INTO NATURAL GAS.

The Audit pointed out that the boilers, installed at Loco Shed Rawalpindi and Karachi Cantt. were not converted from furnace oil to natural gas, resulting in loss of Rs.8.566 and 4.255 million during the period from July 2007 to February 2009 and July 2007 to June 2008, respectively.

The Ministry explained that the Sui Gas authority has been requested for provision of Sui gas connection at Rawalpindi and Karachi Loco Shed premises.

PAC DIRECTIVE

The PAC directed for a report from Railway and SNGPL in the matter along with documentary evidence and any one of department found at fault may be held accountable.

15. **PARA 3.12 (PAGE 40-AR)**
LOSS OF MILLIONS OF RUPEES DUE TO BURNING OF TWO BOGIES.

The Audit pointed out that two bogies No. 9210-ZFX and 3198-ZFDH caught fire and completely burnt, causing loss to Pakistan Railway.

The Ministry explained that as per findings of inquiry committee in respect of burning of coaches two Railway's Police Constables Mr. Abdul Aziz, Belt No. 1215 and Mr. Muhammad Fayyaz Belt No. 512 were held responsible. The I.G Railway Police requested the committee to let him see the involvement of said constables.

PAC DIRECTIVE

The PAC settled the para subject to verification of record/inquiry committee report by Audit basing over the satisfaction of I.G Police Pakistan Railways.

16. **PARA 3.13 (PAGE 41-AR)**
EXPENDITURE OF RS. 318.339 MILLION IN EXCESS OF OR WITHOUT BUDGET ALLOTMENT

The Audit pointed out that the expenditure of Rs.318.339 million was incurred either in excess of or without budget allotment by certain Railway departments.

The Ministry explained the reasons for excess expenditures by different Railway Departments.

PAC DIRECTIVE

The PAC settled the para, subject to verification of record/justification furnished to Audit in the light of DAC recommendations.

17. i) **PARA 4.4 (PAGE 45-AR)**
IRREGULAR/UN-ECONOMICAL PURCHASE OF MATERIAL VALUING RS. 29.950 MILLION

The Audit pointed out that tenders for procurement of 50 package type (compact) AC units were advertised by the management of Carriage Factory, Islamabad in May 2007. Two firms participated in the bid. The lowest offer of M/s SABRO @ 599,000 per unit was declared technically suitable and recommended for acceptance by 2 out of 3 members of the tender committee. Third member Financial Advisor & Chief Accounts Officer (FA&CAO) observed that as compared to last purchase rate (LPR), the price was very high. It was stated by the management that the new tender specifications were only with specified branded components whereas in the earlier purchase M/s SABRO could use some specified branded and some non-specified non-branded components. The new specifications were prepared by the Chief Electrical Engineer to improve the performance like that fitted on Chinese coaches. The General Manager, (Manufacturing & Services) accepted the recommendations of tender committee by mentioning that the items were specified and in this case LPR was not relevant. Therefore, the tender was accepted without the consent of FA & CAO and purchase order for procurement of 50 units was placed on M/s SABRO on 21st June, 2007. The units were supplied by the firm in August 2007, June and September 2008. The same were installed in the coaches. Since their installation in April 2008, the units were not properly functioning. The operating units had complained of the situation time and again. This resulted in irregular and uneconomical purchase of material valuing Rs. 29.950 million.

The PAO informed the PAC that Tender Committee recommended the 1st lowest offer of M/s SABRO for acceptance. The tender was advertised with revised specifications by the Chief Electrical Engineer as such the rate could not be compared with the last purchase rate. In this case, the Management Director

Carriage Factory Islamabad, record the rate reasonability on the basis of rise in raw material prices and preference of imported parts included in the revised specifications over the local ones.

ii) **PARA 4.5 (PAGE 46-AR)**
IRREGULAR REFUND OF LIQUIDATED DAMAGES AMOUNTING TO RS.2.444 MILLION.

The Audit pointed out that the Executive Committee of the Railway Board in its meeting held on 27th June, 2008 decided that the payment to M/s SABRO for 19 AC units be made with penalties as per contract agreement. The payment of the remaining 31 AC units be made in similar manner in due course of time. The management of Carriage Factory, Islamabad ignored the instructions of the Executive Committee and refunded liquidated damages amounting to Rs.2.444 million to the contractor, thus the transaction was irregular.

The Ministry informed the PAC that the authority to extend delivery period with or without the liquidated damage charges in this case is within the power of General Manager Maintenance & Services under the extant rules.

PAC DIRECTIVE

The PAC directed the PAO to inquire into the matter, fix responsibility and take action against the person(s) at fault and report to PAC within 30 days.

18. **PARA 4.6 (PAGE-46-AR)**
LOSS OF RS. 44.361 MILLION (APPROXIMATELY) DUE TO INCLUSION OF A DISCRIMNATORY CLAUSE IN TENDER.

The Audit pointed out that the tenders for procurement of Universal International Consortium (UIC)-54 turn out of different sizes were opened on 17th October, 2006 by the Director Procurement, Carriage Factor, Islamabad. Three firms participated in the tender. The tender of M/s Al-Tech Engineering and Manufacturers, Lahore was declared technically non-responsive because of clause No. 16.3 i.e. “The manufacturer, besides arranging inspection of his manufacturing testing and research facilities for all the

components of the turnout system, shall also arrange visits to at least two European Railways where these turnouts have been in service". The financial bids of technically suitable firms were opened and tender M/s Sampyo E&C Limited., Korea was the lowest. M/s Al-Tech Engineering appealed to the Ministry of Railways. A Committee comprising General Manager (Manufacturing & Services), General Manager (Operations) and Member Finance (Railway Broad) recommended to file the existing tender and to invite fresh tender by removing/changing clause 16.3 of tender. Tenders were invited again and opened on 9th October, 2007, i.e. after one year, and tender of the same firm was once again lowest which was accepted. Extra expenditure of Rs.44.361 million (difference between the first and second tender cost) could be avoided by not including the discriminatory clause in the first tender.

The PAO informed the PAC that the clause No. 16.30 was added on the basis of past experience of Pakistan Railway's in order to safeguard its interest. On a presentation of M/s Al-tech Engineering & manufacturer, Lahore a committee constituted to submit their report in the matter. The committee recommended to file the present tender and to invite fresh tender by replacing the previous clause with new one.

PAC DIRECTIVE

The PAC settled the para subject to PEPRA advice and verification of record by the Audit.

19. **PARA 4.8 (PAGE 47-AR)**
LOSS OF RS.474.412 MILLION DUE TO INJUDICIOUS DECISION.

Audit pointed out that the tender for procurement of 699 High Capacity Wagons was floated on 31st May, 2007 by Director Procurement, Islamabad. The offer of M/s Dongfang Electric Corporation, China was the lowest. The lowest offer was of US$39.070 million. This necessitated the need for revision of PC-1.The summary for revision of PC-1 was submitted to Chairman, Planning Commission on 31st December, 2007. Meanwhile the validity of offer was expired. The firm did not agree to increase the

validity period. Tenders were, therefore, filed. International tenders were again floated for procurement of 550 Wagons and opened on 11th July, 2008. M/s Dongfang Electric Corporation only participated in the tender. The quoted rate of US$ 38.471 million for the procurement of 550 Wagons was accepted. Extra expenditure of Rs.474.412 million could be avoided by revising the PC-1 within the validity period.

The Ministry informed the PAC that the prices in the original PC-1, the bid of M/s DEC against 1st tender and the bid of M/s DEC against 2nd tender were based on the prevalent market rates in the year 2005, 2007 and 2008-09 respectively with the projected escalation during the delivery period. The figures only reflect inflationary tenders in the global market and cannot be termed as loss to the public exchequer. The Secretary further informed to the PAC that the validity date was expired due to procedural problems.

PAC DIRECTIVE

The PAC directed the PAO to sit together with Audit department to examine the issue and report to PAC within 30 days.

20. i) **PARA 4.9 (PAGE 48-AR)**
LOSS OF RS.95.614 MILLION DUE TO PROCUREMENT OF MATERIAL AT HIGHER RATES.

ii) **PARA 4.10 (PAGE 49-AR)**
EXTRA EXPENDITURE OF RS. 3.354 MILLION DUE TO ACCEPTANCE OF HIGHER RATES.

iii) **PARA 4.12 (PAGE 50-AR)**
PURCHASE OF DEFECTIVE MATERIAL VALUING RS.2.540 MILLION.

PAC DIRECTIVE

The PAC pended the above 3 paras for the next meeting of the Public Accounts Committee.

21. i) **PARA 4.21 (PAGE 55-AR)**
LOSS OF RS 0.363 MILLION DUE TO AWARD OF CONTRACT AT HIGHER RATES

ii) **PARA 4.22 (PAGE 56-AR)**
LOSS OF RS 0.269 MILLION DUE TO CANCELLATION OF PURCHASE ORDERS

Note:- The above 2 paras were not discussed by the PAC. Therefore, these paras will be discussed in the next meeting of the Public Accounts Committee.

22. **PARA 5.5 (PAGE 59-AR)**
LOSS OF RS.368.588 MILLION ON ACCOUNT OF CUSTOM DUTY, SALE TAX AND DEMURRAGE CHARGES

The Audit pointed out that:-

i) 852 claim cases of excess payment of custom duty/ sale tax amounting to Rs. 339.121 million lodged by District Controller of Stores (Shipping), Karachi, were lying unsettled/outstanding with the Customs Department for the period from 1974 to 2006. Resultantly, PR was deprived of an amount of Rs. 339.121 million.

ii) An amount of Rs. 29.219 million was paid by the District Controller of Stores (Shipping), Karachi, on account of custom duty and sale tax and other allied charges on replacement of items in the warranty claims which were totally unjustified and required to be replaced free of cost by the firms/suppliers alongwith the payment of duties, taxes and other allied charges. The said charges were paid in duplicate by the Railway administration as the same had already been paid at the time of clearance of original consignments.

iii) An amount of Rs. 0.248 million was paid by the District Controller of Stores (shipping), Karachi on account of demurrage charges. The demurrage charges were to be recovered from the suppliers who were responsible for late-submission of shipping documents.

The Ministry explained that:-

i) Refund claim amounting to Rs. 58.003 million have been got sanctioned so far. While refund claim of Rs. 18.527 million has been rejected being unsubstantiated.

ii) The charges like duties, taxes, custom clearance and delivery to end users are the responsibility of the buyer.

iii) The amount of demurrage taken by Audit is due to fault of supplier.

PAC DIRECTIVE:

The PAC directed the PAO to settle the issues with FBR and report to PAC within one month.

23. **PARA 6.2 (PAGE 63-AR)**
NON-SUBMISSION OF AUDITED ACCOUNTS TO AVOID PAYMENT OF REVENUE SHARE PAYABLE TO PAKISTAN RAILWAYS

Audit pointed out that the clause 6.4 of the contract agreement executed between Pakistan Railway's and Royal Palm Golf & Country Club provides that the latter shall furnish to the former a written statement, by reputable auditors certifying to be correct the total Gross Receipts in, upon and / or from the club during an Accounting Year under the separate activities as provided in clause 6.1, within 120 days after the end of the year. Each such statement shall be accompanied with a payment equal to the Revenue Share after deducting the Minimum Guaranteed Fee paid pursuant to clause 6.1 (iii), if applicable. Furthermore, Para 316(a) of Pakistan Government Railway Code for the accounts Department stipulates that "the amounts due to the Railway for services rendered, supplies made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due". The lessee did not comply with the requirement of submission of audited accounts in respect of the Accounting Year 2007-08, which were required to be submitted by 30th October, 2008 and also did not pay the corresponding Revenue Share. The record indicates that the lessee has never adhered to this provision and also that no action has ever been taken against him on account of this default and also

on other similar defaults. Resultantly, Pakistan Railways has suffered loss due to defaults/violations of contract on the part of lessee.

The PAO informed the PAC that the matter of default proceedings was decided by the Executive Committee of Railway board in its meeting dated 14-11-2009. It was decided that since a special committee of National Assembly on Royal Palm Club has already ordered a re-negotiation of the firms and conditions of the agreement. Any adverse action taken by Railway at this stage would be pre-empting the directives of the National Assembly Special Committee.

PAC DIRECTIVE

The PAC directed the PAO to re-negotiate with Royal Palm Club to safeguard the interest of Pakistan Railways and report to PAC within 7 days. The PAC further directed to give a break up as under along with a copy of report of the Special Committee of the National Assembly constituted on Royal Palm Club to probe the issues.

i) Total amount which was due to be paid by Royal Palm Club to Pakistan Railways.
ii) Amount paid by Royal Palm Club to Pakistan Railways so far.
iii) Balance amount yet to be paid by Royal Palm Club to Pakistan Railways.

24. **PARA 6.8 (PAGE 67-AR)**
IRREGUALAR/UN-ECONOMICAL PROCUREMENT OF MATERIAL COSTING RS. 205.062 MILLION WITHOUT COMPETITION

Audit pointed out that as per Rule 10 of Public Procurement Rule 2004 specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at disadvantage. Specifications shall be generic and shall not include reference to brand names, model numbers, catalogue numbers or similar specifications. However, if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words "or equivalent". International tender was floated for the procurement of 375,000 sets sleeper fastening system. The tenders were opened on 12th December, 2006 and four firms

participated. The rates of the 1st lowest were accepted by the competent authority on 26th March, 2007 at a total cost of US$ 3, 360, 000 (Rs. 205.062 million). The procurement was totally in violation of the rules and rendered irregular and un-economical without healthy competition as the bidders were restricted with names of brands and catalogue number. It indicates that the fair competition has been avoided by ignoring the prevalent Procurement Rules and cannons of financial propriety. This lead to un-due favour to a contractor.

The Ministry informed the PAC that there was no breach of Public Procurement Rules, as such seeking relaxation from PPRA is not required.

PAC DIRECTIVE

The PAC directed the PAO to give a report to the PAC within 30 days that the Procurement was made according PPRA rules and also get a certificate from PPRA that this was a proprietary item.

25. **PARA 6.9 (PAGE 68-AR)**
LOSS OF RS 19.669 MILLION DUE TO IRREGULAR AWARD OF A CONTRACT

Audit pointed out that the tenders for the work of "Provision of road over bridge at level-crossing No.15/A "were opened on 31st January, 2005 which were pended till approval of PC-1 and receipt of funds. Subsequently, the earnest money of 2nd and 3rd lowest bidders, i.e. Railway Constructions Pakistan Limited (RAILCOP) and M/s Rukshani Builders, were returned in May 2005. The first lowest bidder was contacted in August 2005 for getting his willingness to execute work on the quoted rates, i.e. Rs. 204.831 million but he intimated that prices had escalated and demanded mobilization advance @ 15% of the contract amount. The tender committee did not accept the aforesaid conditions. The tender decided not to call for fresh tenders and awarded the contract to M/s RAILCOP, the second lowest, at a total cost of Rs. 224.50 million against the first lowest offer of Rs. 204.831 million. Besides, they were paid mobilization advance @ 15%. There was hardly

any justification for paying Rs. 19.669 million (224.50-204.831) in excess, instead of persuading the first bidder to withdraw escalation.

The Ministry informed the PAC that the tender was floated in anticipation of approval of PC-I keeping in view the urgency of work and implementation of directive of the President. The contract to the 2nd lowest M/s RAILCOP was in line PEPRA rules and in the interest of department. If tender was floated after approval of PC-I or re-floated after cancellation of 1st tender every possibility was there to delay the execution and get higher rates due to escalation. No loss was occurred to Pakistan Railways due to award of contract to the 2nd lowest bidder.

PAC DIRECTIVE

The PAC directed the PAO to settle the issue at DAC level and reconcile with Audit.

26. **PARA 6.12 (PAGE 70-AR)**
LOSS OF RS.13.177 MILLION DUE TO THEFT OF PERMANENT WAY MATERIAL

Audit pointed out that Makli siding connecting Thatta Cement Factory had been closed in 2001. In January 2007, the Assistant Executive Engineer-III, Karachi and Permanent Way Inspector, Jangshahi carried out a survey for its restoration and found that Permanent Way material valuing Rs.13.177 million had been stolen from the siding. The loss could be avoided by exercising due care and vigilance.

The Ministry informed the PAC that Railway administration had taken several measures to prevent the incident of theft of material. Most of the Railway material was stolen outside the jurisdictions of Railway Police. Therefore eight FIRs had been registered in Thana Makli and Thana Bola Khan and two FIRs with Railway Police Station Landhi. The PAO further informed that Inquiry Committee has been constituted to probe into the matter. The inquiry is under process and report will be submitted after finalization of the inquiry.

PAC DIRECTIVE

The PAC directed the PAO to lodge an FIR with the civil police and report to PAC within ten days. The PAC further directed the PAO to finalize the inquiry report immediately and report to Audit/PAC.

27. **PARA 6.13 (PAGE 71-AR)**
MISAPPROPRIATION ON BALLAST VALUING RS.7.416 MILLION

Audit point out that as a result of physical verification in March 2006 arranged by the Vigilance Directorate, the shortage of 226818 cft ballast valuing Rs. 7.416 million was found in the stock procured for conversion of Mirpurkhas–Khokhropar section from "meter" to "broad gauge". Subsequently, an inquiry committee was constituted by the Ministry of Railways to probe into the matter. Neither a copy of inquiry report was produced nor action taken against the defaulter(s) intimated to Audit. DAC in its meeting held on 13th June, 2009 directed to provide a copy of the inquiry report to Audit to proceed further in the matter.

The Ministry informed the PAC that in pursuance of DAC directive a fresh inquiry was conducted and show-cause notices/charge sheets have been served to the responsible staff.

PAC DIRECTIVE

The PAC directed the PAO to mark the inquiry to I.G Pakistan Railway Police for further investigation to assess the total loss, lodge FIR against the person(s) involved in misappropriations, must recover the loss from the defaulters and report to PAC within 30 days.

28. **PARA 6.17 (PAGE 74-AR)**
IRREGULAR/UNJUSTIFIED EXPENDITURE OF RS 0.206 MILLION ON ACCOUNT OF IMROVEMENT WORKS

Note:- The above para was not discussed by the PAC. Therefore, this para will be discussed in the next meeting of the Public Accounts Committee.

29. **PARA 6.18 (PAGE 74-AR)**
NON-PRODUCTION OF RECORD REGARDING FRAUD IN A RESERVATION OFFICE

Audit pointed out that a sum of Rs. 400,000 (aprox) was misappropriated by a Computer Operator. It was also learnt that an inquiry was under process and a sum of Rs.300,000 had been recovered from the defaulter by the Police. The relevant record was not provided for audit scrutiny.

The Ministry informed the PAC that a criminal case under FIR number 40 dated 21-2-2007 has been registered against Mr. Obaid Ullah, Ex-computer operator, Reservation Office, H.Q. Office, Lahore. The case is subjudice in the Court of Special Judge, Central Lahore.

PAC DIRECTIVE

The PAC took a very serious view of misappropriation, dis-honesty; breach of PPRA Rules and lack of vigilance and directed the PAO to take stern action against the person(s) involved in embezzlements/misappropriations. However, the PAC settled the para subject to verification of recovery by Audit.

30. i) **PARA 1.8 (PAGE 8-AR)**
ENCROACHMENT OF RAILWAY LAND

ii) **PARA 1.15 (PAGE 13-AR)**
LOSS OF RS. 2.028 MILLION DUE TO NON-UTILIZATION OF A PLOT

iii) **PARA 1.18 (PAGE 15-AR)**
IRREGULAR UTILIZATION OF GOVERNMENT EARNINGS AMOUNTING TO RS. 0.793 MILLION

iv) **PARA 1.20 (PAGE 16-AR)**
NON-RECOVERY OF INCOME TAX AMOUNTING TO RS 6.201 MILLION

v) **PARA 1.21 (PAGE 16-AR)**
NON REFUND OF RS 11.096 MILLION

vi) **PARA 2.3 (PAGE 19-AR)**
WASTEFUL EXPENDITURE OF RS 2.552 MILLION

vii) **PARA 2.4 (PAGE 20-AR)**
MIS-APPROPRIATION OF MATERIAL/MONEY RS 2.066 MILLION

viii) **PARA 2.10 (PAGE 25-AR)**
NON-RETRIEVAL OF RELEASED MATERIAL VALUING RS. 2.800 MILLION

ix) **PARA 2.13 (PAGE 27-AR)**
IRREGULARITIES NOTICED IN CONSTRUCTION OF A SIDING FOR NLC.

x) **PARA 2.15 (PAGE 29-AR)**
LOSS OF RS 0.241 MILLION DUE TO RE-TENDERING

xi) **PARA 2.16 (PAGE 30-AR)**
MIS-APPROPRIATION OF MATERIAL VALUING RS 2.037 MILLION

xii) **PARA 2.17 (PAGE 31-AR)**
BOGUS PAYMENT OF RS 0.994 MILLION

xiii) **PARA 2.18 (PAGE 31-AR)**
NON-RECOVERY OF RAILWAY DUES AMOUNTING TO RS 15.477 MILLION

xiv) **PARA 3.7 (PAGE 38-AR)**
LOSS OF RS 6.803 MILLION DUE TO IMPROPER STORAGE OF MATERIAL

xv) **PARA 3.8 (PAGE 38-AR)**
LOSS OF RS 2.654 MILLION DUE TO PURCHASE OF DEFECTIVE MATERIAL

xvi) **PARA 3.9 (PAGE 39-AR)**
LOSS OF RS. 0.902 MILLION DUE TO NON-REPLACEMENT OF MATERIAL WITHIN WARRANTY PERIOD

xvii) **PARA 3.10 (PAGE 39-AR)**
LOSS OF RS 0.483 MILLION DUE TO WRONG DECANTING OF OIL TANK BY WAPDA

xviii) **PARA 3.11 (PAGE 40-AR)**
LOSS OF RS 0.383 MILLION DUE TO DEFECTIVE REPAIR OF RADIATOR FAN STARTERS

xix) **PARA 3.14 (PAGE 42-AR)**
BLOCAKGE OF CAPITAL AMOUNTING TO RS 11.359 MILLION

xx) **PARA 4.1 (PAGE 43-AR)**
IRREGULAR/UNECONOMICAL PURCHASE OF MATERIAL VALUING RS 510.957 MILLION

xxi) **PARA 4.7 (PAGE 47-AR)**
LOSS OF RS 472.150 MILLION DUE TO IMPROPER PLANNING

xxii) **PARA 4.11 (PAGE 50-AR)**
LOSS OF RS 4.127 MILLION DUE TO RE-FLOATING OF TENDER

xxiii) **PARA 4.13 (PAGE 51-AR)**
IRREGULAR EXPENDITURE OF RS 18.986 MILLION BY SPLITTING UP THE PURCHASE

xxiv) **PARA 4.14 (PAGE 51-AR)**
IRREGULAR LOCAL PURCHASE OF MATERIAL VALUING RS 3.089 MILLION

xxv) **PARA 4.15 (PAGE 52-AR)**
UNECONOMICAL PURCHASE OF MATERIAL WORTH RS 34.987 MILLION

xxvi) **PARA 4.16 (PAGE 52-AR)**
PURCHASE OF MATERIAL AT HIGHER RATES CAUSING LOSS OF RS 0.208 MILLION

xxvii) **PARA 4.17 (PAGE 53-AR)**
LOSS OF RS 1.843 MILLION DUE TO ACCEPTANCE OF HIGHER RATES

xxviii) **PARA 4.20 (PAGE 54-AR)**
LOSS OF RS 0.730 MILLION DUE TO ACCEPTANCE OF TENDERS AT 2ND CALL

xxix) **PARA 5.3 (PAGE 58-AR)**
LOSS OF RS 24.907 MILLION DUE TO PROCUREMENT OF DEFECTIVE MATERIAL

xxx) **PARA 5.4 (PAGE 58-AR)**
WASTEFUL EXPENDITURE OF RS 369.605 MILLION

xxxi) **PARA 5.6 (PAGE 60-AR)**
LOSS OF POTENTIAL EARNINGS AMOUNTING TO RS 32.492 MILLION DUE TO UN-NECESSARY DETENTION OF WAGONS IN THE DEPOTS

xxxii) **PARA 5.7 (PAGE 60-AR)**
INFRUCTUOUS EXPENDITURE OF RS 109.500 MILLION

xxxiii) **PARA 6.6 (PAGE 66-AR)**
NON-RECOVERY OF RS 14.271 MILLION FROM PRACS

xxxiv) **PARA 6.7 (PAGE 66-AR)**
LOSS OF EARNINGS AMOUNTING TO RS 1.613 MILLION

xxxv) **PARA 6.14 (PAGE 72-AR)**
MIS-APPROPRIATION OF MATERIAL VALUING RS 2.454 MILLION

xxxvi) **PARA 6.15 (PAGE 72-AR)**
LOSS OF RS 0.916 MILLION ON ACCOUNT OF LESS-RECOVERY OF SUI GAS CHARGES

xxxvii) **PARA 6.16 (PAGE 73-AR)**
LOSS OF RS 0.678 MILLION ON ACCOUNT OF DEFECTIVE SUPPLY OF RAILS

PAC DIRECTIVE

On the presentation of above 37 audit paras, the PAC directed the PAO to implement the recommendations of the DAC and settled the paras subject to verification/satisfaction of Audit Department.

