REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF THE

GOVERNMENT OF PAKISTAN

FOR THE YEAR

1979-80

CONTENTS

		Pages
Report of the Public Accounts Committee		1
	ANNEXURE I	
	Proceedings of the Public Accounts Committee	
17-10-1981	Organisation and Methods Division	53
	Women's Division	54
	Cabinet Division	57
	Establishment Division	69
	Council of Islamic Ideology	71
18-10-1981	Law Division	75
	Parliamentary Affairs Division	77
	Supreme Court of Pakistan	78
	Election Commission of Pakistan	79
	Education, Ministry of—	81
	Commerce Division	87
19-10-1981	Industries Division	99
	Works Division	118
	Environment and Urban Affairs Division	128
20-10-1981	Culture, Sports and Youth Affairs Division	132
	Tourism Division	145
	Production, Ministry of--	152
21-10-1981	National Assembly Secretariat	169
	Senate Secretariat	170
	Interior (Including C.D.A.), Ministry of—	171
	Communications, Ministry of—	184
22-10-1981	Planning and Development Division	209
	Population Division	213
	Statistics Division	214
	Water and Power, Ministry of--	215
24-1-1983	Introductory Remarks by the Finance Minister and Chairman, PAC--	247
	Health and Social Welfare, Ministry of—	256
25-1-1983	Production, Ministry of—	264
26-1-1983	Production, Ministry of—	297
	Foreign Affairs, Ministry of--	303
	Communications, Ministry of	312
27-1-1983	Finance Division--	324
	Economic Affairs Division	336
	Information and Broadcasting, Ministry of	338

13-3-1983	States and Frontier Regions Division—	
	Kashmir Affairs and Northern Affairs Division—	
	Local Government and Rural Development, Ministry of—	359
	Religious Affairs and Minorities Affairs, Ministry of—	363
14-3-1983	Pakistan Atomic Energy Commission—	366
	Petroleum and Natural Resources, Ministry of—	368
	Food and Agriculture (Including Livestock Division), Ministry of— ..	380
15-3-1983	Manpower Division—	392
	Labour Division—	394
	Central Board of Revenue—	397
	Science and Technology, Ministry of—	404
	Railways, Ministry of—	408
16-3-1983	Railways, Ministry of—	430
	President's/CMLA's Secretariat (Personal and Public)—	437
	Defence Division—	438
17-3-1983	Defence Division—	470
	President's/CMLA's Secretariat (Personal and Public)—	482
	Aviation Division—	483
	Defence Production Division—	489

ANNEXURE II

STATEMENTS:

(1)	Summary of Results of Appropriation Audit	501
(2)	Analysis of Savings and Excesses by main Departments	503
(3)	Analysis of the Savings and Excesses under Revenue, Capital and loans and advances—	504
(4)	Statement showing excesses over Authorised Grants, which require to be regularised	506
(5)	Statement showing excesses over Charged Appropriations which require to be regularised	507

Appendix "A"

AD-HOC PUBLIC ACCOUNTS COMMITTEE 511

Appendix "B"

Notification regarding Constitution of Public Accounts Committee .. 515

Appendix "C"

Details of the staff and functions of the Central Board of Film Censors. 519

Appendix "D"

Note in compliance with the directive of PAC 525

Appendix "E"

Note submitted by the State Bank 531

Appendix "F"

Rates of interest on Foreign Loans 537

e recommendations of the Committee, summarised in para 159(i)(ii) of the Report, were approved by the President on the 14th February, 1984.

بسم اللہ الرحمن الرحیم

FEDERAL COUNCIL SECRETARIAT

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF FEDERAL GOVERNMENT FOR THE YEAR 1979-80.

Introductory

The main function of the Public Accounts Committee (PAC) is to conduct a retrospective examination of the expenditure incurred from budgeted allocations, with a view to dealing suitably with improper accounting, irregularities and improprieties, if any, and recommending measures for their rectification. The Committee's duty is thus not to question the adequacy or otherwise of Government policies, but to determine whether or not the taxpayer was getting the value for his money. This Report of the PAC is the tenth one since an *Ad-hoc* PAC was constituted on the 25th March, 1978, and incorporates the result of examination of the Accounts of Divisions and Public Sector Enterprises by the Committee relating to the financial year 1979-80. The Report, *inter alia*, contains the recommendations of the Committee on the major issues raised or irregularities pin-pointed by the Auditor-General in his various reports and on specific points that came up during the examination of the Accounts as well as on suggestions about improvements in identified areas.

2. The Committee also reviewed the compliance, by the Divisions etc., with the salient directions or approved recommendations of the *Ad-hoc* PAC made in the Committee's Reports for the years 1975-76 to 1977-78. The Committee's earlier efforts seem to have borne fruit in that a marked improvement was noticeable in the maintenance of Accounts and the propriety

of financial transactions, taking place under various Divisions etc. Another outcome of the prompt examination of Federal Accounts by the *Ad-hoc* PAC, and now this Committee, is that suitable action against the defaulters may, in many cases, become possible henceforth. Previously, many a defaulter could not be proceeded against, as the examination of Accounts by the Committee took place several years after the expenditure had been actually incurred and they were found to have either already retired or left the Government Service.

THE PUBLIC ACCOUNTS 1979-80 EXAMINED BY PAC

I. Federal Government

3. The Federal Accounts for 1979-80 and the reports thereon, prepared by the Auditor-General in 12 compilations and examined by the PAC, were presented in five groups as below : –

(i) Appropriation and other Accounts (Civil) and Reports of the Auditor General thereon (5).

(ii) Appropriation and other Accounts (Defence) and Report of the Auditor General thereon (3).

(iii) Appropriation Accounts (Railways) and Report of the Auditor General thereon (2).

(iv) Appropriation Accounts of Pak Post Offices and Pak Telegraph and Telephone Departments and Report of Auditor General thereon.

(v) Report of the Auditor General on the Accounts of WAPDA.

II. Public Sector Enterprises

Reports of the Auditor-General (Vols. I to III) on the Performance Evaluation of selected public sector enterprises (1981).

Contents of this Report

4. This Report has been broadly divided into three parts as below : –

PART I –The Federal Accounts 1979-80.

PART II –The Performance Evaluation of Public Enterprises (1981).

PART III –Miscellaneous.

PART I.—THE FEDERAL ACCOUNTS 1979-80.

Proceedings of the Committee

5. The proceedings of the Committee's meetings, which also contain its recommendations and observations, made during the said meetings, are appended at Annexure I. As previously, the above-said proceedings should be deemed to form part of this Report.

Meetings of the Ad hoc PAC and the PAC

6. The examination of Federal Accounts for 1979-80 was completed in three sessions. Firstly, the 4 member—*Ad hoc* PAC *vide* Appendix ' A ' held its 14th session for six days from October 17 to 22, 1981 and examined the accounts of 25 Ministries and Divisions.

7. Then, in pursuance of Article 8(3) of the Federal Council (Majlis-e-Shura) Order, 1981, a nine-Member PAC was constituted under the Finance Division Notification dated August 25, 1982, with the same functions, reproduced at Appendix ' B ', as those of the former *Ad hoc* PAC. The newly constituted PAC held two sessions of four and five days' duration each, from January 24 to 27, 1983 and March 13 to 17, 1983 respectively, and completed the examination of the remaining Accounts for 1979-80 and the Compliance Reports from 1975-76 to 1977-78..

8. Nawabzada Azmat Ali Khan and Jam Mir Ghulam Qadir Khan of Lesbela, Members, did not attend any of the sessions of the Committee, the former because of his reported illness and thereafter absence abroad and the latter because of the illness of his wife.

9. While inaugurating the new PAC on January 24, 1983, the Minister for Finance and Chairman of the Committee, in his opening remarks, observed that the Committee's mandate was to enforce, on behalf of the taxpayers, financial accountability in Government Organisations with due regard to time factor. The propriety of financial transactions had to be judged within a short time-frame, to make the exercise meaningful. If too much time elapsed between such transactions and their evaluation, breached of financial discipline could not be brought home to the individuals responsible for them. Inordinate delay in the examination of Government accounts might thus defeat the very purpose for which the system of public accountability had been devised. Hence, Government would be expecting the Committee to meet regularly, to be up-to-date with the examination of accounts and to take cognizance of the lapses, if any, in time.