31. **AUDIT COMMENTS ON APPROPRIATIONS ACCOUNTS ON PAKISTAN RAILWAYS AND SUBSIDIARIES FOR THE YEAR 2007-08**

Note:- The subject report was not discussed by the PAC. Therefore, this will be discussed in the next meeting of the Public Accounts Committee.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 25th October, 2010 pertaining to **Ministry of Railways** on the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:

AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN RAILWAYS FOR THE YEAR 2008-09

1. **PARA 1.1 (PAGE 1-AR)**
NON-UTILIZATION OF AVAILABLE (SURPLUS) LAND.

Audit pointed out that out of 39,132.24 available surplus land, 15699.60 acres had been put to profitable use, whereas 20,357.41 acres land (excluding Katchi Abadies and encroachments) were lying unutilized. As such, PR failed to utilize 52% of total available (surplus) land. Non-utilization of available land resulted in loss of potential earnings of millions of rupees and may result in its encroachment. DAC in its meeting dated 13th June, 2009 directed to make all out efforts for optimum utilization of surplus land and chalk out a plan of action within one month.

The PAO explained that it would not be fair to establish that entire available land has commercial potential. It was further commented that there are disputes on title of land besides resistance from Provincial Government opposing Railway to lease out its land for commercial ventures which badly hampered the potential earning from real estate. Continued efforts are being made for commercial utilization of surplus Railways land to improve earning from real Estate property. For this purpose Federal Minister for Railways has held meetings with Chief Ministers of Punjab and Sindh to settle the issue of title of land with the provinces.

PAC DIRECTIVE

The Chairman, Public Accounts Committee constituted a Special Committee under Sardar Ayaz Sadiq, MNA with Mr. Bahadur Ahmad Khan Sihar, MNA, Mrs. Asiya

Nasir, MNA and Mr. Nadeem Afzal Chan, MNA to look into non-utilization of available land with Pakistan Railways and to submit its report by **30th November, 2010.**

2. **PARA 3.6 (PAGE 37-AR)**
LOSS OF RS. 12.821 MILLION DUE TO NON-CONVERSION OF BOILERS INTO NATURAL GAS.

Audit pointed out that the boilers, installed at Loco Sheds Rawalpindi and Karachi Cantt. were not converted from furnace oil to natural gas resulting in loss of Rs. 8.566 and 4.255 million during the period from July 2007 to February 2009 and July 2007 to June 2008, respectively. DAC in its meeting held on 20th June, 2009 directed that the matter for conversion of Boilers into Natural Gas be taken up at an appropriate level.

The PAO explained that it was replied on 01.02.2010 that the Sui gas authorities have been requested for provision of sui gas connection at Rawalpindi and Karachi Loco Shed premises.

PAC DIRECTIVE

The PAO was directed to get a time schedule from the Sui Gas Companies for provision of Gas connection for Boilers installed at Loco Sheds Rawalpindi and Karachi. Report may be sent to the PAC Secretariat.

3. **PARA 3.12 (PAGE 04-AR)**
LOSS OF MILLIONS OF RUPEES DUE TO BURNING OF TWO BOGIES.

Audit pointed out that two bogies No. 9210-ZFX and 3198-ZFDH caught fire and completely burnt, causing loss to Pakistan Railway. It was informed to DAC in its meeting held on 20th June, 2009 that inquiries pertaining to burning of bogies were under progress. DAC directed that inquiries be completed within 15 days.

The PAO explained that as per findings of inquiry committee in respect of burning of coach No. 9210-ZFX on 21.12.2008 two Railway;s Police Constables Mr. Abdul Aziz Belt No. 1215 and Mr. Muhammad Fayyaz Belt No. 512 were held responsible. Inquiry

Committee has not yet finalized the report in connection with burning of Dining Car No. 3198-ZFDH.

PAC DIRECTIVE

The Chairman directed the PAO to carry out an inquiry as to who was responsible for giving a wrong report to the PAC. It was further directed that the Inspector General Police (Railways) may finalize his inquiry by end of November, 2010 and send a report to the PAC Secretariat.

4. **(a) PARA 4.4 (PAGE 45-AR)**
IRREGULAR/UNECONOCMICAL PURCHASE OF MATERIAL VALUING – RS. 29.950 MILLION.

Audit pointed out that tenders for procurement of 50 package type (compact) AC units were advertised by the management of Carriage Factory, Islamabad in May 2007. Two firms participated in the bid. The lowest offer of M/s SABRO @Rs 599,000 per unit was declared technically suitable and recommended for acceptance by 2 out of 3 members of the Tender Committee. Third member Financial Advisor & Chief Accounts Officer (FA&CAO) observed that as compared to last purchase rate (LPR), the price was very high.

The PAO explained that Tender Committee recommended the 1st lowest offer of M/s SABRO for acceptance. The tender was advertised with revised specifications by the Chief Electrical Engineer as such the rate could not be compared with the last purchase rate. In this case, the Managing Director, Carriage Factory, Islamabad recorded the rate reasonability on the basis of rise in raw material prices and preference of imported parts included in the revised specifications over the local ones. During the processing for extension in delivery period for 31 AC Units in this particular case, the FA & CAO/M&S had concurred the proposal. This action of the Financial Advisor constitutes for validation of the purchase order which was issued without the consent of the FA&CAO/M&S (3rd member). There was a complaint from the Lahore Division about defects in the AC blower motors which were replaced by the firm.

5. **(b)PARA 4.5 (PAGE 46-AR)**
IRREGULAR REFUND OF LIQUIDATED DAMAGES AMOUNTING TO RS. 2.444 MILLION.

Audit pointed out that it was decided in meeting of the Executive Committee of the Railway Board held on 27th June, 2008 that the payment to M/s SABRO for 19 AC units be made with penalties as per contract agreement. The payment of the remaining 31 AC units be made in similar manner in due course of time. The management of Carriage Factory, Islamabad ignored the instructions of the Executive Committee and refunded liquidated damages amounting to Rs.2.444 million to the contractor, thus the transaction was irregular. DAC in its meeting held on 20th June, 2009 directed to refer the matter to Chairman/Secretary, Railways for seeking his approval.

The PAO explained that it was replied on 01.02.2010 that authority to extend delivery period with or without the liquated damage charges in this case is within the power of General Manager Maintenance & Services under the extant rules. Hence refund made to the firm was quite regular.

PAC DIRECTIVE

The Chairman directed that the Financial Adviser and Chief Accounts Officer may also be associated with the inquiry being carried out to fix responsibility in the case. Report to the PAC Secretariat may be submitted **within one month.**

6. **PARA 4.8 (PAGE 48-AR)**
LOSS OF – RS. 474.412 MILLION DUE TO INJUDICIOUS DECISION.

Audit pointed out that tender for procurement of 699 High Capacity Wagons was floated on 31st May, 2007 by Director Procurement, Islamabad. The offer of M/s Dongfang Electric Corporation, China was the lowest. The lowest offer was of US$ 46.979 million which exceeded the total loan amount of US$ 39.070 million. This necessitated the need for revision of PC-I. The summary for revision of PC-I was submitted to Chairman, Planning Commission on 31st December, 2007. Meanwhile the validity of offer was

expired. The firm did not agree to increase the validity period. Tenders were, therefore, filed. International tenders were again floated for procurement of 550 Wagons and opened on 11th July, 2008. M/s Dongfang Electric Corporation only participated in the tender. The quoted rate of US$ 38.471 million for the procurement of 550 Wagons was accepted. Extra expenditure of Rs. 474.412 million could be avoided by revising the PC-I within the validity period. DAC in its meeting held on 20th June, 2009 directed to fix responsibility for abnormal delay in the revised PC-I.

The PAO explained that the prices in the original PC-I, the bid of M/s DEC against 1st tender and the bid of M/s Dongfang Electric Corporation against 2nd tender were based on the prevalent market rates in the year 2005, 2007 and 2008-09 respectively with projected escalation during the delivery period. The figures only reflect inflationary tenders in the global market and cannot be termed as loss to the public exchequer.

PAC DIRECTIVE

The para was remanded back to the DAC with the direction that the outcome may be reported to the PAC Secretariat in **2 weeks.**

7. **PARA 4.10(PAGE 49-AR)**
EXTRA EXPENDITURE OF RS 3.354 MILLION DUE TO ACCEPTANCE OF THE HIGHER RATES.

Audit pointed out that two Purchase Orders for procurement of End Binding Annealed Steel Wire "1/4" and "3/16" diameter were placed on 10th April and 12th June, 2008, respectively. The procurement was made in the same financial year but different rates were accepted. Besides, accepted rates were also more than the last purchase rate in a tender filed in November 2007. Extra expenditure of Rs. 3.354 million could be avoided by not filing the first tender.

The PAO explained that the price offered by different firms in the same financial year i.e. 2007-08 varied due to desperate price fluctuation in the International Market.

PAC DIRECTIVE

The para was kept pending as the concerned DG Audit required more time to examine the replies submitted late by the M/O Railways.

8. **PARA 6.8 (PAGE 67-AR)**
IRREGULAR/UNECONOMICAL PROCUREMENT OF MATERIAL COSTING – RS. 205.062 MILLION WITHOUT COMPETITION.

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

The PAO explained that there was no breach of Public Procurement Rules, as such seeking relaxation from PPRA is not required.

PAC DIRECTIVE

The PAO was directed to seek opinion of Pakistan Engineering Council, settle the issue within **two weeks** and report back to PAC Secretariat.

AUDIT COMMENTS ON APPROPRIATION ACCOUNTS OF PAKISTAN RAILWAYS FOR THE YEAR 2007-08

9. **EXPENDITURE OF – RS. 221.986 MILLION WITHOUT ANY BUDGETARY ALLOCATION (AUDIT COMMENT IV & V,) (PAGE 11-AR)**

Audit pointed out that according to para 88 of General Financial Rules (GFRs) Vol. I, "the authority administering a grant is ultimately responsible for watching the progress of

expenditure on public service under its control and for keeping the expenditure within the grant".

The PAO explained that certain payments are made in advance on account of local purchase, utility bills & repair and maintenance etc., after ensuring the budget allotment in the relevant head of account but according to Para A-1021 read with G-505, these payments are kept temporarily in general administration for subsequent clearance on receipt of documentary proofs.

10. **AUDIT COMMENT NO (1)**
OVERSTATEMENT OF INVESTMENT WITH THE AMOUNT OF RS 15.637 MILLION DUE TO DISSOLVING OF WEST PAKISTAN ROAD TRANSPORT COMPANY (ROAD SERVICES) (PAGE 152-AA)

Audit pointed out that Pakistan Railway (PR) invested Rs. 15.637 million as 25% share of investment in West Pakistan Road Transport Corporation (WPRTC) in the year 1960. The WPRTC made payment to Pakistan Railways @4% interest and 3% dividend per annum until 1967-68 from the date of investment i.e 1960. WPRTC discontinued payments after 1967-68 and no further dues were paid to Pakistan Railways.

The PAO explained that the write off statement of the updated amount is in the process of sanction from the Finance Division. The Ministry of Railways is pursuing this case. As and when its sanction is conveyed the same will be intimated to the Audit.

PAC DIRECTIVE

All paras were remanded back to the DAC as the Principal Accounting Officer requested more time to examine them. In addition to the above paras, the PAO was also directed to ensure that necessary detailed examination of all Audit paras is carried out before the PAC meeting so that a logical conclusion is reached in the PAC meeting.

AUDIT PARAS UNDER PURSUANCE

11. i) **PARA 2.12(PAGE 26-AR)**
NON-ACHIEVEMENT OF BENEFITS FROM PAYMENT OF – RS. 21.887 MILLION TO SNGPL.

ii) **LOSS OF RS. 55.144 MILLION PER ANNUM DUE TO DELAY IN HANDING OVER GAS DISTRIBUTION SYSTEM TO SNGPL.**

iii) **PARA 4.22(PAGE 56- AR)**
LOSS OF – RS. 0.269 MILLION DUE TO CANCELLATION OF PURCHASE ORDERS.

iv) **PARA 4.12(PAGE 50-AR)**
PURCHASE OF DEFECTIVE MATERIAL VALUING RS.2.540 MILLION

AUDIT PARAS RECOMMENDCED FOR SETTLEMENT

12. **PARA 4.9(PAGE 48- AR)**
LOSS OF RS. 95.614 MILLION DUE TO PROCUREMENT OF MATERIAL AT HIGHER RATES.

PARA 4.21(PAGE 55- AR)
LOSS OF – RS. 0.363 MILLION DUE TO AWARD OF CONTRACT AT HIGHER RATES.

PARA 6.17(PAGE 74- AR)
IRREGULAR/UNJUSTIFIED EXPENDITURE OF – RS. 0.206 MILLION ON ACCOUNT OF IMPROVEMENT WORKS.

AUDIT COMMENT NO. (ii) (PAGE 152-AA)
NATIONAL CHARGING OF DEPRECIATION AMOUNTING TO – RS. 2,115 MILLION AS ASSETS ARE VALUED AT COST AND NO POLICY FOR CALCULATING DEPRECIATION.

AUDIT COMMENT NO. (iii) (PAGE 152-AA)
INTEREST LEVIED ON FUNDS.

AUDIT COMMENT NO. (iv) (PAGE 153-AA)
BILLS RECEIVABLE.

AUDIT COMMENT NO. (v) (PAGE 152-AA)
CURRENT ACCOUNT WITH GOVERNMENT.

AUDIT COMMENT NO. (vi) (PAGE 153-AA)
FOREIGN LOANS/ CREDITS.

AUDIT COMMENT NO. (vii)
OVERDRAFT WITH STATE BANK OF PAKISTAN.

AUDIT COMMENT NO. (viii) (PAGE 57-AA)
OVERSTATEMENT OF EXPENDITURE UNDER DEFERRED ASSETS.

PAC DIRECTIVE

On the presentation of above paras, the PAC settled the above paras.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meetings held on January 25, 2011 on the Audit Report for the Year 2008-2009.

AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN RAILWAYS FOR THE YEAR 2008-09

REVIEW OF ACTIONALBE POINTS

1. **PARA 1.2 (PAGE 2-AR)**
NON-RECOVERY OF RS 2,189.774 MILLION ON ACCOUNT OF RENTAL CHARGES (PAGE 2-AR)

Audit pointed out that rental charges amounting to Rs 2,189.774 million were outstanding on account of leasing out of Railway land. Similarly, PR failed to realize rental charges amounting to Rs 1,046.996 million from various Government departments including Provincial Food Departments. In some cases the land was occupied un-authorizedly. In majority of cases, the contract agreements were not available or had expired.

The PAO informed that in compliance of PAC directive an amount of Rs. 1045 million has been recovered from Food Department and Oil management companies as well as lease charges of cultivation of land etc. Moreover, an amount of Rs.200 million has also been recovered during the current financial year.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO that instructions may be passed on to all concerned that directives of the PAC should be complied with within the given time and recoveries, wherever applicable should be scheduled with time lines. It was directed that responsibility may be fixed for keeping cases pending and not effecting recoveries. It was also observed that systemic improvements are required for effecting recoveries, specially since the Railways was cash strapped and was not getting back money owed to them. The Chairman stated that Organizations, who owe money to the Railways, will have a cut imposed on their budgets to make up for the amount owed, if they do not repay.

The para was settled subject to verification by Audit of the amount already recovered by Railway management.

2. **PARA 1.3 (PAGE 3-AR)**
LOSS DUE TO NON-RECOVERY OF PRICE OF LAND AND RENTAL CHARGES AMOUNTING TO RS 164.538 MILLION.

Audit pointed out that Housing & Physical Planning Department; Education Department, Government of the Punjab and National Highway Authority encroache Railway's Land resulting loss of Rs. 164.538 million, which could be avoided by exercising due care and vigilance. Pakistan Railways failed to realize the price of the land and rental charges.

The PAO informed that certain actions have been taken in compliance of PAC directives given in its meeting held on 26 & 27 April, 2010.

PAC DIRECTIVE

The PAC directed that the issue may be settled with NHA at an early date, since agreement has been concluded with them. As regards recoveries pending with the Housing and Physical Planning Department, Government of Punjab, the PAC directive may be conveyed to them that payments may be made within the current financial year.

The PAO was directed to submit a report in the matter within **three months** to the PAC and Audit.

3. **PARA 1.5 (PAGE 5-AR)**
NON-PAYMENT OF LEASE/RENTAL CHARGES IN RESPECT OF 1050 ACRES LAND OCCUPIED BY PAKISTAN RANGERS AND PAKISTAN ARMY

Audit pointed out that the Pakistan Railways failed to recover rental charges from Pakistan Rangers and Pakistan Army in respect of land at Haripur Band, Ganda Singh Wala, Kanganpur, Yazman Mandi, Shahdra-Sangla Hill, Jaranwala-Qila Sheikhupura and Military Dairy Farm, Rawalpindi.

The PAO informed that certain actions have been taken to recover the rental charges in compliance of PAC directives given in its meeting held on 26 & 27 April, 2010.

PAC DIRECTIVE

The PAC directed that the proposal regarding swapping of land near Military Dairy Farm, Rawalpindi with Dry Port, Mughalpura, Lahore on barter system, as suggested by the Quartermaster General, GHQ, Rawalpindi, may be settled with the involvement of Audit. The matter of other recoveries may be reconciled within **three months** to the PAC and Audit.

4. **PARA 1.6 (PAGE 6-AR)**
LOSS OF RENTAL CHARGES AMOUNTING TO RS 5.385 MILLION.

Audit pointed out that Janbaz Force authorities occupied Railway Hospital building at Bahawal Nagar and Railway Club, Khanewal building un-authorizedly and without paying any rental charges resulting loss of Rs. 5.385 million.

The PAO informed that Railway Hospital Building Bahawal Nagar being redundant was leased out as per policy and the same has been got vacated from Janbaz Force and handed over to proper lessee. The issue of occupation of Railway Club Building at Khanewal has been taken up with the Quartermaster General G.H.Q/Rawalpindi and D.G/National Guard.

PAC DIRECTIVE

The PAC directed that a report in the matter may be submitted within **one month** to the PAC and Audit.

5. **PARA 1.9 (PAGE 10-AR)**
NON-RECOVERY OF LATE-PAYMENT CHARGES AMOUNTING TO RS. 21.816 MILLION

Audit pointed out that in 1768 cases penalty clause was not invoked. Resultantly, fine (late-payment charges) of Rs 21.816 million was not recovered. In majority of the cases, the penalty clause was omitted from the contract agreements. Resultantly, no action could be initiated against the lessees.

The PAO informed that the Ministry is inserting penalty clause in the contract agreements. The inquiry committee has recommended that land record including recovery particulars may be computerized and up dated.

PAC DIRECTIVE

The PAC remanded back the para to DAC for further examination and verification of recoveries.

6. **PARA 1.11 (PAGE 11-AR)**
NON-RECOVERY OF RS 189.570 MILLION ON ACCOUNT OF COMMERCIALIZATION OF PLOTS

Audit pointed out that a site visit of Co-operative Housing Societies, Hyderabad and Mirpur Khas in August 2008 disclosed that 46 plots had been utilized for commercial purposes without paying requisite charges to PR. Thus, PR sustained a loss of Rs 189.570 million.

The PAO informed that notices for cancellation of sub-leases have been issued to the Administrator, Hyderabad Railways Society and General Secretary Mirpurkhas Railway Housing Society for payment of commercialization charges of plots converted for

commercial use. In response General Secretary Railway Housing Society Mirpurkhas has forwarded 10 cases (22 plots) of various sizes with willingness of allottees to pay commercialization charges as per policy of converting residential plots into commercial, which are under process of valuation assessment.

PAC DIRECTIVE

The PAC directed that full recoveries may be ensured by **31st March, 2011** and report may be submitted to the PAC and Audit.

7. **PARA 1.12 (PAGE 12-AR)**
LOSS OF RS 36.752 MILLION DUE TO UNAUTHORIZED CONTINUATION OF OCCUPATION OF LAND

Audit pointed out that in 548 cases the lessees continued to occupy the pieces of land beyond the expiry of lease periods without paying any rental charges, resulting in non-recovery of rental charges of Rs 36.752 million.

The PAO informed that Divisional Superintendents, Multan, Sukkur and Rawalpindi has cancelled certain leases, some recoveries have been made and many cases have referred to the District/Revenue Officers for effecting recoveries under Land Revenue Act.

PAC DIRECTIVE

The PAC remanded back the para to DAC to settle the difference of opinion between Audit and the Railways, examine systemic solutions and give a time frame for cancellation/eviction within **one month** to the PAC Secretariat and Audit.

8. **PARA 1.17 (PAGE 14-AR)**
NON-DISPOSAL OF ASSETS OF CLOSED SECTIONS

Audit pointed out that 19 various sections in six (6) Divisions were closed for all kinds of traffic, but Railway administration failed to use the resources by disposing of the track material, buildings and land in most of the cases/sections. Besides, the loss of material due to pilferage and deterioration with the passage of time cannot be ruled out.

The PAO informed that all the Divisional Superintendents have been directed to complete the survey on priority basis for disposal of material of closed sections. The PAO further informed that the land in question is being given to the M/O Environment for forestation to preserve the land in case required later by Railways.

PAC DIRECTIVE

The PAC directed that progress may be reported by **end of February, 2011** to the PAC and Audit.

9. **PARA 1.22 (PAGE 17-AR)**
IRREGULAR HANDING OVER OF 10.5 ACRES LAND TO A HOUSING SOCIETY

Audit pointed out that 10.50 acres land was handed over to Rawalpindi Railway Employees Co-operative Housing Society (RRECHS) in lieu of the land utilized as roads used jointly by PR and the Society. The approval of the General Manager dated 31st August, 1992 was subsequently withdrawn by the Ministry of Railways on 7th July, 1993. The land was not retrieved from the Society as it had already been allotted to its members in shape of 290 residential and 47 commercial plots. As such, PR lost its land due to injudicious decision of the General Manager for which he was not competent.