10. He stressed that, for any system to be progressive, its rules and procedures must remain constantly under review. That alone could ensure that the system remained attuned to the changing needs of time. Therefore, as the Committee commenced its work of examining the Federal Accounts, the Government would very much like it to make recommendations about specific improvements that could be brought about in the procedures and rules, governing the existing financial system of the Government.

APPROPRIATION ACCOUNTS (CIVIL) FOR 1979-80

11. The original schedule of Authorised Expenditure for 1979-80 comprised 190 grants (excluding grants for the Defence Services, Railways, the Pakistan Post Office Department and the

Pakistan Telephone and Telegraph Department) amounting to Rs. 35,688,868,400. In addition, Appropriations for Expenditure, charged on the Federal Consolidated Fund and amounting to Rs. 141,488,816,600, were included in the Schedule. During 1979-80, Supplementary Grants totalling Rs. 4,931,133,000 to meet the authorised expenditure, and Supplementary Appropriations of Rs. 4,297,187,000 to meet the Expenditure charged on the Federal Consolidated Fund, were authorised by the President under the Budgetary Provisions Order, 1978 (P.O. 8 of 1978).

Summary Statement of Appropriation Accounts (Civil)

12. The following table summarises the Appropriation Accounts for the year 1979-80 :—

Sl. No.	Particulars	Charged	Other than charged		Total
			Non-Development	Development	
1.	Original Schedule of Authorised Expenditure	141,488,816,600	13,700,051,400	21,988,817,000	177,177,685,000
2.	Supplementary Schedule of Authorised Expenditure ..	4,297,187,000	3,390,348,000	1,540,785,000	9,228,320,000
3.	Aggregate Grants and Appropriation ..	145,786,003,600	17,090,399,400	23,529,602,000	186,406,005,000
4.	Aggregate Disbursements	141,876,978,169	14,861,606,952	16,711,727,342	173,450,312,463
5.	Less(—) More (+) than authorised ..	—3,909,025,431	—2,228,792,448	—6,817,874,658	—12,955,692,537
6.	Percentage of 5 to 3	2.68	13.14	28.96	6.95

13. The total budget provision for Charged and Other than Charged Expenditure was increased by 5.20 per cent by the Supplementary Schedule of Authorised Expenditure. However, the actual expenditure fell short of the aggregate Budget by 6.95 per cent.

14. Appended as Annexure II to this Report are the following statements, pertaining to the Appropriation Accounts (Civil, Defence, PT&T and Railways) 1979-80 and representing the findings of Audit in respect thereof :—

(1) Summary of Results of Appropriation Audit ;

(2) Analysis of savings and excesses by main Departments ;

(3) Analysis of savings and excesses under Revenue, Capital and Loans and Advances ;

(4) Excesses over authorised grants, which required to be regularised ; and

(5) Excesses over 'Charged' Appropriations, which required to be regularised.

OBSERVATIONS ON APPROPRIATION ACCOUNTS (OTHER THAN CIVIL)

(1) Appropriation Accounts (Defence)

15. The Schedule of Authorised Expenditure for the year 1979-80, relating to the Defence Services, amounted to Rs. 11,700,000,000. A Supplementary Grant of Rs. 784,906,000 was obtained during the course of the year. The final grant, therefore, stood at Rs. 12,484,906,000. The actual disbursement from the Federal Consolidated Fund amounted to Rs. 12,484,906,000.

16. *Review of Expenditure incurred by the Military Engineering Services.*—The Appropriation Accounts did not include a review of the expenditure by the Military Engineering Services (MES) during 1979-80 as, till the preparation of the Appropriation Accounts, full material about it had not been received by Audit. The Ministry must take special and prompt steps to bring the position up-to-date.

(2) Appropriation Accounts (Pakistan Railways)

17. The Original Schedule of Authorised Expenditure for the year 1979-80 comprised :—

	Rs.
(i) Grants for expenditure	3,601,991,000
(ii) Appropriation for expenditure charged on the Federal Consolidated Fund	298,415,000

18. During the year 1979-80, Supplementary Grants amounting to Rs. 398,886,000, to meet the authorised expenditure, and a Supplementary Appropriation of Rs. 94,559,000, to meet the expenditure charged on the Federal Consolidated Fund, were authorised by the President under the Budgetary Provisions Order, 1978 (P.O. 8 of 1978).

19. *Financial Results of Pakistan Railways.*—Compared with the year 1978-79, which had closed with a net loss of Rs. 315.2 million as against an estimated profit of Rs. 47.3 million envisaged in the budget, the working of the Pakistan Railways for the year 1979-80 showed a net loss of Rs. 535.5 million, as against a loss of Rs. 155.4 million, estimated in the budget.

20. *Revenue Receipts.*—The total revenue receipts during the year 1979-80 amounted to Rs. 2678.8 million, recording an increase of Rs. 405.2 million over the actual receipts for the preceding year. These also exceeded the budget estimates for 1979-80 by Rs. 184.7 million.

21. *Revenue Expenditure.*—The total revenue expenditure for the year 1979-80 amounted to Rs. 3214.3 million. This meant an increase of Rs. 797.4 million over the previous year and also exceeded the budget estimates for the year under report by an amount of Rs. 750.8 million.

EXPENDITURE IN EXCESS OF GRANTS/APPROPRIATION

22. The Appropriation Accounts of the Pakistan Railways carried excesses of Rs. 71,094,809, Rs. 46,112,360 and Rs. 12,440,095 respectively against Grant No. "108-Expenditure

charged to Railway Revenues", No. "187-Capital Outlay on Pakistan Railways" and Grant No. "136-Other Capital expenditure of Pakistan Railways". According to the department, the excess against Grant No. 108 was due mainly to inflation, which had affected substantially the cost of material, both indigenous and imported, used by the Railways, and the excesses against Grant Nos. 136 and 187 were attributed to adjustment of debits, pertaining to the previous years.

(3) Appropriation Accounts (Pakistan Post Office Department)

23. The Original Schedule of Authorised Expenditure for the year 1979-80 comprised two grants relating to the Pakistan Post Office Department, amounting to Rs. 343,460,000. In addition, an Appropriation for expenditure, charged on the Federal Consolidated Fund and amounting to Rs. 17,171,000 was included in the Schedule. During the year 1979-80, a Supplementary Grant amounting to Rs. 30,473,000 to meet 'Other than Charged Expenditure', was authorised by the President. Funds to the extent of Rs. 21,238,900 (Other than Charged) and Rs. 553,000 (Charged) were surrendered.

24. The provision for 'Other than Charged' expenditure was increased by 8.87 per cent by the Supplementary Schedule of Authorised Expenditure. However, the actual expenditure fell short of the aggregate Budget by 6.19 per cent.

(4) Appropriation Accounts (Telegraph and Telephone Department)

25. The Original Schedule of Authorised Expenditure for the year 1979-80 comprised two grants relating to the Telegraph and Telephone Department, which amounted to Rs. 1,148,859,000. In addition, one Appropriation for expenditure, charged on the Federal Consolidated Fund, amounting to Rs. 187,800,000 was included in the Schedule. During the year 1979-80, Supplementary Grants of Rs. 40,171,000 to meet other than charged expenditure, was authorised by the President. Funds to the extent of Rs. 135,463,000 (Other than Charged) were surrendered.

26. The provision for other than charged expenditure was increased by 3.50 per cent through the Supplementary Schedule of Authorised Expenditure. However, the actual expenditure fell short of the aggregate budget by 5.63 per cent.

27. *Financial Results of the working of the Department.*— The financial results of the working of the two branches of the department for three years are compared below :—

Branch	Profit (+) or loss (—)		
	1977-78	1978-79	1979-80
	Rs.	Rs.	Rs.
Telegraph	(—) 165,062,000	(—) 186,620,000	(—) 89,152,000
Telephone	(+) 568,995,000	(+) 1,025,217,000	(+) 891,561,000
Total for the Department.	(+) 403,933,000	(+) 838,597,000	(+) 802,409,000

28. The accumulated surplus at the end of the year 1978-79 amounted to Rs. 3,136,049,000. During 1979-80, the Department earned a profit of Rs. 802,409,000 and the Department's surplus, at the end of 1979-80, thus stood at Rs. 3,938,458,000 on which the Department, after allowing the interest payable to Government on the Capital Outlay during the next year, will earn interest in the form of rebate.

REVIEW OF REVENUE AND EXPENDITURE

29. (a) *Revenue.*—The revenues for the year totalled Rs. 1,552,099,000 against Rs. 1,751,375,000, estimated originally and Rs. 1,700,000,000 in the Revised Estimates. These revenues were shorter by Rs. 13,283,000 as compared to the revenues of the previous year *viz.*, Rs. 1,565,382,000. The decrease was due to less realization of outstanding dues.

30. (b) *Expenditure.*—The gross expenditure, including interest and depreciation charges, amounted to Rs. 785,477,000 against the original estimates of Rs. 825,059,000 and revised estimates of Rs. 789,035,000.

I. POINTS PERTAINING TO ACCOUNTING AND AUDIT

(1) Non-reconciliation of Accounts

31. The improvement attained by the Divisions etc. in the reconciliation of their accounts during the previous year was maintained during the year under report. If this exercise continues to be carried out as directed by the PAC, there will be a further improvement in the maintenance of Accounts and enforcement of accountability. However, instances of delays in reconciliation did recur occasionally and could be seen in paras 6, 22, 70, 90, 149, 188, 315, 369, 472, 610 and 632 of Annex/I.

(2) Dispute about Audit Figures

32. In a number of cases, *vide* paras 31,121,122,321,322, 371,474,475,476,502, 543, 611, 639, 1028 and 1032 of Annex I, the Divisions etc. contested the figures printed in the Appropriation Accounts. Such variations could and should have been resolved by the Divisions concerned before or latest after the printing of accounts, but before the Accounts came up for examination by the Committee, so that the Committee's precious time was not lost in discussing disputed figures.

(3) Excess due to belated adjustments

33. The Committee has been impressing upon the Divisions etc. the need for prompt adjustment of expenditure by the offices concerned as well as the Audit. Regretfully, excesses amounting to Rs. 85, 837, 291 were attributed to belated adjustments of expenditure pertaining to the previous years. Such instances will be found in paras 30,33,114,115,543,645 and 831 of Annex I. Some cases of non-adjustment of expenditure or short-bookings by the Audit are mentioned in paras 14, 833 and 836 of Annex/I.

34. The Committee would, therefore, once again urge that an appropriate procedure be devised and the Secretaries, who are the Principal Accounting Officers, exercise a greater personal vigilance, assisted by their F.As., whereby expenditure, relating to a particular year, is adjusted during the same year.

(4) **Subsidy not Reflected in the Appropriation Accounts**

35. Until 1976, Urban Transport were being run by the Provincial Governments. Thereafter, at the request of the latter and in public interest, it was decided that these services should be financed, subsidised and operated upon by the Federal Government. The Committee was informed that the Urban Road Transport Corporation, formed, in consequence, had become losing concerns and the Federal Government had to subsidise each of them to the extent of about Rs. three crore. This subsidy was not found reflected in the Appropriation Accounts. (Para 538/ Annex I).

(5) **Audit of Incorporated Bodies**

36. Para 2 of the notification of August 25, 1982, which defined the functions of the PAC, did not specifically mention the audit of 'companies' therein. The Audit and Accounts Order, 1973 also, *inter alia*, only laid down that it shall be the duty of the Auditor-General to audit the accounts of all the organisations, set up by the Government. As such, the Ministries etc. did not feel bound to recognise the jurisdiction of the Auditor-General over the accounts of the Companies in which Government had a financial interest. As a share holder in such companies, Government were no doubt entitled to ask for the balance sheets thereof and, where they had a majority share, could even commission their own Auditors to audit the accounts. But, despite the undesirable need for public accountability, its enforcement in autonomous bodies had to be in a manner so as not to jeopardise the basis for their installation, namely to enable them to function without the shackling effects of Government departmental rules and regulations etc.

37. It seemed, however, essential that the accountability of autonomous bodies and public sector enterprises, including the companies in which Government have a financial interest, and the role of Government Audit therein as well as the extent of jurisdiction of the Auditor-General in respect of their audit is settled soon. (Paras 804—13/Annex I).

(6) Delay in compilation or late submission of Accounts

38. The Committee was concerned to know that a number of statutory authorities, Government-owned companies and other commercial ventures refrained from submitting their financial statements to the Auditor-General, for commercial audit. These included the Security Printing Corporation of Pakistan, Central Publications Branch, Deputy Controller, Stationery and Forms, National Book Foundation, Port Qasim Authority, Lighthouse and Lightships, National Logistic Cell, Pakistan PVC Ltd. and the Kurram Chemical Co. Ltd., etc. *vide* paras 40, 41, 42, 139, 550, 552, 616, 855 and 869/Annex I. Late submission of Accounts by many such bodies had also been coming to the notice of the *Ad hoc* PAC in earlier years. All the defaulting organisations should, be directed by the Government to submit their Accounts in arrears to Audit by 31st December, 1983 and those for 1982-83 by the dates set in the laws, constituting those bodies. Where no provision for the preparation of accounts and submission thereof to the Auditor-General by a set date may be existing in the concerned enactments, the same be provided therein now.

(7) Foreign Currency Loans Accounting System

39. The *Ad hoc* PAC had, for quite sometime, been emphasising upon the Ministries concerned the need to streamline the procedure for timely accounting of foreign loans and aid. This, unfortunately, could not be accomplished so far. In one case, the prospective aid or grant from Netherlands was diverted by the latter to another country, because the accounts of the previous aid were not furnished to the concerned authorities in Netherlands, the donor country, in time. It was found that, while the instructions laid down in the booklet on the subject, were not being adhered to meticulously, the booklet itself was ambiguous in defining exact responsibilities for the maintenance of these accounts.

40. The Economic Affairs Division were, therefore, asked to set up a Committee, consisting of representatives of Economic Affairs and Finance Divisions and the Auditor-General immediately to go into this matter and evolve clear cut procedures.

Mr. Yusuf Bhai Mian, Member, was also to be associated with the deliberations of this Committee, as and when needed. (Paras 796-97, Annex I).

(8) Simplification, Classifications and Sub-classifications of Accounts

41. It was being realised for sometime that the existing classifications and sub-classifications of Accounts were not being found conducive to good accounting. The Committee, therefore, requested the Auditor-General to review the position with a view to seeing as to how could the Accounts be simplified and improved upon further. The Finance Division have to play a more active role in this than hitherto. The various classifications and sub-classifications of Accounts should also be reviewed, to rationalise the same. (Para 798/Annex I).

(9) Suspense Account

42. The State Bank of Pakistan had raised a debit of Rs. 199 crore, which remained unaccounted for by the Accountant-General, Pakistan Revenues in his Books and was found appearing under 'Suspense Account' as uncleared. It is recommended that the Auditor-General should come up with his suggestions for liquidating the said Suspense Account, or making suitable adjustments etc. therein. (Para 799/Annex I).

II. DEFECTS OR IRREGULARITIES IN FINANCIAL MANAGEMENT

(1) Poor Standard of Budget Estimation

43. Despite repeated cautioning, a deterioration in the standard of budgeting continued and was noticeable in the Accounts under review. In a large number of cases, actual receipts and expenditure for the year varied widely from the original estimates. In many instances, supplementary grants were found to be wholly or partially unnecessary. These were clear pointers to the facts that the estimates of Ministries etc. as to their expenditure during a year were considerably under-or-over-estimated and

that up-to-date figures of expenditure and the anticipated requirements during the year were not always closely reconciled before asking for supplementary grants. It was also noticed that the Financial Advisers, attached to the Divisions and Ministries, did not play such an active and vigilant role as expected of them.

(2) Excesses in Expenditure beyond Sanctioned Allocations

44. As pointed out by the Auditor-General in para 5 of Chapter I of his Report (Civil), expenditure in excess of Grants or Appropriation continued to be incurred by various Ministries and Divisions.

45. Expenditure, totalling Rs. 1,374,154,278, in excess of the Final Grants or Final Appropriations and requiring regularization under the Budgetary Provision Order, 1978 was incurred during 1979-80. The excesses during the previous year amounted to only Rs. 825,630,378 only. The detailed list could be seen in the statement Nos. 4 and 5 at Annex II.