The PAO informed that an Assessment Committee has been formed which will complete its work of land identification and valuation in one month's time. This Committee had already completed 4 reports.

PAC DIRECTIVE

The PAC directed that the completed reports may be got verified by Audit and a complete report may be sent in **one month's time** to the PAC and Audit.

10. **PARA 2.5 (PAGE 22-AR)**
NON-RECOVERY OF RAILWAY DUES AMOUNTING TO RS 157.702 MILLION

Audit pointed out that as per agreement executed between Pakistan Railway and M/s Zareco Real Estate, Islamabad, the land measuring 203,377 sft was handed over on 3rd March, 2002. The lessee failed to deposit the amount for Rs. 157.702 million. Subsequently the contract was terminated on 9th September, 2005. The lessee resorted to litigation which culminated on 25th May, 2006 when the contract was revived by PR. The court remarked that "some dispute with regard to payment of penalty and amount of lease due to PR can be resolved by the parties themselves because no substantial issues are involved in that controversy". PR failed to recover a sum of Rs 157.702 million alongwith the late-payment surcharge up till January 2009.

The PAO informed that the matter was with the Arbitrator regarding Railway dues amounting to Rs.157.702 million and the case had been won by the Railways.

PAC DIRECTIVE

The Public Accounts Committee directed that the PAO may make personal efforts with the Arbitrator to expedite the matter and report **within one month** to the PAC and Audit.

11. **PARA 2.8 (PAGE 24-AR)**
NON-RECOVERY OF RAILWAY DUES AMOUNTING TO RS 11.748 MILLION

Audit pointed out that Railway Officers Club at Faisalabad had been occupied by Janbaz Training Team un-authorizedly since 1965. PR failed to get its building vacated and recover rental and utilities charges amounting to Rs 11.748 million up till January 2009.

The PAO informed that the case has been referred to Ministry of Defence and General Headquarters for recovery of outstanding Railway dues amounting to Rs 11.748 million and also vacation of Officers Club Faisalabad from Janbaz Force.

PAC DIRECTIVE

The Public Accounts Committee directed that a report in this matter may be submitted within **one month** to the PAC and Audit.

12. **PARA 2.9 (PAGE 24-AR)**
NON-RECOVERY OF TV CABLE CROSSING CHARGES OF RS 2.074 MILLION

Audit pointed out that Railway administration failed to recover cable crossing and rental charges of Rs 2.074 million from the cable operators, which indicates that administration is not vigilant enough to protect the interests of the organization.

The PAO informed that the outstanding amount shown by the Audit is actually not recoverable and as such no loss, on this account, has been sustained by Pakistan Railways.

PAC DIRECTIVE

The PAC remanded back the para to DAC with the directions that the policy formulated by the department may be shared with Audit in order to examine that no violation of this policy has taken place. The para need not come back to PAC if there is no violation and Audit is satisfied.

13. **PARA 2.14 (PAGE 29-AR)**
INCURRENCE OF EXTRA EXPENDITURE OF RS 2.429 MILLION DUE TO POOR PLANNING AND ESTIMATION

Audit pointed out that a work of special repair to LPO Shed at Karachi Bandar, Karachi was awarded at a cost of Rs 1.045 million. Subsequently, Railway administration increased the cost to Rs 3.474 million on 26th April, 2007. Thus, due to poor estimation and bad planning the execution cost of the work was increased by 233%.

The PAO informed that a committee have been setup to look into these issues and instructions have been issued to all concerned to strictly follow PPRA rules and that the

scope of work should always be finalized at the time of planning and before floating the tender.

PAC DIRECTIVE

The PAC directed that report of the Committee setup by the PAO, along with his recommendations may be sent **within one month** to PAC and Audit. Also, PPRA Rules may be examined in cases where scope is enhanced.

14. i) **PARA 3.1 (PAGE 33-AR)**
CONSUMPTION OF FUEL VALUING RS 102.652 MILLION IN EXCESS OF PRESCRIBED RATION

Audit pointed out that various units of Mechanical Department consumed High Speed Diesel Oil in excess of the quota fixed by the competent authority, resulting in loss of Rs 102.652 million.

The PAO informed that the excess fuel was consumed due to detention of passenger and goods trains on account of poor infrastructure and sad demise of Muhtarma Banazir Bhutto The excess consumption of Rohri and Kundian sheds locomotives was due to over aged of locomotives. Necessary instructions have been issued to all Divisional Superintendents to take corrective measures to avoid misuse/mismanagement in fuel consumption.

ii) **PARA 3.2 (PAGE 34-AR)**
EXCESS CONSUMPTION OF OIL VALUING RS 52.672 MILLION

Audit pointed out that various units of Mechanical Department revealed that the oil was consumed in locomotives and power vans uneconomically and carelessly, which resulted in loss of Rs 52.672 million to Pakistan Railway.

The PAO informed that as per findings of the Inquiry Report, (i) 68 drivers were responsible for heavy consumption of fuel and were sent on corrective trainings. (ii) 25 Locomotives were found heavy in fuel and were sent to Workshops for repair and maintenance. (iii) The fuel consumption record is properly and

correctly being maintained in the sheds. (iv) The records are being checked and scrutinized by the Mechanical Officers of the divisions as well as counter checked by the Officers of the Headquarters office Lahore. (v) The fuel consumed in excess, is only 1.0% as compared to the total consumption of the concerned period i.e. July 2007 to December 2008.(vi)The Inquiry committee has also observed that there was no case of theft and pilferage.

PAC DIRECTIVE

The Public Accounts Committee remanded both the paras back to DAC for verification of corrective measures taken by the Department. IG, Railway Police may also be included in the DAC.

15. i) **PARA 3.5 (PAGE 36-AR) – LOSS OF RS. 122.143 MILLION DUE TO NON-DISPOSAL OF CONDEMNED WAGONS/MATERIAL**

ii) **PARA 3.12 (PAGE 40-AR)– LOSS OF MILLIONS OF RUPEES DUE TO BURNING OF TWO BOGIES**

iii) **PARA 4.2 (PAGE 44-AR)– NON-RECOVERY OF RS.13.572 MILLION FROM A FIRM**

iv) **PARA 4.19 (PAGE 54-AR)– LOSS OF RS.45.770 MILLION DUE TO PROCUREMENT OF MATERIAL OF INCORRECT SPECIFICATIONS.**

v) **PARA 5.1 (PAGE 57-AR) – NON-DISPOSAL OF SCRAP VALUING RS. 1,018.728 MILLION**

vi) **PARA 5.2 (PAGE 57-AR)– EXCESS PROCUREMENT OF MATERIAL WORTH RS. 200.384 MILLION**

vii) **PARA 5.5 (PAGE 59-AR)– LOSS OF RS. 368.588 MILLION ON ACCOUNT OF CUSTOM DUTY, SALES TAX AND DEMURRAGE CHARGES**

viii) **PARA 6.1 (PAGE 62-AR)–NON-RECOVERY OF RAILWAY DUES AMOUNTING TO RS. 18.790 MILLION FROM ROYAL PALM GOLF AND COUNTRY CLUB.**

ix) **PARA 6.2 (PAGE 63-AR)–NON-SUBMISSION OF AUDITED ACCOUNTS TO AVOID PAYMENT OF REVENUE SHARE PAYABLE TO PAKISTAN RAILWAYS**

x) **PARA 6.3 (PAGE 64-AR)– BLOCKAGE OF SCRAP VALUING RS. 342 MILLION**

xi) **PARA 6.4 (PAGE 65-AR)–NON-DISPOSAL OF SCRAP VALUING RS.62.228 MILLION**

xii) **PARA 6.5 (PAGE 65-AR)–NON-REALIZATION OF RENTAL CHARGES AMOUNTING TO RS.382.795 MILLION FROM GOVERNMENT DEPARTMENTS AND PRIVATE BODIES**

xiii) **PARA 6.8 (PAGE 67-AR)–IRREGULAR / UNECONOMICAL PROCUREMENT OF MATERIAL COSTING RS. 205.062 MILLION WITHOUT COMPETITION**

xiv) **PARA 6.11 (PAGE 70-AR)– LOSS OF RS. 17.00 MILLION ON ACCOUNT OF EXCESSIVE CONSUMPTION OF FUEL DUE TO MISMANAGEMENT**

xv) **PARA 6.12 (PAGE 70-AR)– LOSS OF RS. 13.177 MILLION DUE TO THEFT OF PERMANENT WAY MATERIAL.**

PAC DIRECTIVE

The above 15 paras were remanded to the DAC for examination in light of PAC directives given in its meeting held on 26 & 27 April, 2010, with the directions that only those paras brought before the PAC which remain undecided at the DAC level.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meetings held on May 5, 2011 on the following issues:-

i) **BRIEF ON SALE ORDER NO. 189-S/2/BULK/2008/588/1-A/B DATED 06-02-2010 CONTAINING FERROUS SCRAP AND CONDEMNED WAGONS**

ii) **BRIEF ON SALE ORDER NO. 189-S/2/BULK/II/2009/607/1-A/B DATED 11-02-2010 CONTAINING FERROUS/NON FERRORS SCRAP AND CONDEMNED WAGONS**

With reference to the subject mentioned above, it is stated that while discussing paras related to Ministry of Railways, the Public Accounts Committee took note of the fact that the Federal Investigation Agency was not finalizing the cases under their examination for a long time. Delay due to non-finalization of the inquiry was leading to undue delay in settlement of the paras.

2. The Chairman, PAC has directed that the Secretary M/O Interior may inquire into the matter to determine the causes of delay, raise the level of inquiry involving the Railway Police, Vigilance Directorate Officials of Railways and Director General Railway Audit. The FIA may be directed to finalize the issues **within one month.**

3. The Secretary, Ministry of Interior may also kindly note that this matter will come under discussion in the next schedule of meeting likely to begin from 20th May, 2011.

MINISTRY OF RELIGIOUS AFFAIRS

1. **OVERVIEW**

Appropriation Accounts 2007-08 and report of Parliamentary Committee regarding arrangements for Hajj, 2010, pertaining to the Ministry of Religious Affairs were taken up for examination by Public Accounts Committee on **9th June and 27th September, 2010.**

1.1 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.

1.2 There were 2 grants presented by the AGPR. The PAC regularized the grants with the direction to PAO to ensure the recovery at his personal level. Cost of litigation at UK and France be furnished along with full details of the case to the PAC. The criteria for sending the poor people on Hajj may also be furnished.

ACTIONABLE POINTS

Actionable points arising out from the discussion of the PAC meeting held on 9th June, 2010 pertaining to M/O Religious Affairs on the Appropriation Accounts 2007-08 are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. **GRANT NO.102- RELIGIOUS AFFAIRS AND ZAKAT & USHR DIVISION (PAGE 713-AA)**
(Saving of Rs 2,172,859)

Audit pointed out that the grant was closed with a saving of Rs.2,172,859 which worked out to 2.42% percent of the total grant. An amount of Rs 1,582,000 (1.76%) was surrendered leaving net saving of Rs 590,859(0.65%).

PAC DIRECTIVE

The PAC regularized the grant with the direction that the Ministry should have DAC meeting and then come to the PAC with full preparation. The PAC took serious notice of non-preparation and directed not to repeat such act in future.

2. **GRANT NO.104-OTHER EXPENDITURE OF RELIGIOUS AFFAIRS AND ZAKAT AND USHR DIVISION (PAGE 718-AA).**
(Saving of Rs 12,308,877)

Audit pointed out that the grant was closed with a saving of Rs 12,308,877 which worked out to 5.22 percent of the total grant. An amount of Rs 1,514,000(0.64%) was surrendered leaving net saving of Rs 10,794,877(4.58%). A supplementary grant of Rs 6,805,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The PAC regularized the grant with the direction to PAO to ensure the recovery at his personal level. Cost of litigation at UK and France be furnished along with full details of the case to the PAC. The criteria for sending the poor people on Hajj may also be furnished.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 27th September, 2010 pertaining to M/O Religious Affairs regarding arrangements made for Hajj, 2010 are given below:-

After hearing Pirzada Syed Imran Ahmed Shah, MNA, Member of the Standing Committee on Religious Affairs regarding the subject matter, the Chairman, Public Accounts Committee directed that the Secretary M/O Religious Affairs may give a comprehensive report on the problems faced by Pilgrims and the corruption involved in

acquisition of buildings for Pilgrims at various places at Makkah and Madina. The Secretary was also directed to make efforts to facilitate comfortable travel and stay for the Pilgrims in future.

The Chairman, PAC commended the efforts of the Members of the Standing Committees of the National Assembly and Senate who made extra efforts to present their report to the PAC. The Secretary M/O Religious Affairs and the Minister for Religious Affairs were also congratulated for steps taken by their Ministry in doing away with discretionary quotas for Hajj and also for giving PIA the control over seat allocations.

The Secretary is requested to submit the required report as early as possible.

MINISTRY OF SCIENCE AND TECHNOLOGY

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Federal Government (Civil) for the year 2008-09 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Science & Technology were taken up for examination by Special Committee-I of the Public Accounts Committee on **29th June, and 1st December, 2010.**

1.1 The Special Committee-I having considered Audit's views as well as explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving defective contracts, financial indiscipline, misuse of funds, violation of rules, cases of non-recovery, blockage of funds, irregular expenditures and overpayments of huge amounts etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 3 grants and 16 paras reported by Audit. These paras/grants were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of Special Committee-I. 11 paras were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Ministry. The Committee gave directions on 08 audit paras, the Committee directed the PAO to implement the DAC recommendations.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Science & Technology held on 29th June, 2010 at 4:00

p.m in Parliament House, to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I - 2007-08)

3. **GRANT NO.105- SCIENCE & TECHNOLOGY RESEARCH DIVISION (PAGE 723-AA)**
(Saving of Rs.21, 910,115)

AGPR pointed out that the grant closed with the saving of Rs. 21, 910,115 which works out to 9.43% of the total grant. An amount of Rs.19,973,760 (8.60%) was surrendered leaving net saving of Rs.1,936,355 (0.83%).

The PAO informed the Committee the saving in the grant was due to that a summary for payment of Honorarium equal to two months pay to the employees of the M/o Science & Technology was sent to the Prime Minister of Pakistan for approval but the Prime Minister approved honorarium equal to one month pay.Some amount was kept for payment of medical reimbursed bill which was not finalized till June, 2008.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO that in future, the medical bills should be paid in time. The Committee settled the grant with the direction that in future, there should be zero saving and zero excess in the grants. The Committee also directed the PAO that to give a comprehensive briefing to the Committee on the performance and functioning of PCSIR and its achievements/research work over the last 10 years.

3. **GRANT NO.106-OTHER EXPENDITURE OF SCIENCE & TECHNOLOGY RESEARCH DIVISION (PAGE 725-AA)**
(Excess of Rs.7, 849,658)

AGPR pointed out that the grant closed with an excess of Rs.7,849,658 which works out to 0.39% of the final grant. A supplementary grant of Rs.15,213,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that in this grant there is saving instead of excess. The saving in the grant was due to earmarking for payment of six advance increments to the D.G, PTB. The increments were granted to him by the selection board at the time of his appointment. The case was taken up with the Finance Division but the request was not acceded during the financial year.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant with the direction to the PAO that in future there should be good budgeting in the Ministry.

4. **GRANT NO. 159-DEVELOPMENT EXPENDITURE OF SCIENCE & TECHNOLOGY RESEARCH DIVISION (PAGE 728-AA)**
(Saving of Rs.1, 985,722,629)

AGPR pointed out that the grant closed with the saving of Rs.1, 985,722,629 which works out to 55.14% of the final grant. An amount of Rs.1,135,495,083 (31.54%) was surrendered leaving net saving of Rs.850,227,546 (23.61%).

The PAO informed the Committee that this grant relates to different projects and some amount was utilized for these 45 projects but the AGPR was not timely informed.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee was not satisfied on the PAO,s reply and directed the PAO to hold another DAC meeting on these 45 projects, conduct special audit of these projects (random pick) if necessary and report to the Committee within fifteen days. The Committee however pended this grant till its next meeting on the Ministry.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMNET (CIVIL) FOR THE YEAR 2008-09

5. **PARA 18.1 (PAGE 121-AR)**
NON OBTAINING OF ADJUSTMENT ACCOUNTS OF RELEASES AMOUNTING TO RS.45.840 MILLION MADE TO 13 NEWLY ESTABLISHED LABORATORIES.

Audit pointed out that during verification, the department produced record of releases amounting to Rs.30.56 million. Record relating to Rs.15.280 million was not produced to audit.

The PAO informed the Committee that the remaining record will be provided to audit for verification.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the para subject to verification of record by Audit with a report to the PAC.

6. **PARA 18.2 (PAGE 121-AR)**
FAILURE OF PROJECT COSTING RS.38.356 MILLION DUE TO POOR PLANNING COORDINATION AND IMPLEMENTATION.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to complete the inquiry within two weeks by fixing responsibility pertaining to recovery and depositing of money into Commercial Bank. The Committee however, pended this para till its next meeting on the Ministry.

7. **PARA 18.3 (PAGE 122-AR)**
EXCESS PAYMENT OF COMMISSION CHARGES RS. 1.627 MILLION TO NATIONAL BANK OF PAKISTAN

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to resolve the issue with State Bank of Pakistan.The Committee however, pended this para till its next meeting on the Ministry.

8. **PARA 18.4 (PAGE 123-AR)**
EXCESS PAYMENT OF RS 771,275 TO THE EVACUEE TRUST PROPERTIES BOARD (ETPB) ON ACCOUNT OF ELECRICITY CHARGES.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to recover/adjust the overpayment from ETPB with a report to the Committee/Audit.

9. **PARA 18.5 (PAGE 124-AR)**
NON-ACHIEVEMENT OF PROJECT TARGETS EVEN IN THE EXTENDED TIME FOR EXECUTION.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee pended this para till its next meeting on the Ministry.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN SCIENCE FOUNDATION

10. **PARA 219.1 (PAGE 332-ARPSE)**
WORKING RESULTS

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to control their expenditure and remain in their budgeted amounts.

LIST OF AUDIT PARAS SETTLED BY THE SPL,COMMITTEE

11. i) **PARA 219 (PAGE 331-332-ARPSE)**
AUDIT COMMENTS

ii) **PARA 219.2 (PAGE 333-ARPSE)**
AUDIT COMMENTS

iii) **PARA 219.3 (PAGE 333-ARPSE)**
AUDIT COMMENTS

iv) **PARA 219.4 (PAGE 333-ARPSE)**
AUDIT COMMENTS

v) **PARA 219.5 (PAGE 333-ARPSE)**
AUDIT COMMENTS

vi) **PARA 219.6 (PAGE 333-ARPSE)**
AUDIT COMMENTS

vii) **PARA 219.7 (PAGE 334-335-ARPSE)**
AUDIT COMMENTS

viii) **PARA 219.8 (PAGE 335-ARPSE)**
AUDIT COMMENTS

ix) **PARA 219.9 (PAGE 335-ARPSE)**
AUDIT COMMENTS

x) **PARA 219.10 (PAGE 336-ARPSE)**
AUDIT COMMENTS

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

On the recommendations of Audit, the Special Committee settled the above mentioned 10 audit paras.

12. **General Directions:**

The Special Committee directed the PAO to give a briefing to the Committee on Solar System Project/Issue of the Ministry in the next meeting of the Committee.

ACTIONABLE POINTS

Actionable points of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Science & Technology held on 1st December, 2010 at 2:30 p.m in Parliament House and attended by Mr. Saeed Ahmad Zafar and Mr. Hamid Yar Hiraj, MNAs and Mr. Irfan Nadeem, Secretary M/o Science & Technology, to discuss the pending Accounts for the Audit year 2008-09 and financial year 2007-08 are as under:

APPROPRIATION ACCOUNTS (CIVIL)VOL-I- 2007-08)

1. **GRANT NO.159-DEVELOPMENT EXPENDITURE OF SCIENCE & TECHNOLOGY RESEARCH DIVISION (PAGE 728-AA)**
(Saving of Rs.1, 985,722,629)

The PAO informed the Committee that the saving in the grant was due to the reason that this amount was not released by the Finance Division.

DIRECTIVE

The Committee directed the PAO to promote the research work in the Ministry.The Committee also directed the PAO to give the detailed report on the achievements of PCSIR. The Committee after expressing its displeasure on the saving, settled the para with the direction to the PAO that in future there should be zero saving and zero excess.

The Committee, while discussing the issue of Interferon Injection, directed the Administrative Secretaries i.e. Secretary M/o Science & Technology, Secretary M/o Health, Secretary M/o Education, DG (Health) and Vice Chancellor Punjab University along with their back-up support, to brief the Special Committee of PAC . It was directed that the proposals be submitted to the Committee within three weeks, for consideration by the Committee. It was also directed to invite the concerned researchers.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMNET (CIVIL) FOR THE YEAR 2008-09

2. **PARA 18.1 (PAGE 121-AR)**
NON OBTAINING OF ADJUSTMENT ACCOUNTS OF RELEASES AMOUNTING TO RS.45.840 MILLION MADE TO 13 NEWLY ESTABLISHED LABORATORIES.

DIRECTIVE

The Committee settled the para subject to verification of record by Audit with a report to the PAC.

3. i) **PARA 18.2 (PAGE 121-AR)**
FAILURE OF PROJECT COSTING RS.38.356 MILLION DUE TO POOR PLANNING COORDINATION AND IMPLEMENTATION.

ii). **PARA 18.3 (PAGE 122-AR)**
EXCESS PAYMENT OF COMMISSION CHARGES RS. 1.627 MILLION TO NATIONAL BANK OF PAKISTAN

DIRECTIVE

The Committee directed the PAO to inquire into the matters, fix responsibility and report to the Committee within fifteen days.

4. **PARA 18.4 (PAGE 123-AR)**
EXCESS PAYMENT OF RS 771,275 TO THE EVACUEE TRUST PROPERTIES BOARD (ETPB) ON ACCOUNT OF ELECRICITY CHARGES.

DIRECTIVE

The Committee settled the para subject to verification of record/stated facts by Audit with a report to the Committee.

5. **PARA 18.5 (PAGE 124-AR)**
NON-ACHIEVEMENT OF PROJECT TARGETS EVEN IN THE EXTENDED TIME FOR EXECUTION.

DIRECTIVE

The Committee directed the PAO to devise a strategy/policy on the issue pertaining to Solar lights and the development of Hybrid Seeds and submit it to the Committee within fifteen days.

SENATE SECRETARIAT

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Federal Government (Civil) for the year 2008-09, pertaining to the Senate Secretariat were taken up for examination by the Public Accounts Committee on **1st September, 2010.**

1.1 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issues, directing the PAO to take appropriate action.

1.2 There was 01 grant presented by the AGPR and 01 para reported by the Audit discussed in the meeting PAC and regularized the grant with the direction that the object should be zero excess and zero saving. The Public Accounts Committee observed that the Finance Committee of the Senate can not over rule "Salaries, Allowances and Privileges Act 1975 and directed the PAO to regularize the matter as per rules in consultation with M/O Law, Justice & Parliamentary Affairs and report to PAC for final decision.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 01-09-2010 on the Appropriation Accounts 2007-08 and Auditor General's Report pertaining to Senate Secretariat for the Audit year 2008-09.