46. Some instances of excesses over the sanctioned allocations have been discussed in paras 150,152, 189, 192, 1028, 1032 and 1036 of Annex I.

47. The Committee wishes to register its deep concern over this state of affairs and to emphasise that control over expenditure is an important duty of the Secretary of a Ministry, by virtue of his being the Principal Accounting Officer and who has also been provided full-time Finance and Accounts Officer to assist him. It is very necessary that the Ministries/Divisions always keep in view the funds placed at their disposal and strictly watch the flow of actual expenditure. Timely requests for supplementary funds should be made only if needed and no excess over the budget provision permitted, unless a supplementary grant therefor has been obtained.

48. As pointed out by the *Ad hoc* PAC earlier, one reason for this situation could be that those indulging in financial indiscipline had been mostly getting away with it. The Committee would

once again recommend that Government give a serious consideration to curb this tendency and devise suitable measures, so as to put all those concerned strictly on guard against this irregularity. The Committee would also urge that an expeditious action be taken on the recommendation made in para 44—page 13 of the *Ad hoc* PAC's Report on the 1978-79 Accounts.

(3) Successive Savings

49. The Auditor-General has cited 23 instances in para 3(iii) of Chapter I of his Report (Civil), in which substantial savings had been occurring in the last three successive years. Some of them related to the Cabinet, Establishment, Economic Affairs and Finance Divisions, the CMLA's Secretariat and the Ministries of Communications, Defence, Education, Industries and Foreign Affairs. A few other instances of excessive saving could be seen in paras 15 and 322/Annex I.

(4) Suggested procedure for obtaining Supplementary Grants in future

50. It was found that under grant No. 64, controlled by the Ministry of Health and Social Welfare, there was a gross saving of Rs. 1,734,131, including the economy cut and surrender of Rs. 1,641,600. Notwithstanding this huge saving, the department obtained a supplementary grant of Rs. 597,000 which proved to be wholly un-necessary. After considering carefully the need for improved processing of assessments for supplementary grants, the Committee recommends that :—

(1) Whenever, any Ministry etc., ask for a supplementary grant, they should be required to furnish a certificate from the Principal Accounting Officer to the effect that he had satisfied himself about the inescapable necessity of the said supplementary grant. The position should also be reviewed at the time of submission of the Schedule of Supplementary demand to the Ministry of Finance.

(2) Whenever a budget or post-budget economy-cut is imposed on any sanctioned allocation during a financial year, and the need for a supplementary grant arises and is also agreed upon by the Ministry of Finance, the additional fund should, to the extent of the cut be, in the first instance, provided through a whole or part restoration of the economy cut and not a separate supplementary grant, as was being done at present.

(5) Non-Surrender of Savings

51. The Committee noted with regret that, in some cases where savings were apparent and the department could easily anticipate that they could not fully utilise all the allocations during the year, the savings were not surrendered till the last day of the financial year. Similarly, even in the face of available large savings, surplus funds in many cases were not surrendered in time, so that they could be considered for utilization where needed urgently. Paras 24, 93, 94, 108, 121, 271, 541, 545, 548, 826, 837, 1032, 1036 and 1037 etc., are instances of this nature in point.

(6) Omission to include Supplementary Grants in the Book of Supplementary Demands/Supplementary Grant not obtained/ granted without request

52. The *Ad hoc* PAC, in its Report for the preceding year, had cited cases of a serious omission, namely non-inclusion of sanctioned Supplementary Grants in the Book of Supplementary Demands, and recommended that the administrative Ministry and the Ministry of Finance should take due care to obviate the recurrence of this omission in the future. The Committee was, therefore, justifiably surprised to see the recurrence of the self-same omission in quite a few cases during 1979-80 as well.

53. Cases also came to the notice of the Committee where a supplementary grant was either not obtained at all, so as to regularise the excess expenditure, or as in the case of the Department of Archaeology and Museums, the same was granted without

even a request having been made for it (*vide* para 321). Paras 190, 480, 532 and 1033 of Annex I are relevant in this context. Strict instructions needs be issued to all concerned to prevent the recurrence of these grave lapses.

(7) Unwarranted Supplementary grant

54. Despite a saving of Rs. 13 million having accrued under grant No. 62, the Ministry of Foreign Affairs obtained a supplementary grant of Rs. 797,000, which was wholly unnecessary. According to the department, the supplementary grant was intended to meet the expenditure relating to Entertainment Fund for officers in the Embassy of Pakistan at Washington D.C. (Rs. 297,000) and purchase of furniture etc. for the newly purchased chancery building of the Embassy at Jeddah (Rs. 500,000). The Committee considered this to be a serious irregularity, meriting suitable action by the Ministry against those responsible for it. (Para 1030/Annex I).

(8) Injudicious surrenders

55. Cases came to the notice of the Committee, *vide* paras 153, 483, 524 and 527 of Annex I, where funds were surrendered as anticipated savings although, in actual fact, there was an excess under the grants concerned and the surplus funds should have been utilised to regularise the excess by reappropriation. This reflected a lack of proper vigilance by the Departmental Accounting Officers concerned at the time of surrender of savings and should be brought to the notice of the Principal Accounting Officers for future guidance.

(9) Expenditure incurred on items not provided for in the Budget

56. (i) In a case of Women's Division, a discrepancy came to notice between the recorded purpose of the budgeted provision and the actual use made of that provision. It needed to be examined, for suitable action, whether any regularisation action was called therefor. (Paras 17-18/Annex I).

(ii) During 1977-78, out of Rs. 2 million, approximately Rs. 100,000 was spent, initially, on a documentary film about the Silk Route, but the project was discontinued later and the rest of the money was spent on purposes other than those for which the grant was allocated. This expenditure still needed to be regularised with the Government approval. (Para 364/Annex I).

(iii) The Intelligence Bureau incurred an expenditure on the purchase of vehicles, for which provision did not exist in the originally sanctioned Budget. This called for a regularisation. (Paras 26-27/Annex I).

Purpose of grant not specified in the budget

57. (iv) A provision of Rs. 827,394,000 against the Function Head "579-Others" under grant No. 78, relating to "Other Expenditure of Ministry of Industries" was made, but the purpose for which this provision was meant was not clear (Para 195, 1283). This should be taken note of by the Ministry of Finance, as the provision of such large amounts in the Budget, without clearly specified purposes therefor, was susceptible to misuse.

III. CASES OF SERIOUS IRREGULARITIES

58. A few of the cases of serious irregularities, which came to the notice of the Committee during the examination of the Accounts for 1979-80, are cited below :—

(1) Non-availability of records

59. A disturbing feature of some of the cases was the total non-availability of vital information, including their original records. A few instance of this nature may be seen in paras 449, 562, 563 and 956 of Annex I. The Committee would recommend that serious notice must be taken of all such cases by the Ministries and any deliberate acts of omission and commission, which brought about this situation, must be dealt with most severely.

(2) Irregular drawal and retention of money outside Government Accounts and loss of interest.

60. In January, 1978, a sum of Rs. 42 million was placed by the Punjab Agriculture Department at the disposal of the

Federal Department of Supply for procuring pesticides. The purchase contracts, issued during February tc June, 1978, required an adjustment of expenditure between the two departments by book transfer. The Audit Office, accordingly, passed on the debits for adjustment to the Accounts Officer concerned through monthly accounts. Meanwhile, the Department of Supply drew the entire amount of Rs. 42,546,000 in cash from the State Bank on the 27th June, 1978, and deposited it in two local Banks. The amount was, initially, kept in current account and then under fixed deposit, on which an interest of Rs. 3,221,015 was earned upto the 6th May, 1979. The total amount of Rs. 45,767,015 (Principal *plus* interest) was credited back to the Government on 8th May, 1979. The case, thus, involved serious irregularities and was brought home to the department. The Committee left it to the concerned Ministry to take appropriate action against those responsible for violating the rules (Para 204/Annex I)

(3) **Maintaining Current Account in private Banks**

61. It was noted that a sum of Rs. 8,691,981 was kept by the National Book Foundation in current Account with a bank during 1978-79 without earning any profit or interest thereon. As such a large amount could not be spent all at once, it was logical that the sum should have been so deposited that it earned the maximum possible profit from the Bank. The circumstances in which the above-said amount was placed in a current and not profit earning account needed to be looked into and the propriety of such transaction also scrutinised. (Para 136/Annex I).

(4) **Irregularities in expenditure from grants-in-aid**

62. Audit had pointed out, in para 78—page 59 of Audit Report (Civil), that the following common irregularities, committed from time to time by 19 autonomous organisations, which received grants-in-aid from the Government :

(a) Expenditure in some cases was incurred without the sanction of the competent authority.

(b) Service conditions of the employees were not regulated by any rules in some cases.

(c) Tenders were not called for, to ascertain the lowest market rates.

(d) Un-utilised grants were not surrendered at the close of the financial years.

(e) Grants were not utilised for their sanctioned purposes.

(f) Separate accounts were not maintained for Grants-in-Aid.

(g) Lavish expenditure on personal entertainment journeys, repairs, etc., was a regular feature.

63. The Committee was made to understand that, some allocations, made to the Culture, Sports and Youth Affairs Division for specified purposes, but which could not be spent thereon, were reappropriated by the Executive Body of an autonomous Organisation for other items, not mentioned in the approved allocations. As the authority to spend from the statutory appropriations was limited to the purposes and amounts prescribed therefor, the Board could apparently not utilize the same for any other purpose without a revised allocation by the Government. It is, therefore, recommended that the correct position be clarified by the Ministry of Finance to all the grants-in-aid receiving organisations, so that they refrained from committing such an irregularity through any misunderstanding. (Paras 72, 324/ Annex I).

64. In the case cited in para 1287/Annex I, the very purpose of the grant-in-aid was not specified. This is an omission, which should be guarded against by the concerned Ministries in future.

IV. LOSSES TO GOVERNMENT

65. The Committee came across numerous instances of major and minor financial losses, suffered by the Government for diverse reasons during 1979-80 and discussed in detail in the proceedings at Annex I. These losses could be attributed to, among others, infructuous expenditure, risk purchase, non-

acceptance of favourable offers, in-admissible payments etc., and are dealt with below :

(1) Loss of Rs. 6,156,250 due to imprudent amendment in the agreement for export of rice

66. Having regard to the circumstances of the case, the Committee thought that litigation should be avoided, as far as possible (Para 160/Annex I).

(2) Loss of Rs. 2,104,679 on account of damage to rice

67. The department conceded that, in fact, there was a loss of 243 metric tons, worth Rs. 200,000, in the handling of 7,364 metric tons of rice on open kutcha ground. The loss was claimed to be small if seen in the context of the magnitude of storage and handling arrangements at the Qasim Rice Godowns. The matter, however, needed a further verification and corrective action. (Para 163/Annex I).

Irregular drawal of pay for un-recruited 'Khassadars' amounting to Rs. 2,036,252 and embezzlement of Rs. 319,679

68. The office of Political Agent, Mohmand Agency drew Rs. 2,036,252 on account of pay for Khassadars for the period from July, 1974 to March, 1979, even though they were not recruited till March, 1979. The amount was shown in the cash book as paid, but was actually not spent. Rs. 923,264 therefrom were deposited in un-authorised private accounts with commercial banks, Rs. 729,200 was placed in the personal ledger account and the balance of Rs. 383,788 remained un-accounted for. Subsequently, a sum of Rs. 1,716,573 was refunded into Government account in three instalments, leaving a balance of Rs. 319,679, which constituted a loss to the Government. The *ex*-cashier, responsible for the embezzlement, was dismissed in September, 1979. (Para 1240/Annex I).

Infructuous expenditure of Rs. 4,663,478 on shingle Road

69. The Construction of a 25-mile long shingle road was started by the B & R Division, Bajur in March, 1974 at an estimated cost of Rs. 9,932,000. After the completion of only

5-1/2 miles of the track, costing Rs. 4,663,478 till June, 1978, the work was abandoned due to an unforeseen political situation in the area and the expenditure thus incurred became infructuous. (Para 1236/Annex I)

(3) Infructuous expenditure on plots for storage godown (Rs. 179,539)

70. In 1975, the Cotton Export Corporation purchased two plots at a cost of Rs. 60,000 in Multan for the construction of godowns. After incurring an expenditure of Rs. 154,539 on construction and Rs. 25,000 as Consultant's charges, the Corporation realised that the waste water of an adjacent mill was flowing along the boundary wall of these plots. The site was hence found to be unsuitable for the construction of godowns and the Corporation had to abandon the said plots and purchase plots elsewhere. The amount of Rs. 179,539, paid to the Contractor and Consultants, was thus rendered infructuous.

71. The Committee felt that the pace of developing cotton storage capacity was still slow. Its stepping up would be strongly justified, as—

(i) heavy losses were being caused by weather and fire ;

(ii) insurance premia could be reduced considerably with good storage ; and

(iii) alternative uses of the storage capacity, thus created, could be made during the off-period. (Paras 166—71/Annex I).

(4) Losses by accepting higher rate (Rs. 1,531,050) and waving liquidated damages (Rs. 750,095)

72. A number of quotations were received against a tender inquiry, advertised in May, 1972 by a purchase department, for the supply of 46,000 bales, each bale containing 300 gunny bags. Two of the bids were for imported bags, at Rs. 945.07 and Rs. 843 per 100 bags, respectively. Initially, the Purchase Department wanted to accept the higher offer, mainly because of the bidder's reputation for reliability but, ultimately, they

decided to purchase 5,000 imported gunny bags from one party @ Rs. 945.07 and 2,000 from the other @ Rs. 843 per 100 bags. Contracts were issued for the said supplies to take place by the 31st August, 1972. The reason for purchasing the major quantity at a higher rate was, however, not clear.

73. Both the contracts were cancelled, unilaterally, after a few days of issue, without assigning any reason and consulting the Finance and Law Divisions. Subsequently, on legal advice the same contracts were restored hurriedly, after six days, without even reaching any understanding with the contractors that they would not claim any damages for the temporary cancellation of the contracts. The firms failed to supply the stores within the stipulated delivery dates. A sum of Rs. 752,095 (Rs. 549,775 + Rs. 202,320) was calculated to be the liquidated damages against them as per contracts, but the firms came up with counter-claims on account of the temporary cancellation of the contracts. The Department, thereupon, waived the entire claim of liquidated damages. The above-said hasty cancellation of the contracts, without considering all its legal and financial implications, resulted in a loss of Rs. 752,095 to the Government.

74. This case of serious irregularity called for the institution of an inquiry into the matter. (Paras 207—12/Annex I).

(5) Losses due to non-acceptance of lowest tender

75. In a case of the Industries Division, Government had to sustain a loss of Rs. 70,687 due to non-acceptance of the lowest tender. The Committee was not satisfied with the departmental explanation and felt that the loss, resulting from irregularities in the purchase, was avoidable and called for action against those responsible for it. (Paras 217—20/Annex I).

76. In another case of the same Division, Government was put to a loss due to the waiver of the amount of risk purchase. Since the department had adduced an explanation for the above in their compliance report, different from the one given in reply

to the Audit Para, the Committee directed the departmental representative to go into the issue again and submit a full report to the Audit. (Paras 252—56/Annex I).

77. In yet another case, pertaining to the Works Division, a similar irregularity of non-acceptance of the lowest bid led to a loss of Rs. 245,475 to Government. The departmental representative could not convince the Committee that acceptance of the second lowest tender, in preference to the lowest one, was justified. (Paras 278—80/Annex I).

78. The same Division, in another instance, called for bids for a work thrice and it was only on the last occasion that the tender was awarded to the lowest bidder, but at 75% above the scheduled rates, involving an extra payment of Rs. 99,865 to the contractor. (Paras 287—90/Annex I).

(6) Loss of Rs. 973,239 due to failure of a Project for the study of Film Art

79. The NAFDEC had set up a project, called "The Pakistan Institute for the Study of Film Art.", which sustained a loss of Rs. 973,239 during the period August, 1975 to January, 1979 in its operation. The project had, therefore, to be discontinued in January, 1979. (Para 327-28/Annex I).

(7) Non-recovery of advance from a Film Distributor (Rs. 37,331)

80. An advance of Rs. 50,000, adjustable against his 80% share of profit, was given to a Distributor, of which Rs. 37,331 was still recoverable from him, when he left the country.