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

1. GRANT NO. 91 – THE SENATE (PAGE 566-AA)

(a) (Saving of Rs, 46,792,670- Charged)
(b) (Saving of OTC Rs. 57,081,101- Other Than Charged)

AGPR pointed out that in **"Charged"** section the appropriation closed with a saving of Rs 46,792,670 which works out to 13.40% of total appropriation. An amount of Rs.42,609,000 (12.21%) was surrendered leaving net saving of Rs 4,183,670 (1.20%).

In **"Other Than Charged"** section the grant closed with a saving of Rs. 57,081,101 which works to 18.20% of the total grant. An amount of Rs. 55,838,000 (17.81%) was surrendered leaving net saving of Rs. 1,243,101 (0.39%).

The PAO explained that the saving was due to vacant posts, less expenditure in international conferences/seminars than anticipated and less expenditure in other operating allowances in the Senate Secretariat.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the grant with the direction that the savings should be surrendered well in time in future.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. **PARA 17.1 (PAGE 116-AR)**
UN-AUTHORIZED ALLOCATION OF MORE THAN ONE VEHICLE TO CHAIRMAN AND DEPUTY CHAIRMAN

Audit pointed out that as per Rule 7 of the Chairman and Speaker "Salaries, Allowances and Privileges Act 1975 " The Chairman and the Speaker and member of their families are entitled to use official car maintained at the Government expense." During the course of audit, it was observed that four vehicles were allocated to the Chairman Senate and two vehicles to Deputy Chairman Senate.

The PAO informed the PAC that the Chairman Senate served as acting President a number of times during this period and had been using these vehicles instead of using the vehicles of the President's Secretariat. The PAO also took a stance that the Finance Committee of the Senate Secretariat has authorized to use more than one vehicles.

PAC DIRECTIVE

The Public Accounts Committee observed that the Finance Committee of the Senate can not over rule “Salaries, Allowances and Privileges Act 1975 and directed the PAO to regularize the matter as per rules in consultation with M/o Law, Justice & Parliamentary Affairs and report to PAC for final decision.

MINISTRY OF SOCIAL WELFARE & SPECIAL EDUCATION

1. **OVERVIEW**

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the M/o Social Welfare & Special Education were taken up for examination by Special Committee-I of the Public Accounts Committee on **28th June and 6th December, 2010.**

1.1 The Special Committed-I expressed its pleasure for non-transparent system of Bait-ul-Maal.

1.2 There were 3 grants and 04 paras reported by Audit/AGPR. These paras/grants were initially examined by the Departmental Accounts committee (DAC) and thereafter discussed in the meeting of Special Committee-I. The Committee regularized the grants/paras.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Social Welfare & Special Education held on 28th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

2. **GRANT NO.107-SOCIAL WELFARE & SPECIAL EDUCATION (PAGE 751-AA)**
(Excess of Rs.421, 825,389)

AGPR pointed out that the grant closed with an excess of RS.421,825,389 which works out to 5.39% of the total grant. A supplementary grant of Rs.421,172,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO informed the Committee that the grant was given lately to Bait-ul-Maal. Now the system has been improved.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its pleasure for transparent system of Bait-ul-Maal. The Committee settled the grant subject to verification of approval of re-appropriation by Finance Division.

3. **GRANT NO.108-OTHER EXPENDITURE OF SOCIAL WELFARE AND SPECIAL EDUCATION DIVISION (PAGE 754-AA)**
(Saving of Rs.970,641)

AGPR pointed out that the grant closed with the saving of RS.970,641 which works out to 2.56% of the total grant.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant.

4. **GRANT NO.160-DEVELOPMENT EXPENDITURE OF SOCIAL WELFARE AND SPECIAL EDUCATION DIVISION (PAGE 755)**
(Saving of Rs.172,023,159)

AGPR pointed out that the grant closed with the saving of RS. 172,023,159 which works out to 40.15% of the total grant. An amount of Rs.16,076,000 was surrendered leaving net saving of Rs.155,947,159.

The PAO informed the Committee that this amount relates to Tawaana Pakistan Project which is now called as Food Support Programme. This project was transferred from M/o Women Development to M/o Social Welfare & Special Education.

It was also informed to the Committee that the matter of Tawaana Pakistan Project is also under investigation by the FIA. The matter is under investigation by the FIA.

The representative of FIA informed the Committee that the matter related to Tawaana Pakistan is pending in Lahore High Court Rawalpindi Bench.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee conditionally settled the grant with the direction to the PAO that in future the savings should be surrendered in time.

On the issue of Tawaana Paksitan Project under investigation by FIA, the Committee directed the PAO to resolve the issue in consultation of M/O Law, Justice & Parliamentary Affairs. The Committee also directed the PAO to bring the representative of Law Ministry in the next meeting of the Committee on this issue.

The Committee directed the PAO to make all possible effort in coordination with the Attorney General, Advocate General and FIA for vacation of stay order. However, the Committee pended this issue till its next meeting on the Ministry.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

PAKISTAN BAIT-UL-MAL

5. **PARA 220.1 (PAGE 339-340-ARPSE)**
WORKING RESULTS.

Audit pointed out that the income of the PBM increased from Rs. 5,436.591 million in 2006-07 to Rs. 7,954,617 million in 2007-08. The increase was mainly due to increase in FSP grant amount by the Federal Govt. from Rs. 4,380 million in 2006-07 to Rs.6,000 million in 2007-08. Moreover, a new grant under PHRD amounting to Rs. 40.354 million was also received during current year. The expenditure of PBM were decreased from Rs.3,095.151 million in 2006-07 to Rs. 1, 537.721 million in 2007-08 registering a decrease by 50%. The amount in expenditure was due to non-disbursement of a major portion of FSP grant (13^{th} installment) to the beneficiaries. Non disbursement of grant needs to be justified.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the audit para subject to verification of record by the Audit with a report to the PAC.

6. i) **PARA 220 (PAGE 340-ARPSE)**
AUDIT COMMENTS

ii) **PARA 220.2 (PAGE 340-ARPSE)**
AUDIT COMMENTS

iii) **PARA 220.3 (PAGE 340-ARPSE)**
AUDIT COMMENTS

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee conditionally settled the above mentioned three audit paras subject to verification of record by Audit with a report to the PAC.

ACTIONABLE POINTS

Actionable points of the meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on M/O Social Welfare & Spl. Education held on 6th December, 2010 attended by Mr. Saeed Ahmed Zafar, MNA and Mr. K.B. Rind Secretary M/O Social Welfare & Spl. Education on the issue of Tawana Pakistan.

1. **ISSUE OF TAWANA PAKISTAN**

The PAO informed the Committee that the matter has been referred to FIA. An amount of Rs.33 cror is involved in this matter. Some persons have been arrested. The Director Coordinator is also under arrest. Some persons are also absconder. The issue of award of contract is also under the inquiry. The components of this issue are as under:-

- Agha Khan University, Karachi
- National Implementation Unit.
- Pakistan Bait ul Maal

The PAO further informed the Committee that the directives have been issued to above by the Ministry to check all the record pertaining to this issue. FIA is also pursuing the case properly.

The representative of FIA informed the Committee that efforts are being made to make efforts to recover the amount from the concerned persons. He suggested that this case may be referred to NAB for speedy trial.

The PAO further informed the Committee that as previously directed by the Committee, the stay order in this issue has been vacated.

The D.G Audit (FG) informed the Committee that as the audit report on said issue is placed before the PAC for the year 2007-08 but yet to be discussed by the PAC.

DIRECTIVE

The Committee directed the PAO to refer this matter to the NAB for further necessary action and submit its report to the Committee within fifteen days.

MINISTRY OF SPORTS

1. OVERVIEW

Appropriation Accounts 2007-08, Special Audit Report on the Accounts of Pakistan Cricket Board and Audit Report on Accounts of Federal Government (Civil) for the year 2008-09, pertaining to the Ministry of Sports were taken up for examination by the Public Accounts Committee on 22nd March and 10th June, 2010.

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), recommended as follows.

1.2 There were 2 grants and 11 paras presented by Audit/AGPR. These paras/grants were initially examined by the Departmental Accounts Committee (DAC) and then discussed in the meeting of PAC. 02 grants were recommended for settlement by the Committee. The Committee gave direction on 10 paras. The PAC took a very serious view of illegal encroachment of CDA Land and irregular expenditure by Pakistan Sports Board. The PAC also directed to submit a report regarding a piece of land given to Gun Club by PSB along with a copy of agreement, if any with the Gun Club and one para at DAC lelvel.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 22-03-2010, pertaining to Ministry of Sports (on Special Audit Report of Pakistan Cricket Control Board (PCB), for the year 2008-09.

SPECIAL AUDIT REPORT ON THE ACCOUNTS OF PAKISTAN CRICKET BOARD (PCB) FOR THE YEAR-2008-09

1. i) **PARA 4.3 (PAGE 25-SAR)**
EXPENDITUURE OF RS 4.23 MILLION WITHOUT CALLING TENDERS AND NON PROVISION OF STORE ACCOUNTS.

Audit pointed out that as per PPRA Rules 2004 require calling of open tenders for all procurements exceeding Rs 100,000. It is an established good practice that all items of procurement must b accounted for properly before placing them in store.

PCB placed an order amounting to Rs. 4,234,000 for supply of ground equipment in January 2004 without using a competitive and transparent process.

ii) **PARA 5.2 (PAGE 29-SAR)**
UNSECURED ADVANCES OF RS. 12.42 MILLION TO EMPLOYEES

Audit pointed out that PCB Employees Services Rules 2002 require that loans to employees be secured against mortgage. Audit noted that interest free loans equivalent to 70 basic salaries for house building were granted to employees of PCB. An amount of Rs 12,419,657 was advanced to fifteen officials. However, these advances were made to employees without securing mortgage deeds as prescribed in PCB's House Loan Policy.

PAC DIRECTIVE

After hearing the PAO, the PAC settled both paras subject to verification of record by Audit.

2. **THE PUBLIC ACCOUNTS COMMITTEE CLUBBED THE REMAINING PARAS INTO THE FOLLOWING THREE CATEGORIES:-**

a) **IRREGULARITY:**

i) **PARA 4.2 (PAGE 24-SAR)**
LOSS OF RS 2.83 MILLION DUE TO PREMATURE ENCASHMENT OF A TDR OF RS 100 MILLION

ii) **PARA 4.7 (PAGE 28-SAR)**
LOANS AMOUNTING TO RS 10.5 MILLION ADVANCED TO PAKISTAN HOCKEY AND GOLF FEDERATIONS WITHOUT AUTHORITY

iii) **PARA 5.1 (PAGE 29-SAR)**
PAYMENT OF BONUS AMOUNTING TO RS 19.50 MILLION WITH OUT PROPER APPROVAL

b) **MISAPPROPRIATION:**

i) **PARA 4.4 (PAGE 26-SAR)**
EXPENDITURE OF RS 43.93 MILLION ON INSTALLATION OF VICON BIOMECHANICAL SYSTEM WHICH REMAINED UNUTILIZED

ii) **PARA 4.5 (PAGE 27-SAR)**
ESTIMATED LOSS OF RS 5.88 BILLION ON ACCOUNT OF ENCROACHMENT OF LAND MEASURING 58.8 ACRES AT NATIONAL STADIUM, KARACHI (NSK)

iii) **PARA 4.6 (PAGE 27-SAR)**
SALE OF VEHICLES TO PCB EXECUTIVES WITHOUT ANY POLICYY GOVERNING THE TRANSFER OF VEHICLES

c) **Others:** (Recommendations by Audit). The PAC accepted the four recommendations out of seven made by the Audit based on the Audit findings. However, the Sub-Committee will re-examine the following three to make recommendations in its report.

a. PCB Constitution should include voting procedures for decision making in the Board, Similarly, a provision should be included to authorize the Board to make rules for efficient conduct of its business.

b. In order to ensure better co-ordination between the PCB and the Federal Government, a representative of the Ministry of Sports should be a member of the PCB's Governing Board.

c. The Infrastructure Development Committee of the PCB should include representatives of the Planning and Development Division, Finance Division and Ministry of Sports, each not below the rank of Joint Secretary.

PAC DIRECTIVE

The Public Accounts Committee took a very serious view of the irregularities/misappropriations in the accounts of Pakistan Cricket Board and constituted a Special/Sub-Committee under the Convenership of Khawaja Muhammad Asif, MNA along with Mrs. Asiya Nasir, Mr. Hamid Yar Hiraj and Mr. Nadeem Afzal Chan, MNAs as members. The Special/Sub-Committee will go through the entire process for probing the issues, fix responsibility and submit its report/recommendations to PAC within four weeks.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on June 10, 2010 to examine the Appropriation Accounts for the year 2007-08 and Audit Report 2008-2009.

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

1. i) **GRANT NO 109- SPORTS DIVISION (PAGE 789-AA)**
(Saving of Rs. 1,735,149)

AGPR pointed out that the grant closed with a saving of Rs. 1,735,149 which works out to 0.47 percent of the total grant.

The PAO explained certain reasons for saving in the grants. The saving was due to non filling of vacant posts and less expenditure in other operating allowances in the M/o Sports. The PAO further informed that the major saving was due to the reason that the Federal Government did not appoint Minister for Sports during the financial year 2007-08.

ii) **GRANT NO 161- DEVELOPMENT EXPENDITURE OF SPORTS DIVISION (PAGE 791-AA)**
(Saving of Rs. 313,359,000)

AGPR pointed out that the grant closed with a saving of Rs. 313,359,000 which works out to 57.73 percent of the total grant. An amount of Rs. 234,266,000 (43.16%) was surrendered leaving net saving of Rs. 79,093,000 (14.57%).

The PAO explained that the saving was due to the reason that Finance Division did not release the funds and this grant was meant for the construction of Sports Complex at Mardan.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 2 grants with the direction that there should be zero saving and zero excess in future. The PAC also directed the PAO to adopt good budget principles to avoid savings/excess. The PAC further directed that comprehensive report pertaining to "Hero Card" may be furnished to the PAC and the Chairman Olympic Committee may be directed to attend the next PAC meeting.

AUDIT REPORT ON THE ACCOUNTS OF FEDERAL GOVERNMENT (CIVIL) FOR THE YEAR 2008-09

2. **PARA 16.1 (PAGE 111-AR)**
IRREGULAR EXPENDITURE OF RS 138 MILLION ON CONSTRUCTION OF BUILDING AT THE LAND NOT LEGALLY POSSESED BY THE PAKISTAN SPORTS BOARD

Audit pointed out that Capital Development Authority Islamabad allotted 145 acre land to the Pakistan Sports Board on lease for two subsequent terms of 33 years each i.e. 12th August, 1975 for construction of Sports Complex. In addition to a number of buildings erected/constructed at the above quoted land, the PSB management illegally occupied additional 250 acre land and incurred an expenditure of 138 million on construction of 7 building on encroached land without the approval of Federal Cabinet and Capital Development Authority (CDA). Audit is of the view that CDA can dismantle the encroachment at any time converting the expenditure incurred on the construction and renovation of the above structure to waste.

The PAO informed the PAC that land measuring 145 acres was allotted by the CDA to Pakistan Sports Board on lease with effect from 12-08-1975, for the construction of an international standard Sports Complex in Islamabad. Some additional land adjacent to the allotted land was originally used for the construction of workshop, stores, sheds and

temporary accommodation as ancillary works of the main Sports Complex and is still under occupation of Pakistan Sports Board. The PAO further informed the PAC that the case is under active consideration since 16-10-2009 in the Capital Development Authority and Ministry of Sports is vigorously pursuing the matter with the Capital Development Authority for allotment of additional land. Last reminder was issued to Capital Development Authority to expedite action on 04-06-2010. Pakistan Sports Board has already constituted an inquiry committee to fix the responsibility for incurring irregular expenditure of Rs.138. 00 million. The report of the inquiry committees however, still awaited. As soon as it is finalized position will be communicated to the Audit Authorities.

PAC DIRECTIVE

The PAC took a very serious view of illegal encroachment of CDA land and irregular expenditure by Pakistan Sports Board. The PAC directed the PAO to resolve the issue within 2 months with CDA at his own level to regularize the title of land and report to PAC for discussion in the next PAC meeting. The PAC also directed to submit a report regarding a piece of land given to Gun Club by PSB along with a copy of agreement, if any, with the Gun Club.

3. **PARA 16.2 (PAGE 111-AR)**
UN-AUTHORIZED EXPENDITURE OF RS 36.145 MILLION OVER AND ABOVE THE PC-1 COST

Audit pointed out that according to Chapter 9.2 of Guidelines for Project Management issued by the Planning and Development, the projects involving major changes in the scope of work or increase in the approved cost by more than 15% are required to be revised and got approved from the competent forum. In Pakistan Sports Board Islamabad (PSB), a project titled "Construction of Sports Complex at Mardan" was approved by the DDWP on 29.01.2004 at a capital cost of Rs. 10.272 million with completion date as 30.01.2006. The project was revised on 17.03.2006 at a cost of Rs. 30.277 million with revised completion date as 30.01.2006. Audit observed that an expenditure of Rs. 66.417 million i.e. 119% above the approved cost of the project was incurred up to 30.06.2008

on the project without its revision and approval from the competent forum. The project was still incomplete. The management stated that due to inclusion of different works essentially required to be executed for making the complex functional, excess expenditure had to be incurred. Revision of PC-1 is in progress.

The PAO informed the PAC that PC-1 for the Construction of Sports Complex at Mardan was initially approved by the DDWP on 29th Jan, 2004 at a cost of Rs. 10.272 million. The amount of Rs. 10.272 million was allocated and released through PSDP during the Financial Year 2004-05 and 2005-06. An additional amount of Rs. 20 million was also provided and released during the year 2005-06 through Supplementary Grant under a Prime Minister's directive. The scheme was, therefore, revised to Rs. 30.272 million and approved by the DDWP at its meeting held on 17th March, 2006. Subsequently, a further amount of Rs. 40 million was provided through two Supplementary Grants during the year 2006-07 and 2007-08, under Prime Minister's directives issued on 26th Feb, 2007 and 4th Oct, 2007. Since funds were being provided under Prime Minister's directives from time to time to cover the enhanced scope of work, it was considered more appropriate to finally revise the scheme on completion of the work instead of making frequent revisions. On completion of the work, the scheme was revised to Rs. 76.608 million and revised PC-I has already been sent to Planning and Development Division on 20th Feb, 2009 for placing it before the CDWP for approval. That Division was reminded on 20th March, 2010. Once the scheme is approved by the CDWP, approved PC-1 will be produced to audit. The PAO further informed the PAC that the case is under active consideration in Planning and Development Division since 20.02.2009 and the Ministry of Sports is vigorously pursuing the matter with the Planning and Development to get the PC-1 approved. Last reminder was issued to Planning and Development Division to expedite action on 4-06-2010. As soon as it is finalized position will be communicated to the Audit Authorities.

PAC DIRECTIVE

The PAC directed the PAO to discuss the case again at DAC level to regularize the unauthorized expenditure by Pakistan Sports Board within one month. If the issue is

settled at DAC level, then there is no need to bring this para again before PAC. Report to PAC and Audit within one month.

4. **PARA 16.3 (PAGE 112-AR)**
FAILURE IN TAKING POSSESSION OF PLOT ALLOTED TO PSB IN EXCHANGE OF A PLOT AT JINNAH ROAD KARACHI

Audit pointed out that in compliance with the directives of the President of Pakistan, the Executive District Officer, Revenue, City District Government Karachi issued ORDER on 29.04.2003 to transfer Plot No. PR-1/31, Preedy Quarters, M.A Jinnah Road, Karachi measuring 17, 085 sq. yds meant for the construction of Karachi Sports Complex in possession of PSB to the Government of Sindh/City District Government Karachi. In exchange, an alternate Plot No. ST-8/A, Block-07, Gulshan-e-Iqbal, Karachi, measuring 28, 684, 83 sq. yds.) was allotted to the PSB on 29.04.2003. A period of more than six years elapsed up to March, 2009 but the physical possession of the Plot NO. ST-*/A, Block-07, Gulshan-e-Iqbal, Karachi was not taken over by the Pakistan Sports Board (PSB) while the City District Government had already taken over the possession of plot which PSB surrendered in exchange. Thus the PSB failed to create the different sports facilities at that piece of land in Karachi allotted for the purpose.

The PAO informed the PAC that the efforts at highest level are being made for taking possession of plot at earliest possible. Ministry of Sports has been making efforts for a meeting of the Federal Minister for Sports with the Chief Minister of Sindh, but no meeting could be arranged so far.

PAC DIRECTIVE

The PAC directed the PAO to take up the issue with Chief Minister of Sindh to resolve the issue within 2 months and report to PAC. The PAC pended the para.

STATES & FRONTIER REGIONS

1. OVERVIEW

Appropriation Accounts 2007-08, pertaining to the Ministry of States & Frontier Regions were taken up for examination by the Special Committee-I of the Public Accounts Committee on **29th June, 2010.**

1.1 The PAC having considered AGPR's point of view and explanation given by the Principal Accounting Officer (PAO) and made its recommendations.

1.2 There were 4 grants presented by the AGPR. The Special Committee-I regularized the 1 grants with the direction to the PAO that in future, there should be zero saving and zero excess.

1.3 The Committee also settled the grants subject to verification of record/stated facts by AGPR with a report to the Committee.

ACTIONABLE POINTS

Report of the Meeting of Special Committee #1 of PAC under the Convener-ship of Mrs. Yasmeen Rehman, MNA on M/O States and Frontier Regions held on 29th June,2010 at 1:00 p.m. in Parliament House, Islamabad to discuss the Accounts for the Audit Year 2008-09 and Financial Year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL)VOL- I-2007-08)

1. GRANT NO-110-STATES AND FRONTIER REGIONS DIVISION (PAGE 797-AA) (SAVING OF RS.341,038)

AGPR pointed out that the grant closed with the saving of Rs.341,038 which works out to 0.92 % of the total grant .A supplementary grant of Rs.1,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO informed the Committee that the saving in the grant was on the account of pay of officers.

RECOMMENDATION OF SPECIAL COMMITTEE:

The Special Committee settled the grant with the direction that in future there should be zero saving and zero excess in the grant.

2. **GRANT NO 111- FRONTIER REGIONS (PAGE 799)**
(EXCESS OF RS.215,459,708)

AGPR pointed out that the grant closed with the excess of Rs.215,459,708 which works out to11 .92 % of the total grant. The PAO informed the Committee that the excess in the grant was due to pay and allowances of the staff.

RECOMMENDATION OF SPECIAL COMMITTEE:

The Special Committee expressing its displeasure on the excess, settled the grant with the direction to the PAO to avoid such things such as late demand of grants in future.

3. **GRANT NO-113- MAINTENANCE ALLOWNANCE TO EX-RULERS (PAGE 812-AA)**
(SAVING OF RS. 946,688)

AGPR pointed out that the grant closed with the saving of Rs.946,686 which works out to 25.25 % of the total grant. An amount of Rs.600 was surrendered leaving net saving of Rs946,086/(25.20%).

The PAO informed the Committee that there is no such saving in the grant. There is the need of reconciliation of the issue/record with AGPR.

RECOMMENDATION OF SPECIAL COMMITTEE:

The Special Committee settled the grant subject verification of record/ stated facts by AGPR/Audit with a report to the Committee.

4. **GRANT NO. 114-AFGHAN REFUGEES (PAGE 813-AA)**
(SAVING OF RS.30.026,135)

AGPR pointed out that the grant closed with the saving of Rs.30,026,135 which works out to 15.67% of the total grant. An amount of Rs.1,920,000 (1.00 %) was surrendered leaving net saving of Rs.28,106,135 (14.66%). A supplementary grant of Rs.2,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO informed the Committee that there is technical mis-under standing in this grant. The amount was surrendered well in time.

RECOMMENDATION OF SPECIAL COMMITTEE:

The Special Committee settled the grant subject verification of record/stated facts by AGPR/Audit with a report to the Committee.

STATISTICS DIVISION

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the Statistics Division were taken up for examination by the Special Committee-I of the Public Accounts Committee on **28th June, 2010.**

1.1 The Special Committee-I having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO) and made its recommendations.

1.2 There were only 2 grants presented by the AGPR. The Special Committee-I expressed its displeasure on poor planning and poor budgeting by the Division. The Committee directed the PAO to fix the responsibility, issue the warning letter to the concerned officer due to his in-efficiency and take care in future. The Committee however, settled the grants.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convener-ship of Mrs. Yasmeen Rehman, MNA on Statistics Division held on 28th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

2. **GRANT NO.28-STATISTICS DIVISION (PAGE 171-AA)**
(Excess of Rs.38, 771, 289)

AGPR pointed out that the grant closed with an excess of RS.38, 771,289 which works out to 6.67% of the total grant. A supplementary grant of Rs.4, 060,000 was sanctioned but not included in the supplementary grant.

The PAO informed the Committee that the excess in the grant was due to increase in the salaries of the staff. In future, the budgeting will be made properly.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure on the excess. The Committee directed the PAO to look into such matters in the DAC level and make efforts for zero saving and zero excess. The Committee however, settled the grant.

3. **GRANT NO.137-STATISTICS DIVISION (PAGE 174-AA)**
(Saving of Rs. 85,664,979)

AGPR pointed out that the grant closed with a saving of Rs.85,664,979 which works out to 51.8% of the total grant. An amount of Rs.91,015,431(55.04%) was surrendered resulting into an excess of Rs. 5,350,452 (3.23%).

The PAO informed the Committee that in the grant there is basically wrong explanation of the figure of amount.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure on poor planning and poor budgeting by the Division. The Committee directed the PAO to fix the responsibility, issue the warning letter to the concerned officer due to his in-efficiency and take care in future. The Committee however, settled the grant.

SUPREME COURT OF PAKISTAN

The Appropriation Accounts of Supreme Court of Pakistan has not yet been discussed by the PAC as Report of the committee constituted by the Chief Justice of Pakistan is still awaited.

MINISTRY OF TEXTILE INDUSTRY

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the M/o Textile Industry were taken up for examination by Public Accounts Committee on **9th June and 8th December, 2010**.

1.1 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.

1.2 02 grants and 08 paras were presented by the AGPR/Audit. The PAC regularized 02 grants with the direction that there should be regular DAC meetings before the meetings of PAC.

1.3 The PAC took noticed that the record pertaining to National College of Textile Engineering Faisalabad was not produced to audit. The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer directed the PAO to submit report within one month.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 09 June, 2010 pertaining to M/O Textile Industry for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2007-08)

1. GRANT NO.115-TEXTLE INDUSTRY DIVISION (PAGE 819-AA)

(Excess of Rs 9,252,236)

Audit pointed out that the grant was closed with an excess of Rs 9,252,236 which worked out to 12.44 percent of the total grant. An amount of Rs.360,000 (0.48%) was surrendered increasing net excess to Rs 9,612,236(12.92%). A supplementary grant of Rs 10,216,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The PAC regularized the grant with the direction that there should be regular DAC meetings for good budgeting before the meeting of PAC.

2. **GRANT NO.163-DEVELOPMENT EXPENDITURE OF TEXTILE INDUSTRY DIVISION (PAGE 821-AA)**
(Saving of Rs 639,996,080)

Audit pointed out that the grant was closed with an saving of Rs 639,996,080 which worked out to 77.23 percent of the total grant. An amount of Rs.368,880,000 (44.51%) was surrendered leaving net saving of Rs 271,116,080(32.71%).

PAC DIRECTIVE

The PAC pended the grant with the direction to have a DAC meeting with Audit for reconciliation.

AUDIT REPROT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09.

NATIONAL TEXTILE UNIVERSITY

3. **PARA 221.1-(PAGE 343-346-ARPSE)**

Audit pointed out that the university sustained net deficit of Rs 10.493 million during 2007 as compared to Rs.0.574 million in 2006 showing increase by 1,728%. The expenditure increase to Rs. 77.770 million in 2007 from Rs 67.658 million in 2006 and Rs 59.594 million in 2005, mainly due to increase in salaries, wages and other benefit, students expenses, advertisement, traveling and conveyance expenses. Management could not take effective steps to control expenditure to make the University as self sustaining organization.

Financial Status

Year	Current assets	Current liabilities	Current Ratio
2005	70.222	8.814	7.971
2006	87.699	8.744	10.031
2007	102.827	11.15	39.22

The PAO explained that National College of Textile Engineering was upgraded to the level of a University on November 15, 2002. After getting the status of a University and the BOG of NTU prepared the roadmap t upgrade the infrastructure and started the new programs and research in the University. Administrative staff also was hired considering the organization of the University especially examination, and correspondingly renovation of old building is being made. More faculty members had to be hired to meet the requirement of the HEC and PEC as student teacher ratio detail as under:-

Year	No. of Students	No. of Teachers	Ratio
2005	675	42	16:1
2006	682	45	15:1
2007	716	47	16:1

PAC DIRECTIVE

The PAC showed serious concern with University and directed them to come before the PAC with full preparation and update accounts in the next meeting of the PAC. The PAC deferred the para.

4. **PARA 222(PAGE 347-ARPSE)**
NON-RECOVERY OF QARZ-E-HASNA FROM THE STUDENTS – RS 2.711 MILLION

Audit pointed out that According to the undertaking given by the students on stamp paper, the repayment of loan was to be made within the period of 2 years after completion of B.Sc degree.

National Textile University (NTU) disbursed an amount of Rs 4.802 million as Qarz-e-Hasna to the needy students during the period 1998 to 2003. the loans were disbursed on the surety given by the father/guardian of the students. The local management could recover an amount of Rs 1.910 million during last 10 years and a sum of Rs 2.892 million was lying recoverable from the students as on December 31, 2008.

Audit was of the view that chances of recovery of outstanding amount of Rs 2.892 million were remote as most of the students who obtained Qarz-e-Hasna left the University after completing their education.

The PAO explained that against the amount of Rs 4.802 million, further recovery has been made and the recoverable amount brought down to Rs 2.321 million up to 22-04-2010. Hectic efforts are being made for realizing the residual amount. The instructions of DAC regarding non-issuance of certificates/degrees without recovery of amount of Qarz-e-hasna are being followed.

PAC DIRECTIVE

The PAC settled the para conditionally subject to recovery upto the end of December of the current year 2010.

5. **PARA 223 (PAGE 347-348-ARPSE)**
LOSS DUE TO REJECTION OF LOWEST BID- RS 0.549 MILLION

Audit pointed out that in accordance with rule-38 of Public Procurement Rule-2004, “the bidder with the lowest evaluated bid, if not in conflict with any other law, rules,

regulations or policy of Federal Government shall be awarded the procurement contract within the original or extended period of bid validity."

National Textile University (NTU) awarded contract for supply of I.T. Panels to highest bidder M/s. Z.G.L. Company, Faisalabad valuing Rs 1.350 million by ignoring lowest bidder M/s. Zainab Engineering. Faisalabad valuing Rs 0.891 million in violation of rules. NTU had sustained a loss of Rs 0.459 million (1.350 – 0.891 million). The loss of Rs 0.459 million would have been avoided if management placed work order on the lowest bidder.

The PAO as per direction of DAC dated July 7,2009 the enquiry was entrusted to DR. Mumtaz Hassain Malik, Associate Professor/Chairman Y.M.D. As per enquiry reports and record the M/s Zainab Engineering who quoted the lowest rate did not qualify for competition as it had quoted its rate without installation of equipments. Among the other two firms who qualified for competition had quoted rate with installation. The work was awarded to the M/s Z. GL the 1st lowest who completed the same with additional items required as per site. Hence, no element of loss involved.

PAC DIRECTIVE

The PAC took very serious notice and directed that the management should follow PPRA rules and maintain transparency while awarding contract. The PAC settled the para with the above remarks.

6. **PARAR 211, 221.2, 221.3, 221.4 AND 221.5 (PAGE 343-346-ARPSE)**
AUDIT COMMENTS

PAC DIRECTIVE

On presentation of the above paras by the Audit, the Public Accounts Committee directed the Ministry to implement the DAC's decisions and report to PAC/Audit.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting held on 8th December, 2010 pertaining to M/O Textile Industry for the Appropriation Accounts 2007-08 and Audit Report 2008-09 are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08

1. **GRANT NO.163- DEVELOPMENT EXPENDITURE OF TEXTILE INDUSTRY DIVISION (PAGE 821-AA)**
(Saving of Rs 639,996,080)

AGPR pointed out that the grant closed with a saving of Rs.639, 996,080 which worked out to 77.23% percent of the total grant. An amount of Rs 368,880,000 (44.51%) was surrendered leaving net saving of Rs 271,116,080(32.71%).

The PAO explained that all the allocated funds could not be spent due to late completion of codal formalities.

PAC DIRECTIVE

The Grant was settled with the direction that there should be zero saving zero excess in future.

AUDIT REPORT ON ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NATIONAL TEXTILE UNIVERSITY

2. **PARA 221.1 (PAGE 343-346-ARPSE)**

Audit pointed out the working results of National Textile University for the year ended December 31, 2007. As compared to the previous years, the National Textile University sustained net deficit of Rs. 10.493 million during 2007 as compared to Rs. 0.574 million in 2006 showing increase by 1,728%. The expenditure increased to Rs. 77.770 million in 2007 from Rs. 67.658 million in 2006 and Rs. 59.594 million in 2005, mainly due to

increase in salaries, wages and other benefits, students expenses, advertisement, traveling and conveyance expenses. Management could not take effective steps to control expenditure to make the University a self sustaining organization.

The PAO explained that National College of Textile Engineering was upgraded to the level of a University on November 15, 2002. After getting the status of a University and the BOG of NTU prepared the roadmap to upgrade the infrastructure such as new programs and research in the University, rationalization of administrative staff, renovation of old building in hiring of more faculty members to maintain the teacher/student ratio as per requirement of the Higher Education Commission (HEC) & Pakistan Engineering Council (PEC)

PAC DIRECTIVE

The para was settled with the comments that the PAC has strong reservation on Sports quota for admission in the NTU which is against transparency and merit. PAC, therefore, directed that this quota should be stopped from next year and all admissions should be made on merit alone. Since this was implemented on the directions of the Prime Minister, the Ministry of Textile Industry may bring the directive of the PAC to the notice of the Prime Minister.

MINISTRY OF TOURISM

1. OVERVIEW

Appropriation Accounts 2007-08 and Audit Report on the Accounts of Public Sector Enterprises for the year 2008-09, pertaining to the Ministry of Tourism were taken up for examination by the Special Committee-I of the Public Accounts Committee on **28th June, 14th October and 6th December, 2010.**

1.1 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.

1.2 The Special Committee-I having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendation in the case of wasteful expenditure on construction of PTDC Motel, Mankial.

1.3 The Special Committee-I also took notice of a Prado Vehicle which was purchased in May, 2008 through a leasing company; M/S Faysal Bank with a down payment of 06 Lacs for the M.D, PTDC.

1.4 There were 3 grants presented by the AGPR and 3 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter were discussed in the meetings of the Special Committee-I. The Committee regularized the grants with the directions that the financial mismanagement must not be repeated, due care should be taken to plug the loopholes and there should be zero saving and zero excess in future. 03 paras/grants were recommended for settlement by the Committee. The Committee also gave directives on 3 Audit paras, the Special Committee-I directed the PAO to provide the details of Motels which have been privatized.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convenership of Mrs. Yasmeen Rehman, MNA on M/o Tourism held on 28th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I- 2007-08)

3. **GRANT NO.116-TOURISM DIVISION (PAGE 825-AA)**
(Saving of Rs.18,204,066)

AGPR pointed out that the grant closed with the saving of Rs.18,204,066 which works out to 14.66% of the total grant. An amount of Rs.964,059(0.77%) was surrendered leaving net saving of Rs.17,240,007 (13.88%)

The PAO informed the Committee that the Ministry of Tourism was given a huge task to arrange/celebrate different events in the Country and abroad for promotion of tourism activities; due to this the budget could not be utilized due to shortage of time.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee directed the PAO to fulfill all the codal formalities in the start of each financial year. The Committee however settled the grant.

4. **GRANT NO.117-OTHER EXPENDITURE OF TOURISM DIVISION (PAGE 827-AA)**
(Saving of Rs.6003)

AGPR pointed out that the grant closed with the saving of Rs.6003.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant with the direction that in future , there should be zero saving and zero excess.

5. **GRANT NO.164-DEVELOPMENT EXPENDITURE OF TOURISM DIVISION (PAGE 828-AA)**
(Saving of Rs.125,472,940)

AGPR pointed out that the grant closed with the saving of Rs. 125,472,940 which works out to 74.93% of the total grant. An amount of Rs.111,074,000 (66.33) was surrendered leaving net saving of Rs.14,398,940 (8.59%)

The PAO informed the Committee that the surrendered amount was necessitated in the light of Priority Committee meeting held on 8-4-2010.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee expressed its displeasure on huge saving in the grant. The Committee directed the PAO that in future, there should be proper budgeting. The Committee however, settled the grant.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

4. i) **PAKISTAN TOURISM DEVELOPMENT CORPORATION LIMITED**

PARA 224 (PAGE 351-ARPSE)
WORKING RESULTS

ii) **PTDC MOTELS NORTH (PVT) LIMITED**
PARA 225 (PAGE 353-ARPSE)
WORKING RESULTS

iii) **PAKISTAN TOURS (PVT)LIMITED**
PARA 226(PAGE 355-ARPSE)
WORKING RESULTS

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

On presentation of working results of above mentioned Organizations, the Special Committee directed the PAO to provide the following details of the said Organization to the Committee within one month:

- Business plans of the Organization.
- Properties of the Organizations.
- Assets of the Organizations.
- List of Employees of the Organizations.
- List of faculties of the Organizations.
- Short term plans of the Organizations.
- Long term plans of the Organizations.

The Committee however, pended the discussion on the working results of above mentioned Organizations till its next meeting on the Ministry.

ACTIONABLE POINTS

Report of the 2nd Meeting of Special Committee # 1 of PAC under the convenership of Mrs.Yasmeen Rehman, MNA on M/o Tourism held on 14th October, 2010 to discuss the pended Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

1. i) **PAKISTAN TOURISM DEVELOPMENT CORPORATION LIMITED)**

   ii) **PTDC MOTELS NORTH (PVT)LIMITED**

   iii) **PAKISTAN TOURS (PVT)LIMITED**

On the above mentioned Audit Report Public Sector Enterprises pertaining to Pakistan Tourism Development Corporation Limited PTDC, PTDC Motel North (Pvt) Ltd and Pakistan Tours (Pvt) Limited , the PAO gave a comprehensive briefing. Some highlights of the briefing are as under:-

PROMOTION PAKISTAN-CHALLENGES AND OPPORTUNITIES

TOURISM GROWTH IN 2009

- During 2009, international tourist arrivals are estimated to 880 million with annual growth rate of over 4%.
- Asia Pacific and the Middle East led the recovery with growth already turning positive in both regions in the second half of 2009. The second half of 2009 saw 3% growth.
- Pakistan's international tourist arrivals in 2009 were 0.8549 million with average annual growth of 3.9%. Foreign exchange earnings stood at US$ 240.6 million.
- Only 14.7% foreign tourists visited Pakistan for holiday/leisure purpose, 21.4% visited for business, 56% for visiting friends & relatives and 7.9% visited for other purposes.
- Pakistan's major tourist generating markets are; Europe (44.3%), South Asia (20.8%), America (19%) and the Pacific/East Asia (10.4%).
- During 2009, 46.8 million Pakistanis visited different places for leisure, business and family purposes.
- There are 1,730 registered hotels in Pakistan with a total accommodation capacity of 41,220 rooms. Out of these, ten are 5-star, fourteen 4-star and forty one 3-star hotels. It has 2,318 registered travel agents and tour operators.

CHALLENGES

- Un-employment and fragile Economic growth in major source markets, especially in Europe and the USA,. Advanced economies seeing increases in taxation, putting extra pressure on household and company budgets.
- Oil prices remain volatile. Revenues and yields are expected to recover at a slower pace than travel volumes.
- In Pakistan's perspective security threats, natural calamities, projection of negative image by international media, moderate communication and tourism infrastructure coupled with a potential of increased related hassle and costs for travellers are major challenges.

OPPORTUNITIES

- Business and consumer confidence has picked up. interest rates and inflation remain at relative low levels and are expected to rise only moderately.
- A slump is generally followed by a rebound due to pent-up demand and destinations are expected to actively leverage this opportunity. There is scope for a revival among source markets which were hard hit in 2009.
- The flexibility shown by the tourism sector in dealing with rapid shifts in demand and volatile market conditions has made it stronger. This scenario has presented an opportunity to improve Pakistan's economy through promotion of tourism.

PAKISTAN'S TOURIST PRODUCTS

TRADITIONAL PRODUCTS

- Pakistan's great tourism potential is hidden in its diverse natural and cultural heritage. This potential can be exploited by focusing on traditional products as well as launching new products through a well-laid out marketing strategy. Different categories of Pakistan's traditional tourism products are listed below;

Adventure, Nature and Sports

- Mountaineering, Trekking, Climbing, Hiking, Mountain Biking and water sports
- Eco Tourism, Desert and Jeep Safaris, Bird Watching etc.

– Culture, Religion, Heritage and Archaeology

- Gandhara and Indus Valley Civilizations, Silk Route, Muslim Architecture, Shrines and Colonial Heritage.
- Sikh Shrines and Hindu Temples, Shopping, Fairs & Festivals

PTDC COMPANY SUMMARY

MISSION

- To strengthen Pakistan's economy through promotion of tourism and to emphasize on its unique and diverse culture, rich heritage, ancient civilizations, natural beauty and its hospitable people. Our slogan will be, "Unity in diversity".

OBJECTIVES

- To project Pakistan's image globally as a tourist-friendly destination
- To market Pakistan's tourist attractions and products at home and abroad by using innovative marketing tools and techniques.
- To establish tourism infrastructures and facilities in Pakistan.
- To develop, expand and promote tourism business.
- To facilitate and lead private sector in tourism business
- To create tourism awareness among the people and to promote domestic tourism.
- To produce quality publicity and promotional materials for distribution within the country and abroad

HISTORY AND OWNERSHIP

- Pakistan Tourism Development Corporation (PTDC) was established as a Public Limited Company registered under Companies Act in April 1970 with 99.75% government shares. It is now governed under Companies Ordinance 1984
- through its Board of Directors. A maximum of 22 Directors can be on the Board. Minister for Tourism is Ex-Officio Chairman and Secretary, Ministry of Tourism is Ex-Officio Vice Chairman of the Board. Managing Director is the Chief Executive and also the Principal Reporting Officer to the Board.

LOCATIONS, SUBSIDIARIES AND FACILITIES

- PTDC as a holding company is operating one hotel, 35 Motels, four Restaurants and an exclusive tours and transport subsidiary. Its Head Office is located in Flashman's Hotel, The Mall, Rawalpindi. PTDC performs different functions to meet its objectives though following departments and subsidiaries:

PTDC MOTELS

- PTDC established PTDC Motels (Pvt.) Ltd. In 1977 to operate PTDC motels, restaurants roadside facilities and reception units constructed by P&D Department out of Government funds, against payment of management fee to PTDC. Its

affairs are looked after by Managing Director PTDC as the Chairman of its Board of Directors. Currently, it is operating 39 units including 13 units given on lease to private parties.

PTDC MOTELS

SHORT TERM PLAN

- To continue policy of leasing out of small and low income generating units to Private Sector
- To upgrade profit earning units like Naran, Ayubia, Skardu, Bahawalpur, Chitral and Booni

To add new units like Hawks Bay (Karachi)

PTDC MOTELS

LONG TERM PLAN

- Addition of more rooms and conference hall at PTDC Motel Ayubia, Naran and Bahawalpur – to attract business seminars and conferences from multinationals.
- Construction of Amusement Park at PTDC Motel Naran.
- Construction of Tourist Village at a plot of 200 kanals and construction of Aiwan-e- Sayahat at 8 Kanals plot in at Islamabad either through Government funding or through public-private partnership.

PAKISTAN TOURS LIMITED (PTL)

- Set up by PTDC as a Public Limited Company, Pakistan Tours (Pvt.) Ltd. was provided with a fleet of transport for operation against payment of management fee to PTDC. Its affairs are looked after by Managing Director PTDC as the Chairman of its Board of Directors. PTL organizes package tours, book transport hotels/motels, provides guide services on competitive rates to foreign and Pakistani tourists. It also operates following tourist bus services and fixed departure tours;

i. Lahore (Pakistan) – Delhi (India) – daily except Sunday

ii. Lahore (Pakistan) – Amritsar (India) – 4 times a week

iii. Nankana Sahab (Pakistan) – Amritsar (India) – 4 times a week

iv. Sost (Pakistan) – Taxkurgan (China) – daily from 1st May till 15th November

v. Rawalpindi – Naran – daily from 1st June till 31st August

vi. Rawalpindi – Saidu Sharif – daily from 1st June till 31st August

vii. Summer package tours to Kaghan, Swat, Chitral, Gilgit-Hunza, Skardu, Shandur, Murree & Galliat etc. Weekly departure from 1st June till 31st August

PTL

SHORT TERM PLAN

- To continue existing summer tour packages and tourist coach services for the next summer season with new marketing techniques and advertising campaign in place.
- To launch special discounted winter tour packages.
- To launch an effective marketing campaign through Electronic and print media together with economical tour package rates and transport service in
- collaboration with Swat Hotels Association, PTDC Motel and transport companies.
- New sales literature, custom designed separately for domestic and foreign tourists with tour itineraries, description of the destinations, tariff, facilities included, terms and conditions shall be printed for the next tourist season. All of these publications and information shall also be uploaded on PTDC's website under the sub-title of Packages & promotions. An exclusive PTL website will also be designed and uploaded / linked with PTDC's main website.
- Special competitive rates for hiring out of PTL's transport will be publicized for the benefit of foreign and domestic tourists as well as for private tour operators. Off-season rate would also be introduced.

- To market services and products directly to the educational institutions and multinational companies in collaboration with PTDC's Publicity & Promotion department.

PTL

LONG TERM PLAN

- Recapturing the foreign tourist markets through participation in foreign tourism exhibitions, low cost advertisements, PIA offices and Pakistan Embassies in markets like:
  - Europe and Far East through Pakistan Embassies abroad.
  - Sikh Community living in South Asia, Far East, UAE, UK, USA & Canada
  - Gandahara Heritage in Far East and China
  - Diplomats in Islamabad

    Revival of Domestic Tourism
- Introduction of outbound tourism for Muslim holy places.
- Strengthening and enhancement of capacity on international routes to China and India

ISSUES

- PTDC as a Corporation is engaged in tourism promotional and development activities. The Revenue of its commercial subsidiaries badly affected due to disposal of PTDC assets i.e. Privatization of Falettis, Deans and Cecil Hotels and anticipated privatization of remaining assets, post 9/11 scenario, negative travel advisories by the foreign countries, earthquake in 2005, adverse socio-political and security situation / terrorism from 2006 onwards particularly in Malakand Division and recent floods.
- Current Revenue shortfall due to these reasons is badly affecting company's sustainability.