81. The Committee recommends that the practice, followed in the U.S.A. by way of incentive, to disburse to the staff a percentage of the amount of such debts, if recovered by them, should be considered for adoption here also. (Paras 332-33/Annex I).

(8) Non-recovery of Government Claims/Dues/Advances etc.

82. There were innumberable instances in which government claims, dues or advances, could not be recovered as yet, entailing heavy losses to Government. Some such instances may

be seen in paras 281, 332, 334, 340, 505, 564, 586, 648, 959, 1047, 1053, 1055, 1066, 1069 and 1073/Annex I.

V. COMMERCIAL ACCOUNTS

(1) PIDC Head Office

83. According to Audit, the accumulated losses on four units namely the Talpur Textile Mills, Bannu Sugar Mills, Larkana Sugar Mills and General Refractories, upto the 30th June, 1979 amounted to Rs. 142.128 million against an investment of only Rs. 95.375 million. These units were obviously running mainly on advances, amounting to Rs. 107.410 million, either from the PIDC or commercial banks. Their investment, current account balance with the PIDC (HQ) and the accumulated losses sustained by the projects upto the 30th June, 1979, are tabulated in Para 430/Annex I).

84. Practically, the entire accumulated losses of the Talpur Textile Mills, *viz.* Rs. 20.042 million, are likely to be borne by the PIDC, as their Associates, namely the Fateh Textile Mills, who had an equity of Rs. 2.55 million, owed to the Project an amount of Rs. 1.075 million as trade debtors, leaving a balance of Rs. 1.475 million in equity. They were almost sleeping partners and may not be agreeable to shoulder any responsibility for the losses or the bank loan of Rs. 5.373 million, obtained by the PIDC by pledging the shares of Zeal Pak Cement Limited and hypothecation of the stock and works-in-progress of the project. The stock and works-in-progress on the 30th June, 1979 totalled Rs. 202,913.

85. It was explained that it would be premature for the Corporation to take over the liability of the accumulated losses of the Talpur Textile Mills, on the basis of 50:50, as the final fate of the Mills had yet to be determined. This matter has to be considered, separately, against the background of litigation still going on with the Fateh Textile Mills. (Paras 430—33/ Annex I).

(2) **Printing Corporation of Pakistan Limited**

86. The working results of the Corporation showed a gross operating loss of Rs. 7.75 million during 1977-78 as against a profit of Rs. 49 million during the previous year. The losses were ascribed to decrease in work and abnormal increase of about 52% in the operating expenses. It was understood that the Federal Inspection Commission had conducted a detailed inquiry into the working of the Corporation and their Report was under submission to the President. (Para 48/Annex).

(3) **Utility Stores Corporation Limited**

87. The Corporation had sustained a net loss of Rs. 23.09 million during the year under Report as against Rs. 22.609 million during the previous year. The losses could be attributed to abnormal fall in sales, fixing of selling prices with insufficient margin of profit to cover overheads and a greater pilferage of stores. The year under review was the worst in the history of the Corporation, due primarily to lack of capital, eroded by accumulated losses, extremely low percentage of gross profit and high overheads. The Committee was informed that the losses had been reduced from Rs. 23 million to Rs. 3 million, which they were required to repay. The Corporation, which is a welfare organisation and has reportedly shown better working results now, would be well-advised to keep the administrative costs of their operations under further strict control. (Paras 224—28/Annex I).

(4) **Fazal Vegetable Ghee Mills Ltd.**

88. The Mills sustained a net loss of about Rs. 2,028,291 during the year under review, as against a net profit of Rs. 250,423 in the previous year. The loss, amounting to Rs. 878,517, was attributed by the Audit to excessive process losses, resulting from fraudulent mixing of water with oil supplies. An investigation in the matter established that a separate chamber had been fabricated inside the tanker, which contained water, and this

water got mixed with oil when the latter was transferred from the tanker to the tanks of the Mills, wherefrom oil was pumped into the Factory.

89. The Committee was surprised to learn that, though the matter was so serious, no departmental inquiry was held in respect of it. It is recommended that the matter be got inquired into by the department in detail, with a view to bringing out the full facts and finding out as to why the fraud could not be detected earlier and no departmental inquiry was instituted into it at all. (Paras 233—37/Annex I).

(5) Dargai Vegetable Oil Processing Industries

90. The Factory started its commercial production on 1st April, 1980 and suffered a net loss of Rs. 2,526,104 during the period ending 30th June, 1980, mainly due to payment of interest and high cost of transportation. It was understood that, to obviate interest, the Ghee Corporation was making out a case for investment in the units on equity basis. The Committee noted that the cost of conversion was high in three Ghee units *viz.*, Dargai, Bara and Haripur, and required remedial action. One of the solutions that should be considered is the re-structuring of the equity of these units at the earliest possible, and before they begin to go under for lack of equity and funds. Besides, whenever the new equity is determined, the same should be treated as such from the very beginning and interest on the additional amount considered as waived *ab-initio*. (Para 240—44/Annex I).

(6) Antibiotics (Private) Limited, Islamabad

91. The Committee was astonished to know that, despite the utilisation of 93% rated capacity, the enterprise had incurred a loss of Rs. 3,519,322. It was apparently due either to incorrect pricing by the Government or being non-competitive against international products because of higher cost of production. According to the departmental representative, there could be only two possible remedial measures, namely to operate the

plant on a no-profit-no-loss basis or distribute one half of its annual product, free of charge, to government Hospitals and the remaining half to the public.

92. In the Committee's view, the present situation was far from satisfactory and called for immediate decisions on the following, to make the unit commercially viable : –

(1) re-structuring the price of the product ;

(2) running the unit on a no-profit-no-loss basis and re-fixing prices on that basis ; and

(3) converting loans into equity to liquidate the accumulated arrears.

93. The Committee felt that, because of the difficult financial state of this unit, the Government have the choice either to shut down the Factory for good or fix a reasonable price for its products along with a financial restructuring of the Company, for taking care of the past losses. The Secretaries, Ministries of Production and Health and a representative of Finance Division should go immediately into these alternatives, to obviate further huge losses in this unit.

(7) **Kurram Chemical Co., Limited**

94. The Company sustained a net loss of Rs. 2.18 million during 1979-80, as compared to Rs. 1.89 million during the previous year, mainly due to under-utilization of capacity for turning out diverse items. This was mainly ascribed to a declining export market for the main product and severe and unhealthy competition in the pharmaceutical field.

95. In view of decline in the demand for the main product of the factory, the very future of the plant needed a careful re-planning by the administrative Ministry. However, there should be, given legitimately, an outright grant to the company from the Federal Chemical Corporation for Research and Development. (Paras 863—68/Annex I).

(8) **Ittehad Chemicals**

96. It was noted that there was a net loss of Rs. 5.586 million against a net profit of Rs. 7.064 million during the previous year. The loss was ascribed to increased cost of production and inadequate price fixation by the Controller General of Prices and Supplies. (Paras 874-75/Annex I).

(9) **National Film Development Corporation—Working results**

97. The National Film Development Corporation sustained a net loss of Rs. 1,003,830 during 1979-80 against a net profit of Rs. 785,058 during the year ending 30th June, 1979. The loss was attributed by the department mainly to (1) interest on the Habib Bank loans, amounting to Rs. 1,963,579, being charged to expenses for the first time and (2) an increased amount having been charged for depreciation in the year under review. (Paras 348—51/Annex I).

(10) **Harnai Woollen Mills**

98. It was found that the gross profits of this Mills came down by about 50% as compared to the previous year. The decrease in gross profits was attributed to higher cost of sales. The Mills were paying an interest of Rupees five million annually on their loans and had proposed a financial re-structuring, to meet the situation. This industry was established at a place in Baluchistan, where there was no power. To meet this requirement alone, the Mills needed a subsidy of about Rs. 2.5 million annually. An expansion of the project was in progress and its capacity had been increased previously also, yet they could not make any profit. The project may become viable if power could be made available to it at the normal rates.