RECOMMENDATIONS

- Budget allocation for the Publicity and Promotion as well as Tourist Information Centres should be made in accordance with the demand be enhanced in accordance with rate of inflation, cost of living etc.
- Up-gradation of transport fleet of PTL / LDBS to meet the bilateral commitments (India and China) and anticipated commitments with Iran and Afghanistan is an inescapable requirement. Rs.67.000 million be granted as a special case to upgrade the transport fleet of PTL.
- Request Government financial support of Rs.60 million as annual grant for the interim period for establishment charges to be incorporated in Pink Book. This will give us monetary space to improve the working of PTDC.
- To ease the financial hardships of PTDC and to clear the outstanding liabilities against the Corporation, a summary for one time grant amounting to Rs.200 Million is already under consideration with PM secretariat.

During the briefing, the PAO informed the Committee that a bus terminal is also being constructed near Nankana Sahib.

RECOMMENDATIONS OF SPECIAL COMMITTEE:

On the issue of construction of a bus terminal near Nankana Sahib, the Committee expressed its displeasure and directed the PAO to revisit the said issue either the Project of bus terminal is feasible or not, fix responsibility that either this piece of land was purchased on market rate or not and submit a comprehensive report to the Committee.

The Committee directed the PAO to develop their own Website for advertisement purpose. The PAO was also directed to increase the income of PTDC through PTDC Motels and upgrade the Flashman's Hotel and submit a plan/policy for the PAC and for the Govt. also for non-privatization of Flashman's Hotel.

The Committee also directed the PAO that the Tourism department should be helpful to the foreigners and investors and give priority to the Tourists.

However, the Committee pended following two issues till its next meeting on the Ministry:

- Issue of purchase of land of bus terminal near Nankana Sahib.
- Submission of a plan/policy for non-privatization of Flashman Hotel.

ACTIONABLE POINTS

Actionable Points of the meeting of Special Committee # 1 of PAC under the convenership of Mrs. Yasmeen Rehman, MNA on M/O Tourism held on 6th December, 2010 attended by Mr. Saeed Ahmed Zafar, MNA and Mr. Shahid Rashid Secretary M/O Tourism on following briefings:

BRIEFING ON THE ISSUE OF LAND OF BUS TERMINAL NEAR NANKANA SAHIB AND SUBMISSION OF A PLAN/POLICY FOR NON-PRIVATIZATION OF FLASHMAN'S HOTEL.

1. **BRIEFING ON THE ISSUE OF LAND OF BUS TERMINAL NEAR NANKANA SAHIB**

The PAO gave a comprehensive briefing on the issue of land of bus terminal near NANKANA Sahib to the Committee.

The PAO informed the Committee that the amount of land was given to the concerned party through pay order. The PAO informed the Committee that the project of this land is yet incomplete due to non provision of funds.

The representative of M/o Minorities Affairs informed the Committee that there is the request of Sikh Yatrees for construction of a Hotel near to Nankana Sahib. He proposed that a facility should be provided to M/o Minorities Affairs on cost basis during the ceremonial days of Sikh Yatrees.

DIRECTIVE

The Committee expressed its displeasure for selection/purchase of Land near NANKANA Sahib without observing the PPRA Rules. The Committee directed the PAO to start the shuttle services for facilitating the public. The Committee further directed the PAO to further inquire into the matter for not selecting the proper land and for not observing the PPRA Rules with a report to the Committee within fifteen days.

2. **BRIEFING ON THE ISSUE OF NON-PRIVATIZATION OF FLASHMAN'S HOTEL**

The PAO gave a comprehensive briefing on the issue of privatization of Flashman's Hotel to the Committee. He further informed that the Flashman's Hotel is now running profit. This Hotel has not been privatized due to the reason that the matter is in the Court of Law.

DIRECTIVE

The Committee considered this land as a prime land. The Committee directed the PAO to further renovate the Hotel for better accommodation for making proper place for the public for the promotion of cultural heritage and activities .The Committee directed the PAO to pursue the court case vigorously. The Committee further desired to have a visit of this Hotel next week.

3. **BRIEFING ON NON PRIVATIZATION OF PTDC MOTELS**

The PAO gave a briefing on this issue also.

DIRECTIVE

The Committee directed the PAO to provide the details of Motels which have been privatized. The Committee directed the PAO to make these Motels more viable. The Committee also directed the PAO to make these Motels more profitable. The Committee recommended that the Motels should not be privatized.

WAFAQI MOHTASIB SECRETARIAT

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the Wafaqi Mohtasib Secretariat were taken up for examination by the Special Committee-I of the Public Accounts Committee on **18th June, 2010.**

1.1 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.

1.2 There was only 1 grant presented by the AGPR, which was regularized by the committee.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convenership of Mrs.Yasmeen Rehman, MNA on Wafafqi Mohtasib Secretariat held on 18th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL)VOL-I-2007-08)

2. **WAFAQI MOHTASIB (CHARGED)(PAGE 863-AA)**
(Excess of Rs.3,297,270)

AGPR pointed out that the grant closed with an excess of Rs.3,297,270 which works out to 2.19% of the total grant.

The PAO informed the Committee that the excess occurred due to revision of pay scales and increase in utilities, POL and other commodities.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee recommended the grant for settlement.

MINISTRY OF WATER AND POWER

1. OVERVIEW

Appropriation Accounts 2007-08, Audit Report on the Accounts of Water and Power Development Authority and Public Sector Enterprises for the year 2008-09, pertaining to the M/o Water & Power were taken up for examination by Public Accounts Committee on **17th & 18th May, 1st September, 2010, 12th May and 14th June, 2011.**

1.1 The PAC considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving, loss due to application of wrong tariff, misappropriation of transformers of various capacities, non-production of record regarding electrical material, non recovery of cost of MDI meters, excess expenditure, non-recoveries misappropriation of T&P articles, misappropriation of electrical material, non-recovery of security deposits, illegal installation of material, un-necessary purchase and defective supply of video analyzers, undue favour, infructuous expenditure, overpayments. etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 3 grants and 81 paras reported by Audit. These paras/grants were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC. 10 paras/grants were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Division. The Committee gave direction on 07 paras. On 67 paras, the PAC directed to implement the decisions of DAC. The PAC ordered recoverable sums amounting to **Rs.** ---------- out of which a sum of **Rs.** ---------- has been realized. For the remaining amount, the Committee directed the Ministry to affect recoveries within the

stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meetings held on May 17 & 18, 2010 on the Appropriation Accounts for the year 2007-08 and Audit Report 2008-2009 are as under:-

APPROPRIATION ACCOUNTS (CIVIL)-VOL-I-2007-08)

1. i) **GRANT NO 118-WATER AND POWER DIVISION (PAGE 833-AA)**
(Saving of Rs.4,208,186)

AGPR pointed out that the grant closed with a saving of Rs.4, 208,186 which works out to 0.82 percent of the total grant. An amount of Rs.2, 583, 385 (0.50%) was surrendered leaving net saving of Rs.1, 624, 801(0.32%).

The PAO gave certain reasons for savings in the grant i.e. due to vacant post of Officers/Staff, Telephone bills not received till close of financial year, deduction of vehicle prices and some bills against repairs not received in time. The PAO further informed that the amount was surrendered to obtain Technical Supplementary Grant under Grant No. 106-Other Expenditure of Scientific & Technology Research Div. because the administrative control of Pakistan Engineering Council (PEC) was transferred from M/o Water & Power to M/o Science & Technology.

ii) **GRANT NO. 165-DEVELOPMENT EXPENDITURE OF WATER AND POWER DIVISION (PAGE 835-AA)**
(Saving of Rs. 16,302,106,486)

AGPR pointed out that the grant closed with a saving of Rs 16,302,106,486 which works out to 24.05% of the total grant. An amount of Rs. 3, 424, 100, 000 (5.05%) was surrendered leaving net saving of Rs. 12, 878, 006, 486 (19.00%). A

supplementary grant of Rs. 1, 617, 980, 000 was sanctioned but not included in supplementary schedule of authorized expenditure. After taking it into account the saving shall increase to Rs. 14, 495, 986, 486 (20.89%).

The PAO explained certain reasons for saving in the grant i.e. funds for 4th Quarter were not released by FA's Org. (Finance Div.) stating that the competent Authority had not agreed to release the desired funds; the price was not approved by the CDWP for AEDB, Solar Homes Programmes.

iii) **GRANT NO. 178-CAPITAL OUTLAY ON IRRIGATION AND ELECTRICITY (PAGE 845-AA)**
(Excess/Saving Nil)

On presentation of the above grant, it was informed that the subject grant was meant for Watershed Management Programme and grant was fully utilized.

PAC DIRECTIVE

The Public Accounts Committee settled/regularized the above 3 grants. However, PAC taking a serious note for a very poor reflection pertaining to budget formulation, insufficient justifications, gross callousness, poor governance, poor monitoring system directed the PAO to improve the internal control/budgeting/monitoring systems and to respect the sanctity of budget figures. There should be zero saving and zero excess in future.

AUDIT REPORT ON THE ACCOUNTS OF WAPDA FOR THE YEAR 2008-09

2. **PARA 1.3 (PAGE 17-AR)**
IRREGULAR PURCHASE OF VEHICLES RS 19.698 MILLION

Audit pointed out that pursuant to the Prime Minister's directive and subsequent instructions issued by Cabinet Division, Authority issued WAPDA Transport Policy, 1987. The list of vehicles specified for field officers and consultants provided in the Transport Policy does not include Double Cabin Pick Up and Pajero Jeep.

In Right Bank Outfall Drainage Project WAPDA Sukkur, Suzuki-Potohar Jeeps were provided in PC-I of project. Eleven Toyota Hilux Double Cabin Pick Up vehicles were procured at cost of Rs. 19.698 million through B.O.Q items of different contract agreements in violation of provisions of PC-I and Transport Policy. Thus the expenditure was held irregular and un-authorized.

The PAO informed the PAC that in compliance to DAC directives the process regarding approval of PC-1 (2nd revised) in respect of RBOD-I Project, Sukkur has been carried out and finally Ministry of Water & Power has been requested for arranging approval from CDWP/ECNEC. The PAO further informed that the purchase of vehicles is being regularized through revised PC-1 and revision of WAPDA transport policy is also under process.

PAC DIRECTIVE

The Public Accounts Committee taking a very serious view for violation of transport policy/rules/PC-1 directed the PAO as under:-

i) Take action against the person(s) who did not produce relevant record to Audit.
ii) Exact number of total vehicles purchased according to PC-1, transport policy and total number of vehicles purchases in violation of these rules may be sent to the PAC Secretariat alongwith the name of officers who were given/allocated these vehicles with complete record/log books.
iii) Fix responsibility and propose action against the responsible officer, who authorized purchase of these vehicles, contrary to rules/transport policy/approved PC-1.
iv) Report to PAC within one week.

3. **PARA 1.5 (PAGE 19-AR)**
IN-ADMISSIBLE PAYMENT ON ACCOUNT OF LABOUR AND FUEL COST ESCALATION RS.51.585 MILLION

Audit pointed out that as per clause 70.1 of contracts, there shall be added to or deducted from the contract price such sums in respect of rise or fall in the cost of labour, materials

or any other matters affecting the cost of the execution of the works as may be determined in accordance with these conditions.

In Kachhi Canal Project WAPDA D.G. Khan an amount of Rs. 51.585 million was paid to contractors in five contracts on account of labour and fuel cost escalation on the value of general items pertaining to performance security, insurance of works and contractor's equipment, insurance against accident of workmen, third party insurance and progress photographs and video documentary film in violation of clause 70.1 of contracts. The management needed to investigate the payment.

The PAO informed the PAC that pursuant to the directives of DAC, an amount of Rs. 51.585 million have been recovered which was paid on account of escalation on the value of General Items pertaining to performance security, insurance of works and contractors equipment, insurance against accident to workmen compensation, third party insurance, progress photographs and documentary film etc, the Kachhi Canal Consultants who are the Engineers of all the contracts are directed to recover the aforesaid amount from forthcoming IPC's of concerned contracts. The PAO further requested the PAC to give time to recover the balance amount.

PAC DIRECTIVE

The Public Accounts Committee took a very serious view for the payments made contrary to rules and directed the PAO to fix responsibility against the person(s) who were responsible for over sight and did not keep the financial accounts up to date. Report to PAC within one week.

4. **PARA 1.10 (PAGE 23-AR)**
NON-RECOVERY OF EXTRA CONTRACTUAL FINANCIAL COMPENSATION AND PENALTY FROM THE CONTRACTOR RS.814.785 MILLION

Audit pointed out that the financial compensation will be stopped altogether on the Contractor's failure to meet monthly targets for two consecutive months and payments already made be recovered from the amount due or become due to the Contractor. The

Contractor guarantees that penalty shall be payable by him at the rate six months KIBOR plus 200 bps on the amount paid under Supplementary Agreement No.2 to the contractor, if the substantial completion of the works is delayed beyond June 30, 2008 to forestall any financial loss to the national exchequer as per Clauses 8 & 9 of Supplementary Agreement No.2 for Extra Contractual Financial Compensation to the contractor of MDR-10.

In Mangla Dam Raising Project, Mangla contract No. MDR-10 for the construction of main works was awarded to M/s. CWE Joint Venture on June 14, 2004 at a contract price of Rs. 13,793.563 million with scheduled completion date of September 19, 2007. To accelerate the progress of works, the Authority extended extra contractual financial assistance valuing Rs. 1,766.174 million (approximate) to the contractor from time to time in various forms. The contractor approached the President of Pakistan on December 01, 2007 to get the award of partial compensation of around Rs. 3 billion in lieu of following reasons ensuring the substantial completion of the project by June 30, 2008.

1. Impact of revised formula for price adjustment
2. Cost claim for EOT No.1
3. Reimbursement of extra amount paid against borrows materials.

Accordingly on February 15, 2008 the Economic Coordination Committee (ECC) of the Cabinet approved extra contractual financial compensation of Rs. 1.4 billion to contractor with the condition that any compensation should be tied to milestones/targets and the project be completed by June 30, 2008. If the completion of project is delayed beyond June 30, 2008, the contractor will be penalized accordingly. The contractor failed to meet the targets of June 30, 2008 and progress remained only upto 67.20%. As such the purpose of granting financial assistance was defeated. Out of Rs. 1.4 billion an amount of Rs. 700 million paid to the contractor, was a loss to the Authority which was required to be recovered alongwith penalty of Rs. 114.785 million in the light of Supplementary Agreement No. 2.

The Management explained that the Authority in its meeting held on 24.03.2010 had decided to recover the amount of Rs. 814.785 million from the contractor instead of referring the matter to ECC. The management further assured to recover the amount before the close of current financial year or on release of PSDP.

PAC DIRECTIVE

Over the assurance given by PAO, the Public Accounts Committee taking a lenient view directed to recover the amount up to December, 2010 and report to PAC/Audit.

5. **PARA 1.13 (PAGE 26-AR)**
NON-RECEIPT OF ADJUSTMENT ACCOUNT OF PAYMENT TO AFFECTEES AND INTEREST RS.226.184 MILLION

Audit pointed out that all losses whether of public money or of store shall be subjected to inquiry to fix responsibility of losses as per guideline dated July 17, 1982, issued by WAPDA for enforcing the responsibility of losses.

In Pehur High Level Canal (PHLC) Project Mardan, an amount of Rs. 226.184 million was placed at the disposal of Assistant Commissioner Swabi, Bunair, Lahore Swabi and Mardan on June 30, 1999 for payment to the affectees of PHLC as is evident from CE/PD PHLC letter No.1085-92 dated March 22, 2001. Despite lapse of about ten years the adjustment accounts of the payments to the affectees were not obtained from the Land Acquisition Collectors. The amount remained in possession of Assistant Commissioners for nine months. Interest amounting to Rs.13.570 million accrued in nine months period @ 8% per annum was not recovered causing loss to the exchequer.

The PAO informed the PAC that the matter has also been taken up with the Chief Secretary, Government of NWFP Peshawar vide Secretary WAPDA memo no. WAPDA (Sectt:) 2010/74/1670-74 dated 17.03.2010. Further outcome is awaited.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to take up the matter with Chief Secretary, Government of NWFP and settle issues within next 4-5 days and report to PAC/Audit.

6. **PARA 4.7 (PAGE 71-AR)**
SHORTCOMINGS/NON-TRANSPARENCY IN AWARD OF RENTAL CONTRACT TO M/S PAKISTAN POWER RESOURCES

Audit pointed out that WAPDA Power Privatization Organization (WPPO) invited proposals/ bids for 100-125 MW Rental Power facility at Thermal Power Station Guddu in order to meet the increasing power demand of the country on emergent basis. Three firms participated in tendering. However, Rental Contract was awarded to M/s Pakistan Power Resources. The scrutiny of award of Rental Contract revealed lot of lapses/ shortcomings from the stage of Invitation of Proposals till the award and signing of Rental Contract.

The PAO informed the PAC that in compliance to DAC directives Para-wise reply to the audit observations from M.D. PEPCO is as under:-

i) **IRREGULAR AWARD OF RENTAL CONTRACT TO M/S PAKISTAN POWER RESOURCES WITHOUT CONSIDERING NET WORTH OF US$ 30 MILLION.**

Audit referred to Clause 30 of PPRA Rules (Annexure-C) that relates to Evaluation of Bids and is not relevant to Eligibility Criteria. Evaluation Committee in its report has not recommended any relaxation in Evaluation Criteria mentioned in the invitation of proposals.

ii) **INSUFFICIENT GAS QUOTA FOR EXISTING POWER PLANT**

Sufficient gas quota is available and gas required for the proposed rental power plant at Guddu can be spared and no enhanced gas quota would be required.

As such no extra expenditure was to be incurred due to installation of Rental Power Plant at TPS, Guddu.

Audit is requested to consider the above reply and to drop/settle Draft Para.

iii) **IRREGULAR PROVISION OF ARBITRATION CLAUSE IN CONTRACT AGREEMENT AWARDED TO M/S PAKISTAN POWER RESOURCES**

The award has to be executed by a Pakistani Court of competent jurisdiction after making the award as Rule of Court and Decree thereupon. Therefore, in this case only the Pakistani law (subjective & procedural) shall apply to the arbitration for the purposes of execution of award.

Hence there is no discrepancy and audit observation may please be settled.

iv) **IRREGULAR PROVISION OF TAX LIABILITY ON BUYER**

All the bidders quoted their rental payment according to the clause in draft Rental Services Contract. Thus a level playing field was provided to all bidders which is the essence of ICB process.

Hence there is no discrepancy and audit observation may please be settled.

v) **NON COMPLIANCE OF ECC'S DECISION IN RESPECT OF TARIFF OF RENTAL POWER PLANTS**

The ECC decision referred by the Audit pertains to Plants based on dual fuel (gas and RFO)/single fuel RFO and not to plants based entirely on gas fuel. The said ICB process and LOA dated 06.02.2008 was issued prior to referred ECC decision dated 15.02.2008, as such the referred ECC decision is not applicable.

vi) **LOSS OF 213387 US$ DUE TO WRONG FIXATION OF TARIFF 2.725 KWH US CENTS INSTEAD OF 2.717 US CENTS KWH (AS PER BID PRICE).**

The Rental Services Contract awarded to the Pakistan Power Resources is the lowest cost rental project and being Gas based project is highly favorable as it will help to bring down the consumer tariff to the extent its generation capacity.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to take legal input on the issues from a Chartered Accountant/Imminent Lawyer and report to PAC within 10 days. The PAC further directed to look into the aspect, whether PPRA Rules were observed or not while awarding contracts to the companies. The PAC also directed the PAO to submit a report to PAC within a week in view of lapses/shortcomings pointed out by the Audit including a report that when the Gas can be provided to these projects, if not, what alternates are available for supplying the power to the said projects.

7. i) **PARA 8.10 (PAGE 115-AR)**
LOSS OF RS.8.019 MILLION DUE TO THEFT OF MATERIAL

Audit pointed out that all losses whether of public money or of store shall be subject to inquiry to fix responsibility of losses as per guidelines dated July 17, 1982, issued by WAPDA for enforcing the responsibility of losses. In FESCO, electrical material valuing Rs. 8.782 million was stolen from various locations. Departmental and legal action, in majority of the cases, was not initiated to fix the responsibility of loss. It indicated that the rules for safeguarding the assets of company were not operative in letter and spirit.

The Ministry replied that 74 cases of theft are involved in the Para. Out of which 47 enquiries have since been completed, efforts are being expedited to complete the remaining 27 cases. The record in respect of cases finalized will be produced to Audit shortly.

ii. **PARA 9.13 (PAGE 133-AR)**
LOSS DUE TO THEFT OF MATERIAL RS.9.909 MILLION

Audit pointed out that as per guidelines issued by WAPDA vide letter dated July 17, 1982, all losses whether of public money or of store shall be subjected to inquiry to fix responsibility of losses. In GEPCO, electrical material valuing Rs. 10.552 million was stolen during 2007-08 from various locations. The departmental and legal action in majority of the cases was not initiated to fix the responsibility of loss. It indicated that the rules to safeguard the assets of the company were not operative in letter and spirit.

The Ministry replied that the latest recovery position to PAC and to ensure that remaining recovery will be made shortly and placed before Audit for verification.

iii. **PARA 10.10 (PAGE 146-AR)**
LOSS DUE TO THEFT OF MATERIAL RS.9.251 MILLION

Audit pointed out that all losses whether of public money or of store shall be subjected to inquiry to fix responsibility as per guide lines dated July 17, 1982, issued by WAPDA for enforcing the responsibility of losses. In HESCO, material valuing Rs. 9.251 million was stolen from various locations. In most of cases the legal and departmental action was not taken. It indicated that the rules to safeguard the assets of the company were not operative.

The Ministry replied that all FIRs have been lodged with Police for investigation of theft of material. In compliance to DAC directives, an enquiry committee has been constituted to take departmental action against the responsible.

iv) **PARA 12.24 (PAGE 185-AR)**
LOSS DUE TO THEFT OF MATERIAL RS.11.827 MILLION

Audit pointed out that all losses whether of public money or of store shall be subjected to inquiry to fix responsibility as per guidelines dated July 17, 1982, issued by WAPDA for enforcing the responsibility of losses. In LESCO,

Electrical material comprising transformers conductors and other allied accessories worth Rs. 12.006 million were stolen from various locations. In some cases FIR's were lodged but the out come was not forthcoming. In majority of the cases the legal and departmental action was not initiated. It indicated internal controls for safeguarding the assets are not functioning effectively to eliminate the possibility of theft.

The Ministry explained the position as under:-

Status	**No. of cases**	**Rs. in million**
As per Audit	103	12.88
Actual loss	103	11.70
Verified by Audit	03	0.42
Written off	13	1.33
Write off sanction under process	34	4.70
Recovered	04	0.34
Constitution of I/C under process	33	3.91
Recovery imposed/Court cases/Show cause Notice issued	05	0.54
Police Investigation Report pending	02	0.34

v) **PARA 13.10 (PAGE 197-AR)**
LOSS DUE TO THEFT OF MATERIAL RS.16.201 MILLION

Audit pointed out that all losses whether of public money or of store shall be subjected to inquiry to fix responsibility as per guidelines dated July 17, 1982, issued by WAPDA for enforcing the responsibility of losses. In MEPCO, electrical material comprising of transformers and conductors valuing Rs. 14.742 million was stolen from various locations. In most of the cases, the legal and

departmental action was not taken. It indicated that the rules to safeguard the assets of the company were not operative.

The Ministry replied that in compliance to DAC directives, the matter was got investigated by Inquiry Committee. The position is as under:

i) Amount taken by Audit Rs.16.201 million
ii) No Loss/theft occurred as per actual cost of material involved in theft cases Rs.10.201 million
iii) Net/Actual amount of loss worked out by the Inquiry Committee Rs.6.00 million

vi) **PARA 14.16 (PAGE 216-AR)**
LOSS DUE TO THEFT OF MATERIAL RS.6.366 MILLION

The Audit pointed out that all losses whether of public money or of store shall be subjected to inquiry to fix responsibility of losses as per guidelines dated July 17, 1982, issued by WAPDA for enforcing the responsibility of losses. In PESCO, electrical material comprising transformer, conductor and other accessories worth Rs. 6.366 million was stolen from 30 locations. In some cases FIR's were lodged. The departmental and legal action was not initiated to fix the responsibility. It indicated that the rules/measures to safeguard the assets of the company were not operative in letter and spirit.

The Ministry replied that 5 enquiry Committee have since been constituted who, after holding investigation, held no one responsible for the loss. The loss therefore is under write-off process. As for loss pointed in AP-3374 in respect of Manger (O) Swabi Circle, the proceedings of Enquiry Committee are under process. However, the PAO seek one month's time to recover the theft amount involved in the above six audit paras.

PAC DIRECTIVE

On the assurance given by PAO, the Public Accounts Committee directed to settle all issues involved in the above six paras at DAC level and report to PAC within one month. The PAC further directed to give full justification, where recoveries write off.

8. **PARA 10.11 (PAGE 146-AR)**
MIS-APPROPRIATION OF STORES RS.345 MILLION

Audit pointed out that all losses whether of public money or of store shall be subjected to enquiry to fix responsibility as per guide lines dated July 17, 1982, issued by WAPDA for enforcing the responsibility of losses. In HESCO, an amount of Rs. 2,629 million appeared under head of account works-in-progress. This head included the amount of Rs. 345 million which remained unidentified as no record comprising Store Requisition (SR), material at site account registers, job card and progress report was produced. As such, authenticity of the amount could not be determined. The matter needed to be investigated.

The PAO requested the PAC to give time up to September, 2010 to identify the cases. The PAO further informed that necessary changes are being brought in HESCO.

PAC DIRECTIVE

The Public Accounts Committee pended the para up to September, 2010 and directed the PAO to give monthly update to the PAC/Audit.

9. **PARA 12.10 (PAGE 173-AR)**
NON-RECOVERY OF SERVICE CHARGES RS.20 MILLION

Audit pointed out that as per NEPRA Act and award of distribution license to LESCO, the company has exclusive distribution rights in its specified area of jurisdiction. In LESCO, energy connections of one point bulk supply with load 10 MW was sanctioned and provided to Sundar Industrial Estate in March, 2006 in violation of NEPRA Act. Energy cost was being charged under tariff B-4. The tariff for bulk energy connections is not covered under the prevalent schedule of electricity tariff. Further, service charges of

Rs. 20 million for using the territory and system of LESCO for the period March, 2006 to June, 2008 were also not recovered.

The Managing Director PEPCO informed the PAC that the case has been taken up with NEPRA through LESCO tariff petition for FY 2009-10 wherein it was requested that the industrial estates be included in **Tariff-C.**

PAC DIRECTIVE

The Public Accounts Committee pended the subject para till the report is received from NEPRA up to 30th June, 2010.

10. **PARA 12.19 (PAGE 181-AR)**
UNLAWFUL RECOVERY ON ACCOUNT OF CONSULTANCY FEE RS.30.386 MILLION

Audit pointed out that as per office order issued by WAPDA vide No. 1057-78/GMO/DHO/44-A dated May 7, 2000, installation charges were to be levied to the extent of 26% of cost of material. This %age was reduced to 20% vide Authority's letter dated July 01, 2002. In Construction Circle LESCO an amount of Rs. 30.386 million was paid to the consultant BARQAB on account of supervision of Development of Power/Energy Loss Reduction (DOP/ELR) works with cost of Rs. 1787.450 million during 2005-06 to 2007-08. This amount was recovered from the consumers/sponsoring agencies @ 1.7% of cost of work through estimates. These charges were over and above the prescribed amount i.e. 20% of material cost. Such recovery needed to be justified.

The Ministry informed the PAC that, in compliance to directives of DAC meeting held on July 23, 2009, M.D. PEPCO has examined the matter regarding charging 1.7% of cost on the estimates of all works by the consultant BARQAB and has accordingly sent report to the Secretary Ministry Water and Power, Islamabad vide letter No. MD(PEPCO)/PS-85/13 dated 02.02.2010. The examination states that the consultancy fee amounting to Rs.30.386 million for LESCO paid during the period 2005-2008 @ 1.7% of the cost of estimate is valid, lawful, of extreme importance and was rightly not made a part of

installation charges equivalent to 20%, which had been set-forth by WAPDA in its letter dated 1.7.2002.

PAC DIRECTIVE

The Public Accounts Committee settled the para, subject to satisfaction of Audit department, with direction to PAO to give a complete report within one month to PAC pertaining to consultancy fee along with comments by PAO over concurrence given by the PM Secretariat to charge consultancy fee in addition to 20% installation charges.

11. **PARA 12.20 (PAGE 182-AR)**
OVER-BILLING OF RS. 120.924 MILLION

Audit pointed out that as per commercial procedure Revenue Officer and Assistant Manager are responsible for:-

- Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the company.
- Efficient application of billing and collection procedures

In LESCO, the percentage of energy losses of 51 HT circuits of industries was in negative during the financial year 2007-08. The negative losses revealed that units billed were in excess of those received which was an indication of over billing of 26.872 million units to 51 industrial consumers which generated undue revenue of Rs.120.924 million at the average selling rate of Rs. 4.50 per unit under industrial tariff B-3.

The Ministry informed the PAC that the negative losses were attributed to the following reasons:-

- Shifting of load
- Duplicate source
- Wrong coding
- Bifurcation of feeders
- Switching over to self generation

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to implement the recommendations of the Technical Committee and to provide the record to substantiate its stance that the negative losses were due to above five reasons. The PAC further directed to reduce the losses and report to PAC within one month.

12. i) **PARA 12.22 (PAGE 183-AR)**
SHORT BILLING RS.193.797 MILLION

Audit pointed out that NEPRA shall determine tariff rates, charges and other terms and conditions for the supply of electric power services by generation, transmission and distribution companies and recommend to the Federal Government for notification, in the light of section 7(3a) of the Regulation of Generation, Transmission and Distribution of Electric Power Act,1997. In contravention of provisions of the above mentioned Act, WAPDA Authority decided that billing of street light connections of Punjab Government/Agencies would be done on scarp tubewells tariff (Code 46) w.e.f. 01.12.2001 instead of tariff G(i) applicable as per schedule of tariff issued by Ministry of Water and Power (Government of Pakistan) vide notification dated December, 2001. The decision was circulated vide Secretary WAPDA's letter dated June 17, 2002 for implementation. Its implementation resulted in short billing of Rs. 193.797 million during 2007-08 in Lahore Electric Supply Company. The decision made in violation of above Act was not justified.

The PAO informed the PAC that:-

1. The issue was taken up with NEPRA through LESCO tariff petition for FY 2009-10 wherein it was requested that the Authority's concurrence or otherwise directions be given.

2. The NEPRA Authority in its determination dated 10.12.2009 directed that the parties may revise their previous arrangement on the basis of Authority's determined tariff.
3. LESCO is in the process of modifying its billing software for charging public lighting under Tariff-G for public lighting.

Instructions have been issued vide Manager (Commercial) LESCO Office memo No.12683-95 dated 08.03.2010 to apply Tariff-G to all Street Light Connections.

ii) **PARA 12.25 (PAGE 186-AR)**
NON-RECOVERY ON ACCOUNT OF ENERGY LOSSES RS.18.774 MILLION

Audit pointed out that as per table-5 Chapter-5 of Distribution Rehabilitation Guidelines, the maximum permissible limit for annual energy losses for H.T Circuit (Rural) is 3%. In LESCO, the percentage of energy loss of 12 independent feeders ranged between 3.5 to 62 during 2007-08 against the maximum permissible limit of 3%. The percentage over and above the permissible limit involved loss of 4.172 million units costing Rs. 18.774 million at average rate of Rs. 4.50 per unit under industrial tariff. The company sustained revenue loss of Rs. 18.774 million which was required to be investigated to fix responsibility and to effect recovery.

The PAO informed the PAC that the negative losses were attributed to the following reasons:-

- Shifting of load
- Duplicate source
- Wrong coding
- Bifurcation of feeders
- Switching over to self generation

iii) **PARA 14.15 (PAGE 215-AR)**
NON-RECOVERY OF ENERGY LOSSES RS.47.893 MILLION

Audit pointed out that as per Table-5 Chapter-5 of Distribution Rehabilitation Guidelines; the maximum permissible limit for annual energy losses for H.T.

circuit is 3.5%. In PESCO, the percentage of energy losses of 9 independent feeders ranged between 5.4% to 92.6% during 2007-08 against the permissible limit of 3.5%. The percentage over and above the permissible limit involved loss of 10.643 million units costing Rs. 47.893 million at average rate of Rs. 4.50 per unit. The company sustained revenue loss of Rs. 47.893 million which was required to be investigated to fix responsibility and effect recovery.

The PAO informed the PAC that the negative losses were attributed to the following reasons:-

- Shifting of load
- Duplicate source
- Wrong coding
- Bifurcation of feeders
- Switching over to self generation

PAC DIRECTIVE

The Public Accounts Committee settled the above three paras subject to verification of record by Audit. However, the Public Accounts Committee directed the PAO to implement the recommendations of the Technical Committee to reduce the losses and report to PAC within one month.

13. i) **PARA 1.1 (PAGE 15-AR)**
NON RECOVERY OF LIQUIDATED DAMAGES RS.65.474 MILLION

ii) **PARA 1.2 (PAGE 16-AR)**
NON-RECOVERY OF INTEREST FROM CONSULTANTS RS.6.629 MILLION

iii) **PARA 1.4 (PAGE 18-AR)**
EXCESS PAYMENT TO THE CONTRACTOR RS.16.346 MILLION

iv) **PARA 1.6 (PAGE 20-AR)**
DOUBLE PAYMENT TO THE CONTRACTOR RS.8.716 MILLION

v) **PARA 1.7 (PAGE 21-AR)**
LESS RECOVERY OF MARK UP FROM BANKS RS.1.222 MILLION

vi) **PARA 1.8 (PAGE 22-AR)**
UN-JUSTIFIED PROVISION OF MAINTENANCE CHARGES IN CONTRACT RS.1.800 MILLION

vii) **PARA 1.9 (PAGE 22-AR)**
IRREGULAR PURCHASE OF LUXURY VEHICLES RS.78.526 MILLION

viii) **PARA 1.11 (PAGE 25-AR)**
NON-DEDUCTION OF INCOME TAX FROM CONTRACTOR RS.35.367 MILLION

ix) **PARA 1.12 (PAGE 26-AR)**
NON-RECOVERY OF COST OF WAPDA PROPERTIES RS.370.394 MILLION

x) **PARA 8.11 (PAGE 116-AR)**
NON-SETTLEMENT OF STOCK VERIFICATION REPORTS RS.150.396 MILLION

xi) **PARA 8.12 (PAGE 116-AR)**
OVER-BILLING OF RS.182.241 MILLION

xii) **PARA 8.13 (PAGE 117-AR)**
NON-RECOVERY OF ENERGY LOSSES ON DEDICATED HT FEEDERS RS.19.453 MILLION

xiii) **PARA 8.14 (PAGE 118-AR)**
NON-RECOVERY ON ACCOUNT OF ILLEGAL EXTENDED LOAD RS.25.708 MILLION

xiv) **PARA 8.15 (PAGE 119-AR)**
NON-DISPOSAL OF UNSERVICEABLE MATERIAL RS.25.644 MILLION

xv) **PARA 9.10 (PAGE 131-AR)**
NON-REMOVAL OF MATERIAL RS.11.729 MILLION

xvi) **PARA 9.11 (PAGE 132-AR)**
NON-RECOVERY FROM INDUSTRIAL CONSUMERS RS.35.736 MILLION

xvii) **PARA 9.12 (PAGE 133-AR)**
NON-MUTATION/TRANSFER OF WAPDA PROPERTY RS.30.351 MILLION

xviii) **PARA 9.14 (PAGE 134-AR)**
OVERCHARGING ON ACCOUNT OF INSTALLATION CHARGES RS.10.225 MILLION

xix) **PARA 10.12 (PAGE 147-AR)**
NON-MUTATION/TRANSFER OF WAPDA PROPERTY RS.33.66 MILLION

xx) **PARA 10.13 (PAGE 148-AR)**
NON-RECOVERY OF SECURITY DEPOSITS AND REHABILITATION CHARGES RS.3.305 MILLION

xxi) **PARA 11.10 (PAGE 158-AR)**
NON-RECOVERY ON ACCOUNT OF ILLEGAL EXTENSION OF LOAD RS.10.827 MILLION

xxii) **PARA 11.11 (PAGE 159-AR)**
MIS-APPROPRIATION OF MATERIAL RS.4.415 MILLION

xxiii) **PARA 11.12 (PAGE 159-AR)**
NON-RECOVERY OF FIXED CHARGES RS.75.39 MILLION

xxiv) **PARA 11.13 (PAGE 161-AR)**
LOSS DUE TO DACOITY IN FIELD STORES RS.3.970 MILLION

xxv) **PARA 12.11 (PAGE 175-AR)**
NON-RECOVERY OF COST OF MATERIAL RS.3.840 MILLION

xxvi) **PARA 12.12 (PAGE 175-AR)**
UN-NECESSARY PURCHASE OF CABLE RS.126.562 MILLION

xxvii) **PARA 12.13 (PAGE 176-AR)**
NON-RECOVERY OF SUPPLY CHARGES AGAINST TEMPORARY CONNECTIONS RS.23.503 MILLION

xxviii) **PARA 12.14 (PAGE 177-AR)**
NON-INSTALLATION OF MATERIAL RS.9.761 MILLION

xxix) **PARA 12.15 (PAGE 178-AR)**
NON-MUTATION/TRANSFER OF WAPDA PROPERTY RS.1,058.37 MILLION

xxx) **PARA 12.16 (PAGE 179-AR)**
UN-NECESSARY PURCHASE OF STORES RS.3.754 MILLION

xxxi) **PARA 12.17 (PAGE 180-AR)**
LESS RECOVERY ON ACCOUNT OF REHABILITATION CHARGES RS.1.344 MILLION

xxxii) **PARA 12.18 (PAGE 180-AR)**
OVERCHARGING ON ACCOUNT OF INSTALLATION CHARGES RS.39.15 MILLION

xxxiii) **PARA 12.21 (PAGE 182-AR)**
NON REMOVAL OF ELECTRICAL EQUIPMENT RS.43.611 MILLION

xxxiv) **PARA 12.23 (PAGE 184-AR)**
NON RECOVERY ON ACCOUNT OF ILLEGAL EXTENSIONS OF LOAD RS.63.911 MILLION

xxxv) **PARA 13.11 (PAGE 197-AR)**
EXECUTION OF WORK WITHOUT RECEIPT OF FUNDS RS.1.878 MILLION

xxxvi) **PARA 13.12 (PAGE 198-AR)**
LOSS DUE TO MISSING OF TRANSFORMERS COMPONENTS AND OIL RS.2.517 MILLION

xxxvii) **PARA 13.13 (PAGE 198-AR)**
LOSS DUE TO APPLICATION OF WRONG TARIFF RS.8.288 MILLION

xxxviii) **PARA 13.14 (PAGE 199-AR)**
MISAPPROPRIATION OF MATERIAL RS.2.754 MILLION

xxxix) **PARA 13.15 (PAGE 199-AR)**
LOSS DUE TO DACOITY IN CAMP STORE BAHAWALNAGAR RS.2.391 MILLION

xl) **PARA 13.16 (PAGE 200-AR)**
NON-RECOVERY ON ACCOUNT OF ILLEGAL EXTENSIONS OF LOAD RS. 63.281 MILLION

xli) **PARA 14.10 (PAGE 211-AR)**
LOSS ON ACCOUNT OF ILLEGAL EXTENSION OF LOAD RS.15.082 MILLION

xlii) **PARA 14.11 (PAGE 213-AR)**
LOSS DUE TO MISSING OF TRANSFORMER OIL AND PARTS RS.1.504 MILLION

xliii) **PARA 14.12 (PAGE 213-AR)**
MIS-APPROPRIATION OF DISMANTLED MATERIAL RS.4.00 MILLION

xliv) **PARA 14.13 (PAGE 214-AR)**
NON MUTATION/TRANSFER OF PESCO PROPERTY RS.200.00 MILLION

xlv) **PARA 14.14 (PAGE 214-AR)**
NON-REMOVAL OF EQUIPMENT RS.9.697 MILLION

xlvi) **PARA 14.17 (PAGE 216-AR)**
NON-SETTLEMENT OF STOCK VERIFICATION REPORTS RS. 40.587 MILLION

xlvii) **PARA 14.18 (PAGE 217-AR)**
LOSS DUE TO APPLICATION OF WRONG TARIFF RS.3.202 MILLION

xlviii) **PARA 14.19 (PAGE 217-AR)**
NON RECOVERY FROM THE INDUSTRIAL CONSUMERS RS. 51.388 MILLION

xlix) **PARA 14.20 (PAGE 218-AR)**
NON-RECOVERY OF ARREARS OF TEMPORARY CONNECTIONS RS. 1.374 MILLION

l) **PARA 14.21 (PAGE 218-AR)**
SHORT BILLING DUE TO APPLICATION OF WRONG TARIFF RS. 2.392 MILLION

li) **PARA 14.22 (PAGE 219-AR)**
NON RECOVERY OF L.D. CHARGES RS. 1.972 MILLION

lii) **PARA 15.10 (PAGE 230-AR)**
LOSS DUE TO THEFT OF ELECTRICAL MATERIAL RS. 7.043 MILLION

liii) **PARA 15.11 (PAGE 231-AR)**
NON-RECOVERY ON ACCOUNT OF ILLEGAL EXTENSION OF LOAD RS. 7.450 MILLION

PAC DIRECTIVE

On the presentation of above 53 audit paras, the PAC directed the PAO to implement the recommendations of the DAC. Thereafter, these paras are considered to be settled subject to verification/satisfaction of Audit Department.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NATIONAL ENGINEERING SERVICES PAKISTAN (PVT) LIMITED

14. **PARA 227.2 (PAGE 360-ARPSE)**
AUDIT COMMENTS

Audit pointed out that contract fee receivable (considered good) increased to Rs. 1, 426. 509 million in 2007-08 from Rs. 1, 080.542 million in 2006-07 showing increased by 32%. Likewise, contract fee receivable (considered doubtful) also increase to Rs. 374.425 million in 2007-08 from to Rs. 317.718 million in 2006-07. Steps may be taken to recover the outstanding amounts from the clients concerned.

The PAO informed the PAC that the NESPAK is a Government owned organization and most of its clients are Government bodies. These clients usually pay NESPAK bills after over five months verification from their own records and audit process. However, in some cases some clients withhold NESPAK payments due to shortage of funds with them, non-approval of amendments to contracts, audit observations, clearance of final bills of contractors, pending arbitration cases of other consultants/contractors and disputes like contractual misinterpretations etc. NESPAK made appropriate provisions for doubtful debts to depict the true profitability of the Company. Since its inception in June 2008 total receivable were Rs. 21.7 billion whereas bad debts written off were Rs. 0.46 billion. i.e. 2.1%. The MD, NESPAK informed the Committee that the salary structure of NESPAK employees is so poor and we can not compete in the open market.

PAC DIRECTIVE

The PAC pended the para till the MD, NESPAK comes back from abroad. However, directed the management to make strenuous efforts for recovery of outstanding amount from the clients.

15. **PARA 227.5 (PAGE 360-361-ARPSE)**
AUDIT COMMENTS

Audit pointed out that the current ratio showing slight decreased from 3.6 times in 2005-06 to 3.5 times in 2006-07 again increased to 4.6 times in 2007-08. The short term investment needs to be converted into long term for better return.

The PAO informed the PAC that the NESPAK is a very spread-out Company with a number of officers in Pakistan and abroad, it thus needs a large working capital balance to be kept in various bank accounts. For a healthy organization like NESPAK the working balance limit should be at least equal to 3 or 4 months of expenses. Whereas in case of NESPAK, in this particular year it is equal to 4.59 months of expenditure. The increase in current ratio for the year under discussion is mainly due to heavy year end collections in the bank balances and increase in account receivables balance. During the year under discussion, there was a rising trend in mark-up rates, so six months short term investments were preferred to obtain maximum returns. If funds were invested on long term basis then the effect of increase in mark up rate could not be obtained.

PAC DIRECTIVE

The PAC settled the para subject to satisfaction of Audit with the direction to the management to invest the company deposits under the guidelines issued by Finance Division in future.

16. **PARA 229 (PAGE 362-363-ARPSE)**
RISK AND COST CHARGES OF RS. 0.416 MILLION AND AWARD OF WORK WITHOUT CALL OF OPEN TENDERS RS. 6.537 MILLION

Audit pointed out that as per rule-12(2) of the Public Procurement Rules-2004 (PPR-2004) procurement over two million rupees should be advertised on the Authority's website as well as in other print media. As per rule 25 of the rules ibid the processing agency may require the bidders to furnish a bid security not exceeding five percent of the bid price. As per rule-19 of the said rules, the procuring agency shall specify mechanism and manner to permanently or temporarily bar a supplier to participate in their procurement who failed to provide satisfactory performance under communication to the Authority. The management awarded the geotechnical investigation work of Lahore Sialkot Motorway Project to M/s. Consolidated Engineering Services (CES) Karachi for Rs. 2.800 million but the order was cancelled subsequently. The work was awarded to the second lowest bidder M/s. DECON for Rs. 3.066 million after negotiation of the original bid of Rs. 3. 228 million. Neither open tenders were called nor bid security of Rs. 0.140 million (5% of Rs. 22.800 million) was obtained from 1st lowest bidder. The management did not place any bar in the participation of M/s CES on procurement of NESPAK under intimation to the Authority. The work was awarded without inclusion of the clause of risk and cost, the company has to suffer a loss of Rs. 0.266 million (i.e. Rs. 3,066,490-Rs. 2,800,000 which was not recovered from the defaulting firm.

The PAO informed the PAC that the matter was discussed in the 125th meeting of the Board of Directors held on May 26, 2008 in which the Board was informed of the above. The Board advised that in future all purchases be done in accordance with NESPAK/PPRA Rules. It is stated that Highways & Transport Engineering Division (H & TED) of NESPAK was requested to carry out the detailed design of Sialkot-Lahore Motorway, inclusive of its geotechnical investigations, by the Government of Punjab. This task was required urgently for early completion of this project. The client was pressing hard to complete the said job in shortest possible time. Due to shortage of available staff, the management decided to outsource the same for which bids were invited in July, 2006 for geotechnical investigations of Sialkot-Lahore Motorway

(Pakcage-4) in accordance with NESPAK purchase procedures. M/s Consolidated Engineering Services (Pvt) Limited (CES) emerged as the lowest bidder with a bid price of Rs. 2.8 million. They were issued letter of award accordingly.