99. The Committee came to the conclusion that a straight case of subsidy, in the shape of increased equity, might be made out to Government, on the grounds of poor location of the Mills and its social cost. A similar case for subsidy on account of non-availability of power at the normal rates could, if necessary, be made out for other units also, which may be similarly placed

in Baluchistan. There should, however, be no delusion that, by a mere restructuring, the Harnai Mills would become viable in the future. Such an unrealistic forecasting brings a bad name to the public Sector, in view of better performance of the Woollen Mills in the Private Sector. (Para 400—3/Annex I).

(11) Ittehad Pesticides, Kala Shah Kaku

100. The working results of this project for 1978-79 showed a profit of Rs. 1,649,124 as against Rs. 8,757,248 during the preceding year. After reviewing the working of the project, the Committee came to the conclusion that the possibility of merging the Ittehad Chemicals and the Ittehad Pesticides be explored, as they used to be sister-concerns before becoming public sector enterprises. (Paras 871—73/Annex I).

(12) Ravi Engineering Limited

101. The Company sustained a loss of Rs. 3,526,408 as compared to Rs. 4,202,557 during the previous year. Thus the accumulated losses of the Company, as on 30th June, 1979, went up to Rs. 8,699,421. The major factor, contributing to these losses, was said to be the heavy incidence of interest, as the paid-up capital was restricted only to Rs. 0.5 million as against the Authorised Capital of Rs. 10 million.

102. As to remedial measures for improving the situation, it was stated that the loan of Rs. 8 million of the Ravi Rayon Limited had been already converted into equity. In addition, a proposal for the financial re-structuring of the Company was under the consideration of ECC. An early decision in the matter appeared called for. (Para 881/Annex I).

(13) National Refinery Limited

103. The working results of the Company for the year 1979-80 showed that, as compared to these for 1978-79, increase in the gross profit was not commensurate with the increased sales. This was because of increase in the cost of crude oil from $ 18 per barrel on the 1st July, 1979 to $ 28 per barrel towards the end

of the year under review. The impact of higher debt servicing on the working Capital, between 1976 to 1980, also reportedly amounted to Rs. 105 million.

104. As a result of several representations by the Refinery about a review of the pricing policy or for retaining profits, to meet the requirements of increased Working Capital, a Pricing Committee was set up by the Government in October, 1980 to examine the profitability and liquidity problems of the NRL. The recommendations of the Committee, it was hoped, would receive due and prompt consideration of the Government. (Paras 919 –22/Annex I).

SUNDRY DEBTORS/TRADE DEBTORS

105. It would be observed from the statement given below that the list of Sundry Debtors, continued to be quite high as before :—

	Rs.
(1) Printing Corporation of Pakistan Ltd. (Para 54) ..	38,469,409
(2) Deputy Controller of Stationery and Forms (Para 57).	15,447,000
(3) National Book Foundation (Para 142)	5,501,220
(4) Harnai Woollen Mills Ltd. (Para 407)	13,619,111
(5) Pakistan National Shipping Corporation (Para 561) ..	83,172,000
(6) Ittehad Chemicals (Para 878)	12,470,303
(7) Ravi Engineering Ltd. (Para 885)	4,964,004
(8) Swat China Clay Project (Para 895)	321,622

106. The position of recoveries being far from satisfactory, all-out efforts were needed by the concerned organisations for the liquidation of arrears.

VI. GOVERNMENT TO TAKE EXPEDITIOUS DECISION

107. Many cases came to the notice of the Committee where expeditious decisions by the Government appeared called for. Some of these are cited below :—

(1) Reserve sale price of diplomatic cars

108. Under the rules, customs duty and sales tax are not to be added while fixing the reserve price for the sale of diplomatic cars. Normally, payment of customs duty and sales tax

should be the responsibility of the Department concerned with the sale of such cars. The Director General, Supply should, therefore include, in his reserve price, customs duty and sales tax on the diplomatic cars. If, however, there may be any rules, which admitted of a different interpretation, their amendment should be duly considered and the substitution of the words " if paid " in the existing rules by the words " wherever payable " examined urgently. (Para 216/Annex I).

(2) **Loan liability of National Film Development Corporation Ltd.**

109. It was observed that Rs. 5.34 million was lying in a bank in the name of NAFDEC, on which they were also getting some interest. At the same time, the Corporation were paying a much higher interest on the bank's loan. It seemed advisable that, if Rs. 5.34 million was surplus to the Corporation's requirements, it be used for re-paying the loan.

110. The Committee was given to understand that, before effecting the re-payment of the loan, completion of certain essential formalities required Government's decision. An early decision would be in the Government's interest, as delay therein would entail the payment of more interest to the bank (Para 352/Annex I).

(3) **Non-utilisation or irregular utilisation of sanctioned funds**

111. It was observed that a considerable portion of the sanctioned allocations were not being utilised by the Pakistan Tourism Development Corporation Limited. The Committee understood that the Division had taken cognizance of this lapse at the highest level and had, since, held a number of meetings with the Chairman, PTDC, to discuss this matter. On the other hand, large sums of money, provided for one purpose, were being spent on others. For example, Rs. 3,895,672, in excess of the Government grant for the purpose, had been spent till the end of 1978-79) on the maintenance of the Tourist Information Centre, PTDC.

112. This was an irregularity of a serious nature, which could be possible due to lack of financial supervision. The

Committee was informed that the PTDC's Financial Adviser's functions did not include a supervision or monitoring of the expenditure. He was there only to tender advice to the Ministry, whenever asked for.

113. Obviously, the Finance Secretary's letter dated 24th February, 1981 about the performance of their intended role by the Financial Advisers was not fully understood and being implemented by all concerned. Fresh instructions need to be issued by the Ministry of Finance, setting out, in unambiguous terms, the responsibilities and functions of the Financial Advisers. (Paras 383 –86/Annex I).

(4) Discharge of accountability functions

114. Audit had pointed out in the Report on Commercial Accounts that certain Holding Companies had declined to allow them to check their accounts. The Committee was informed that, at one stage, some of the Corporations declined to entertain Government Audit on the assumption that, having had their Accounts audited by Chartered Accountants as well as by professional Internal Auditors, there was no need for a third audit. However, the matter was further considered by the Ministry and the jurisdiction of the Commercial Audit was accepted.

115. The Committee was further informed that the question whether all the public enterprises should be subjected to audit by the Auditor-General, statutorily, is under the consideration of Government. After a decision is taken, approving the above proposition, all such Units will come under the statutory purview of the Auditor-General (Paras 949—51/Annex I).

(5) Expenditure on Afghan Refugees

116. The Committee learnt that Pakistan had taken the stand that expenditure from donations, received for assistance to refugees, should be subject to audit by the Audit organisation of the recipient country and not by the United Nations Audit teams. It is recommended that, in accordance with the practice

being followed in other countries, the Auditor-General should, in fulfilling his statutory responsibility, be allowed to undertake the audit of expenditure on the Afghan Refugees, before it is too late. (Para 28/Annex I).

(6) **Accounts of Holding Companies**

117. As proper scrutiny of expenditure from the public exchequer and a constant review of the ways in which it can be improved is the constitutional obligation of the Auditor-General, the Committee recommends that, like the accounts of Projects etc., those of the Holding Companies should also be submitted to the Auditor-General. Similarly, the public sector organisations, which might have so far declined to furnish their accounts to the Auditor-General, should be advised by the Government to make the same available to him for examination.

118. The Committee noted that the Accounts of State Life Insurance Corporation of Pakistan were not being presented to it, as the Corporation still did not want their accounts to be looked at by the Auditor-General. Not finding any reason for an exception in respect of the above Corporation, the Committee recommends that Government should direct the State Life Insurance Corporation to submit their Accounts to the Auditor-General for audit and, thereafter, the same be submitted to the PAC for its examination. (Paras 180-81/Annex I).

119. This recommendation should be equally applicable to the Security Printing Corporation, where no audit could be undertaken by the Auditor-General, as they were not allowed access to the records of the Corporation on the plea that the Corporation were an autonomous body.

(7) **Financial Re-Structuring of Dir Forest Project**

120. The Dir Forest Complex was estimated to cost Rs. 302.844 million. Against a direct capital expenditure of about Rs. 85 million as on 30th June, 1980, an indirect gross expenditure of Rs. 58 million, including gross interest charges

of Rs. 35.5 million, was incurred. It was essential that a financial re-structuring of the Project be effected, because this state of affairs had been going on for three to four years. It was also not clear whether the project had been incorporated as a Joint Stock Company. If it was intended to, ultimately, incorporate the Project as a Joint Stock Company, the proper thing would be to do so now and the Company's shares could be sold later on. It also appeared necessary that the question of equity or grant for this Project should be examined and decided upon without any loss of time, along with the question of Government share in it, but Government participation in the profits should be deferred till the other shareholders had been given a minimum pre-determined dividend. (Paras 415 –18/Annex I).