PAC DIRECTIVE

The PAC directed the management to implement the DAC decision and report to PAC within 2 months.

17. **PARA 231 (PAGE 363-364-ARPSE)**
IRREGULAR CPF CONTRIBUTION RS. 0.524 MILLION

Audit pointed out that as per rule-27 & 28 of the Contributory Provident Fund (CPF) Rules of NESPAK, the company contribute 10% of the aggregate amount of salary each month to CPF.

In NESPAK, Lahore, certain category of officers were contributing @ 10% of their pay to the CPF while the Company was contributing @ 15% thus the 5% additional benefit was being paid. In this way the NESPAK has incurred Rs. 0.524 million in 2007-08 on amount of excess contribution of CPF fund.

The PAO informed the PAC that the NESPAK is a private limited Company, formed under the Companies Act 1913 (now Companies Ordinance 1984) and operates under the administrative control of its Government appointed Board of Directors, that includes representatives from the Ministry of Water and Power and the Ministry of Finance. The prevalent law (Section 196(2)9J) of the Companies Ordinance 1984 and the charter of NESPAK i.e. Memorandum and Article of Association, fully empowered its Board of Directors to incur expenditures necessarily required for the smooth operations of the Company in the ordinary course of business.

PAC DIRECTIVE

The PAC directed the PAO to go in line with other sister organizations to rationalize the CPF contribution and, after Board approval, come back in the next PAC meeting.

18. i) **PARA 227 (PAGE 359-ARPSE)**
AUDIT COMMENTS

ii) **PARA 227.1 (PAGE 359-ARPSE)**
WORKING RESULTS

iii) **PARA 227.3 (PAGE 360-ARPSE)**
AUDIT COMMENTS

iv) **PARA 227.4 (PAGE 360-ARPSE)**
AUDIT COMMENTS

v) **PARA 228 (PAGE 361-ARPSE)**
IRREGULAR SPLITTING OF DEMANDS-RS 12.427 MILLION

vi) **PARA 230 (PAGE 363-ARPSE)**
IRREGULAR HIRING OF LEGAL ADVISORS-RS. 3.150 MILLION

On the presentation of above 6 audit paras, the PAC directed the PAO to implement the recommendations of the DAC. Thereafter, these paras are considered to be settled subject to verification/satisfaction of Audit Department.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the PAC meeting held on 01-09-2010 on the Audit Report for the year 2008-2009.

AUDIT REPORT ON THE ACCOUNTS OF M/O WATER AND POWER FOR THE YEAR 2008-09

1. **PARA 10.11 (PAGE 146-AR)**
MIS-APPROPRIATION OF STORES RS.345 MILLION

Audit pointed out that all losses whether of public money or of store shall be subjected to enquiry to fix responsibility as per guide lines dated July 17, 1982, issued by WAPDA for enforcing the responsibility of losses. In HESCO, an amount of Rs. 2,629 million appeared under head of account works-in-progress. This head included the amount of Rs. 345 million which remained unidentified as no record comprising Store Requisition (SR),

material at site account registers, job card and progress report was produced. As such, authenticity of the amount could not be determined. The matter needed to be investigated.

The PAO informed the PAC that out of 905 Nos. works amounting Rs. 345 million 749 Nos. works amounting to Rs. 262 million have been capitalized up to 15.08.2010 leaving balance of 156 Nos. works amount to Rs. 83 million. The PAO assure the committee that this exercise will be completed by the end of this month.

PAC DIRECTIVE

After assurance given by the PAO, the Public Accounts Committee directed the PAO to complete the whole exercise within one month and settled the para subject to verification of record by Audit with a report to PAC.

2. **PARA 12.10 (PAGE 173-AR)**
NON-RECOVERY OF SERVICE CHARGES RS.20 MILLION

Audit pointed out that as per NEPRA Act and award of distribution license to LESCO, the company has exclusive distribution rights in its specified area of jurisdiction. In LESCO, energy connections of one point bulk supply with load 10 MW was sanctioned and provided to Sundar Industrial Estate in March, 2006 in violation of NEPRA Act. Energy cost was being charged under tariff B-4. The tariff for bulk energy connections is not covered under the prevalent schedule of electricity tariff. Further, service charges of Rs. 20 million for using the territory and system of LESCO for the period March, 2006 to June, 2008 were also not recovered.

The PAO informed that in compliance of PAC directive, the matter was discussed with NEPRA on 02.06.2010 and 17.06.2010 during public hearing for the determination of 1st Quarter of Financial Year 2010-11 and 3rd Quarter of Financial Year 2009-10 respectively. During discussion, it was informed that the NEPRA Authority would take up this matter after finalization of tariff for Financial Year 2010-11 and 4th Quarter of Financial Year 2009-10. The PAO assure the committee that the issue will be settled with NEPRA within one month.

PAC DIRECTIVE

After hearing the PAO, the Public Accounts Committee pended the para for a month with the direction that the Secretary may pursue the matter with Chairman NEPRA to settle the issues and discuss again at DAC level and bring it up before PAC for final decision.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NATIONAL ENGINEERING SERVICES PAKISTAN (PVT) LIMITED

3. **PARA 227.2 (PAGE 360-ARPSE)**
AUDIT COMMENTS

Audit commented that contract fee receivable (considered good) increased to Rs. 1, 426. 509 million in 2007-08 from Rs. 1, 080.542 million in 2006-07 showing increased by 32%. Likewise, contract fee receivable (considered doubtful) also increase to Rs. 374.425 million in 2007-08 from to Rs. 317.718 million in 2006-07. Steps may be taken to recover the outstanding amounts from the clients concerned.

The PAO informed the PAC that the NESPAK is a Government owned organization and most of its clients are Government bodies. These clients usually pay NESPAK bills after over five months verification from their own records and audit process. However, in some cases some clients withhold NESPAK payments due to shortage of funds with them, non-approval of amendments to contracts, audit observations, clearance of final bills of contractors, pending arbitration cases of other consultants/contractors and disputes like contractual misinterpretations etc. The PAO further informed that the NESPAK is pursuing vigorously for recovery of outstanding amount from the clients by holding meetings with the defaulting departments.

PAC DIRECTIVE

The Public Accounts Committee directed the PAO to constitute a Committee to be chaired by him, including M/O Finance and Audit for recovery of outstanding dues and

also try to take commitments from the defaulting departments. The PAC further directed to submit a detailed report to PAC on circular debts of NESPAK within two weeks to discuss the same in a special PAC meeting to be held subsequently.

4. **PARA 231 (PAGE 363-364-ARPSE)**
IRREGULAR CPF CONTRIBUTION RS. 0.524 MILLION

Audit pointed out that as per rule-27 & 28 of the Contributory Provident Fund (CPF) Rules of NESPAK, the company contribute 10% of the aggregate amount of salary each month to CPF. In NESPAK, Lahore, certain category of officers were contributing @ 10% of their pay to the CPF while the Company was contributing @ 15% thus the 5% additional benefit was being paid. In this way the NESPAK has incurred Rs. 0.524 million in 2007-08 on amount of excess contribution of CPF fund.

The PAO informed the PAC that the NESPAK is a private limited Company, formed under the Companies Act 1913 (now Companies Ordinance 1984) and operates under the administrative control of its Government appointed Board of Directors, that includes representatives from the Ministry of Water and Power and the Ministry of Finance. The prevalent law (Section 196(2)9J) of the Companies Ordinance 1984 and the charter of NESPAK i.e. Memorandum and Article of Association fully empowered its Board of Directors to incur expenditures necessarily required for the smooth operations of the Company in the ordinary course of business.

PAC DIRECTIVE

The Public Accounts Committee up held the last directions of PAC dated 17-05-2010 and pended the para for action within one month and report to PAC.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 12-05-2011 on the Audit Report for the year 2008-2009.

The Audit paras relating to the Ministry were not discussed because of the absence of the Principle Accounting Officer.

PAC DIRECTIVE

The Ministry was, however, informed that the Public Accounts Committee may be given a comprehensive briefing indicating amount of electricity bills, for the last one year, and amount recovered against this. It may also be informed that how much funds are spent by the Government on generators/UPS etc. as a result of load shedding. The Ministry may also inform the Committee of the number of WAPDA employees who are getting free electricity.

The briefing may also include public complaints of extra/wrong electricity billing, inspite of load shedding, especially in rural areas where electricity bills are being received combining two to three months with a resultant increase in the Surcharge. The briefing may also include the rationale of including deduction of television fee, across the board, which is causing hardship to people/small organizations that do not even posses a television.

ACTIONABLE POINTS

Actionable Points arising out from the discussion of the PAC meeting held on 14-06-2011 on the Audit Report for the year 2008-2009.

AUDIT REPORT ON THE ACCOUNTS OF WATER AND POWER DEVELOPMENT AUTHORITY FOR THE YEAR 2008-09

1. **PARA 12.10 (PAGE 173-AR)**
NON-RECOVERY OF SERVICE CHARGES RS.20 MILLION

Audit pointed out that as per NEPRA Act and award of distribution license to LESCO, the company has exclusive distribution rights in its specified area of jurisdiction. In LESCO, energy connections of one point bulk supply with load 10 MW was sanctioned and provided to Sundar Industrial Estate in March, 2006 in violation of NEPRA Act. Energy cost was being charged under tariff B-4. The tariff for bulk energy connections is

not covered under the prevalent schedule of electricity tariff. Further, service charges of Rs. 20 million for using the territory and system of LESCO for the period March, 2006 to June, 2008 were also not recovered.

The PAO informed that in compliance of PAC directive, the matter was discussed with NEPRA on 02.06.2010 and 17.06.2010 during public hearing for the determination of 1st Quarter of Financial Year 2010-11 and 3rd Quarter of Financial Year 2009-10 respectively. During discussion, it was informed that the NEPRA Authority would take up this matter after finalization of tariff for Financial Year 2010-11 and 4th Quarter of Financial Year 2009-10. NEPRA has not yet finalized the matter for determination of tariff for industrial estates and issuance of distribution license.

PAC DIRECTIVE

The para was settled subject to the determination of tariff by NEPRA and the agreed tariff deferential to be recovered and got verified by Audit.

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2008-09

NATIONAL ENGINEERING SERVICES PAKISTAN (PVT) LIMITED

2. **PARA 227.2 (PAGE 360-ARPSE)**
AUDIT COMMENTS

Audit commented that contract fee receivable (considered good) increased to Rs. 1, 426. 509 million in 2007-08 from Rs. 1, 080.542 million in 2006-07 showing increased by 32%. Likewise, contract fee receivable (considered doubtful) also increase to Rs. 374.425 million in 2007-08 from to Rs. 317.718 million in 2006-07. Steps may be taken to recover the outstanding amounts from the clients concerned.

The PAO informed that NESPAK succeeded to receive old receivable of Rs. 150 million from ERRA, Rs. 79 million from WAPDA, Rs. 33 million from PEPCO and Rs. 14

million from Government of Punjab. The management is making strenuous efforts for recovery of balance amount from the concerned clients/departments.

PAC DIRECTIVE

The para was settled subject to verification of amount already received and with the direction that strenuous efforts for recovery of outstanding amount from the clients will be made explanation for reasons for increasing trend in receivable and reflection of inter company adjustment will be forwarded to Audit **within two months.**

MINISTRY OF WOMEN DEVELOPMENT

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the M/o Women Development were taken up for examination by the Special Committee-I of the Public Accounts Committee on **29th June, 2010.**

1.1 The Special Committee-I having considered Audit's point of view and explanation given by the Principal Accounting Officer(PAO), made its recommendations in a number of cases involving non-monitoring of funds, non-submission of adjustment a/c, irregular expenditure on a/c of Grant in aid and Jafakash Aurat Programme etc.

1.2 There were only 2 grants reported by AGPR. These were initially examined by the Departmental Accounts committee (DAC) and thereafter discussed in the meeting of Special Committee-I. The Special Committee recommended for settlements of both 02 grants with the direction to PAO to hold the DAC meeting on monthly basis and there should be zero saving and zero excess in future.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convenership of Mrs. Yasmeen Rehman, MNA on M/O Women Development held on 29th June, 2010 at 2:00 p.m in Parliament House, to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

2. **GRANT NO.119-WOMEN DEVELOPMENT DIVISION (PAGE 849-AA)**
(Saving of Rs.6,229,246)

AGPR pointed out that the grant closed with the saving of Rs.6,229,246 which works out to 8.67% of the total grant. A supplementary grant of Rs.1,000 was sanctioned but not included in the supplementary schedule of authorized expenditure..

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant with the direction to the PAO to hold the DAC meetings on monthly basis.

3. **GRANT NO.166-DEVELOPMENT EXPENDITURE OF WOMEN DEVELOPMENT DIVISION (PAGE 851-AA)**
(Saving of Rs.56,154,699)

AGPR pointed out that the grant closed with the saving of RS.56,154,699 which works out to 22.18% of the total grant. An amount of Rs.59,383,000(23.46%) was surrendered resulting into an excess of Rs.3,228,301 (1.28%)

RECOMMENDATIONS OF THE SPECIAL COMMITTEE

The Special Committee settled the grant with the direction to the PAO that in future, there should be zero saving and zero excess in the grants.

MINISTRY OF YOUTH AFFAIRS

1. **OVERVIEW**

Appropriation Accounts 2007-08, pertaining to the Ministry of Youth Affairs were taken up for examination by the Special Committee-I of the Public Accounts Committee on **28th June, 2010.**

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issues, directing the PAO to take appropriate action.

1.3 There were only 2 grants presented by the AGPR, which were settled by the Committee.

ACTIONABLE POINTS

Report of the Meeting of Special Committee # 1 of PAC under the convenership of Mrs. Yasmeen Rehman, MNA on M/o Youth Affairs held on 28th June, 2010 to discuss the Accounts for the Audit year 2008-09 and financial year 2007-08 is as under:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I-2007-08)

2. **GRANT NO.120-YOUTH AFFAIRS DIVISION (PAGE 857-AA)**
(Saving of Rs.8,923,606)

AGPR pointed out that the grant closed with the saving of RS.8,923,606 which works out to16.96% of the total grant. An amount of Rs.1,343,000 (2.55%) was surrendered leaving net saving of Rs.7,580,606(14.40%)

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee settled the grant subject to provision of working papers/surrender orders.

3. **GRANT NO.167-DEVELOPMENT EXPENDITURE OF YOUTH AFFAIRS DIVISION (PAGE 859-AA)**

(Saving of Rs.145, 766,931)

AGPR pointed out that the grant closed with the saving of RS.145, 766,931 which works out to95.84% of the total grant. An amount of Rs.145, 759,000(95.83%) was surrendered leaving net saving of Rs.7, 931

RECOMMENDATION OF THE SPECIAL COMMITTEE

The Special Committee settled the grant.

MINISTRY OF ZAKAT AND USHR

1. OVERVIEW

Audit Report on the Accounts of Central Zakat Fund and National level Health Institutions for the year 2008-09, pertaining to the Ministry of Zakat and Ushr were taken up for examination by Public Accounts Committee on **2nd September, 2010.**

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases of mis-management of pilgrims welfare fund, maintenance of Madina-tul-Hujjaj building, holding of Nifaz-e-Shariat consultative convention, payment of consultancy charges, non-adjustment of advance payments, misclassification of expenditure, non-disposal of unserviceable items overpayment on account of accommodation charges, non-recovery of rent and irregular expenditure from pilgrims welfare fund etc.

1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.

1.3 There were 10 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of PAC. 04 paras were recommended for settlement by the Committee either on the basis of clarifications given by the PAO or the corrective measures taken by the Division. The Committee issued directive on 05 paras and on 01 para the Committee directed the PAO to implement the DAC recommendations. The PAC ordered to recover **Rs.** …… . The efforts are in hand to realize the amount. The Committee directed the Ministry to affect recoveries within the stipulated time in each case. It was also decided that the progress of recovery/implementation of the PAC directives and that these would be reviewed in future sessions.

ACTIONABLE POINTS

Actionable points arising out form the discussion of the PAC meeting held on 2nd September, 2010 pertaining to M/o **ZAKAT & USHR** for the Audit Report 2008-09 are given below:

AUDIT REPORT ON THE ACCOUNTS OF CENTRAL ZAKAT FUND AND NATIONAL LEVEL HEALTH INSTITUTIONS FOR THE YEAR 2008-09

CENTRAL ZAKAT FUND

2. **PARA 1 (PAGA 10-AR)**
NON RECONCILIATION OF ZAKAT COLLECTON – RS 13.475 BILLION

Audit pointed out that no reconciliation was carried out between departmental figures and figures reported by State Bank of Pakistan, Resultantly unspent balance of Rs 13.475 billion as on 30th June 2008 in Central Zakat Fund Account No. 08 could not be verified.This was a violation of para-64 of Accounting Procedure for the Central Zakat Fund which states "At the close of each month, the entries recorded in the registers maintained in the Central Zakat Administration will be compared with the figures reported by the State Bank of Pakistan".

The PAO stated that efforts would be made to reconcile the departmental figures with those intimated by State Bank of Pakistan.

PAC DIRECTIVE

The PAC directed for early reconciliation of Accounts and the reconciliation may be got verified from Audit **within 2 months.**

3. **PARA 2 (PAGA 10-AR)**
NON COLLECTION OF USHR

Audit pointed out that no Usher had been assessed/collected by the quarters concerned at District Zakat Committee's level since 1990 which was a violation of provisions of Zakat and Ushr Ordinance.

The PAO informed the Committee that the matter would be taken up with respective provincial Chief Administrators and the Ministry has reminded to the Provincial Revenue Department to assess, collect and deposit in District Zakat Fund.

PAC DIRECTIVE

The PAC settled the para with the direction that the Ministry should pursue the Provincial Government in regard to the collection of Ushr with report to Audit.

NATIONAL LEVEL HEALTH INSTITUTIONS

4. **PARA 5 (PAGA 13-AR)**
UN-AUTHORIZED TRANSFER OF ZAKAT FUND FROM THE ACCOUNT OF HWC – RS 23.5 MILLION

Audit pointed out that Health Welfare Committee (HWC), AI-Shifa Trust Eye Hospital, Rawalpindi irregularly transferred Rs 23.5 million from HWC Zakat Funds account to the account of hospital during 2007-08 in violation of Zakat Disbursement Procedure.

The PAO stated that the Trust spent the whole amount from its own resources including the Zakat amount therefore after spending this amount the utilization was sent to Ministry and after approval, the lump sum amount was transferred in hospital's account.

PAC DIRECTIVE

The PAC observed that Al-Shifa Trust Eye Hospital is working very well but there should be no violation of rules and regulation. This case should not be taken as a

precedent in any similar case and strict compliance of rules and regulations should be ensured. The PAC however regularized the Para as a special case subject to above observations.

5. **PARA 6 (PAGE 14-AR)**
PURCHASE OF MEDICINES WORTH – RS 56.05 MILLION WITHOUT OPEN COMPETITIVE BIDDING/TENDERS

Audit pointed out that the Health Welfare Committee of various Hospitals purchased medicines worth Rs 56.05 million without calling open tender / fulfilling codal formalities in violation of Public Procurement Rules 2004 during the years 2008-09.

The PAO informed the Committee as follows:-

i) One combined tender was called for regular as well as Zakat-funded medicines.
ii) Medicines were purchased from sole proprietor.
iii) The tender was called and the required documents would be produced for verification.

PAC DIRECTIVE

The PAC directed the PAO to constitute an inquiry Committee to fix responsibility against the concerned officers. Look into this again in the DAC and all other paras where the procedure of tendering in general is correct.

6. **PARA 7 (PAGE 15-AR)**
EXPENDITURE ON PATIENTS WITHOUT DETERMINING ISTEHQAQ/ USE OF UNDATED ISTEHQAQ CERTIFICATES – RS 338,441

Audit pointed out that HWCs incurred an expenditure of Rs 338,441 on treatment of such patients whose istehqaq was either not determined by Local Zakat Committees (LZCs) concerned or were undated.This was a violation of Para 1 of Zakat Disbursement Procedure regarding Health Care (National Level) which provides that the istehqaq will be determined by the LZC of a mustahiq patient's area of permanent/temporary residence

The PAO stated that the matter would be looked into and noted for future compliance.

PAC DIRECTIVE

The PAC settled the recommended portion while for others fix responsibility **within one month.**

7. **PARA 8 (PAGE 16-AR)**
LOSS OF RS 405,000 DUE TO ACCEPTANCE OF TENDER WITH LESSER DISCOUNT RATE

Audit pointed out that in first tender called by HWC, District Head Quarter Hospital, Faisalabad for the year 2007-08 two offers were made, one from M/s Sheraz Medical Store, Faisalabad and the other from M/s Madni Medical Store, Faisalabad @ 12% and 20.10% (discount on medicines) respectively. This tender was cancelled without assigning any reason as required under PPRA rules. A second tender was called in which only one bid from M/s Sherz Medical Store, Faisalabad, at the earlier quoted rate of 12% was received. HWC awarded the contract to M/s Sheraz Medical Store, Faisalabad and purchased medicines worth Rs.5.00 million during the year 2007-08 at 12% discount. Had they not cancelled the first tender and accepted the 20% discount rate offered by M/s Madni Medical Store, Faisalabad, the HWC would have saved Rs 405,000 (5.00 m X (20.1%-12%) which could have been utilized for treatment of more mustahiqeen.

The PAO informed the Committee that he will hold inquiry fixing responsibility and will ensure recovery within one month.

PAC DIRECTIVE

The PAC directed to hold inquiry fix responsibility and recovery as well as initiate legal official proceeding against officer concerned and report to the PAC **within one month.** An officer of JS level may visit the hospitals in this regard.

8. **PARA 9 (PAGE 17-AR)**
ISSUANCE OF MEDICINES ON DOUBTFUL PRESCRIPTION
RS. 313, 938

Audit pointed out that HWC Khyber Teaching Hospital, Peshawar an amount of Rs.313,938 to supplier, (M/S Shah Medical Store Peshawar) as detailed in Annexure "A" without Doctor's prescription or through bogus prescriptions. Mostly signed by the staff of Zakat section instead of doctors concerned. During scrutiny it was also noticed that these medicines were not entered in any register and no acknowledgement was available in record. All these ouchers/prescriptions were also not verified by the Pharmacist. Thus issuance of medicines was held un-authorized and therefore recoverable.

The PAO stated that the matter would be investigated.

PAC DIRECTIVE

The PAC directed to hold inquiry fix responsibility and recovery as well as initiate legal official proceeding against officer concerned and report to the PAC **within one month.** An officer of JS level may visit the hospitals in this regard.

9. **PARA 10 (PAGE 18-AR)**
NON-PRODUCTION OF RECORD BY HWCs

Audit pointed out that the following Health Welfare Committee did not produce the auditable record/supporting documents of amounting Rs.10,815,942 thus hindering the auditoria function.

The PAO stated that the record will be provided to the Audit.

PAC DIRECTIVE

The PAC directed the PAO to provide all the relevant record to the Audit and report to the PAC failing which the para will become again in the PAC.

10. i) **PARA 3 (PAGE 11-AR)**
DELAYED RELEASE OF ZAKAT FUNDS TO VTI'S – RS 339.411 MILLION

ii) **PARA 4 (PAGE 12-AR)**
NON PRODUCTION OF AUDITABLE RECORD – RS 11.316 MILLION

PAC DIRECTIVE

On the presentation of the above paras the PAC settled the paras on recommendation of Audit.

THE END