(8) **Talpur Textile Mills Limited**

121. The future fate of the Talpur Textile Mills Limited had not been decided upon by the Government as yet. The Committee recommends that the question of appointing a liquidator for the Mills, through the Court, should be considered, without any further loss of time. This appeared to be the only feasible way out in this case. (Paras 434 –37/Annex I).

(9) **Shahdadkot Textile Mills**

122. Shahdadkot Textile Mills was also one of the Projects in which a decision had yet to be taken whether or not the project should be disinvested. Once a decision is taken to disinvest the Mills, the department should go ahead with it and not keep sitting on it indefinitely. (Paras 440 –43/Annex I).

(10) **Disposal of assets of Sound and Light Project**

123. The PTDC started a Sound and Light Project in the Lahore Fort in 1971. Due to renovation work, carried out in the Fort by the Archaeology Department, some equipments of the project got damaged and the project was suspended indefinitely in August, 1975. Nevertheless, the Corporation continued to incur expenditure on the pay and allowances of the employees and on electricity and contingencies, which amounted

to Rs. 343,722 during the years 1975-76 to 1977-78. The assets of the project, costing about Rs. 2,337,000, were lying un-utilized and their condition was deteriorating. No physical verification thereof had been conducted in the recent years either.

124. The Committee would recommend that a final decision about the assets be taken expeditiously about the disposal of the assets, to avoid any further wasteful expenditure on it. (Paras 376–79/Annex I).

PART II

PERFORMANCE EVALUATION OF PUBLIC SECTOR ENTERPRISES

125. In pursuance of the Government decision dated September 2, 1977, the Auditor-General submitted to the PAC his Performance Evaluation Report, 1981 (Volumes I, II and III) relating, to the following Public Sector Enterprises, which were examined by the Committee on the dates mentioned against each in parenthesis : –

(1) **Ministry of Production**

Volume-I. –Swat China Clay Project, Mingora, Swat (25-1-1983).

–Nowshera DDT Factory, Nowshera. (25-1-1983).

–Bannu Sugar Mills, Bannu. (25-1-1983).

Volume-II.–Mustahkum Cement Ltd., Rawalpindi. (26-1-1983).

–Javedan Cement Ltd., Karachi (26-1-1983).

–Gharibwal Cement Ltd., Lahore (26-1-1983).

Volume-III. –Karachi Pipe Mills, Karachi (25-1-1983).

–Quality Steel Mills Ltd., Karachi (25-1-1983).

(2) **Ministry of Communications**

Volume-III. –Karachi Shipyard & Engineering Works Ltd., Karachi (26-1-1983).

Under-Utilisation of rated capacity

126. The Committee noted with concern that, in the cases of Nowshera DDT Factory, Bannu Sugar Mills and the Karachi Pipe Mills, production, for various reasons, was never achieved at the rated capacities, as discussed in paras 898, 962 and 977, of Annex I.

SWAT CHINA CLAY PROJECT

127. A Scheme for the development and utilization of Swat China Clay, based on a study carried out by the Japan Consulting Institute, which stated that "first grade clay to be produced from Swat China clay was as good in quality as the world's first grade China clay", was approved by the Government. There was an explicit assumption that 46% of china clay, produced by it, would be used by the Swat Ceramics Complex, the latter also to be set up as a part of an integrated scheme. Contrary to expectations, the Ceramic Complex did not use that clay during the last five years of its operations on the ground that it was unsuitable for the manufacture of sanitaryware. This caused a serious set-back to the Clay Project.

128. Government should, therefore, hold an inquiry to determine as to what went wrong with the original report of the consultants about the suitability of Swat Clay for this factory. Either the consultants were not fully seized of the problem or the samples provided to them were not correct.

129. The project appeared over-staffed and steps need to be taken to correct the situation. It was also noted that the project had, of late, been successful in finding alternative buyers, which had led to nominal profits during 1981 to 1982. A financial restructuring of the project appeared, however, to be necessary because of the heavy losses incurred during the first five years of operations. (Paras 888 –898/Annex I).

NOWSHERA DDT FACTORY

130. The first year of commercial operations of the Factory yielded a net profit of Rs. 3.82 million. There was a steep decline in the operating profits thereafter. The range of yearly decrease during 1975–79 was 85% to 140%. The Factory sustained an operating loss of over Rs. 1.5 million during 1978-79, the main causative factors therefor being high cost of production and low sales. In view of the decision to dis-continue the use of DDT in the Malaria Control Programme, the demand for DDT had gone down to be almost nil. The Committee noted that the management of the Factory was conscious of the need for diversification etc., and efforts were being made by them to devise ways and means for an alternative utilization of the Plant and personnel etc. The Factory was, for the present, reportedly engaged only in allum production. It was also reported to the Committee that, in the meantime, a new Company, Nowshera P.V.C. Co. (Private) Ltd., had been formed to produce PVC pipes for sale to WAPDA, for the Mardan SCARP Project. This will absorb a part of the idle labour. The Committee would like to see the future plans for the Nowshera DDT Factory and the progress of disposal of the DDT Stock. (Para 903/Annex I).

THE BANNU SUGAR MILLS

131. This Unit has been a losing concern since it became operational in 1965 and the accumulated losses on June 30, 1980 totalled over Rs. 103 million, as against an equity of Rs. 68 million. The equity thus stood completely wiped out and the Unit became entirely dependent on debts, amounting to Rs. 61.6 million on June 30, 1980. This also entailed annual financial charges of Rs. 7.8 million.

132. As for the working results of the Company, the Committee was informed that there was a profit of Rs. 21,000,000 in the previous year. However, losses totalled about Rs. 12 crore, and were stated to have come down to about Rs. 9 crore. It was stated that about 50 lakh tons of sugar-cane were crushed

last year and it was expected that, despite draught conditions in the area, 45 lakhs tons would be crushed during 1983. According to an exercise carried out by the Ministry of Finance, a gross profit of about Rs. 2 crore and a net profit of Rs. 74 lakhs could be expected this year, after allowing for the payment of interest to the bank and other expenses.

133. As the Mills appeared to be capable of earning an annual profit of Rs. two crore, it would be justifiable, to sustain the project, that their equity be increased to Rs. 5 crore. In that case, the accumulated interest of Rs. 30 million should be converted into a subordinate non-accrual, non-interest-bearing loan. (Paras 961 –71/Annex I).

MUSTEHKAM CEMENT LIMITED, RAWALPINDI

134. This unit was incorporated in 1954 as a public limited company under the name of Pakistan Cement Industries Limited. Its control was taken over by the Federal Government on January 2, 1972. Its installed capacity was originally 360,000 tons per annum, which was increased to 660,000 tons in 1981.

135. The company's performance, since the take-over, was quite satisfactory. Production capacity was being utilized in full. It had earned a net profit of Rs. 27.13 million during the period from January 2, 1972 to June 30, 1979. No capital formation had, however, not taken place for further renovation and replacement of the plant because of a liberal dividend policy, heavy excise duty and development surcharge payments.

136. Heavy liabilities of excise duty and development surcharge, levied by the Government on cement, were discussed at length by the Committee. It appeared that Government would need to frame a new cement pricing policy after the entry of private sector into the cement industry. The new policy would need to cater to the high cost of production at new plants as compared to the older ones. While discussing the policy of charging depreciation to the operations, the Committee recommended that a uniform policy for all the cement factories of the

State Cement Corporation be adopted. It was desirable that a position paper of foreign loans, allocated to different cement units, including interest, be prepared, for the consideration of the Committee. (Paras 929—36/Annex I).

JAVEDAN CEMENT LIMITED, KARACHI

137. The unit, incorporated in 1961 as a public limited company under the name of Valika Cement Ltd., was taken over by Government on January 2, 1972. The company's performance improved from a net loss of Rs. 7.87 million in 1976-77 to a profit before tax of Rs. 9.59 million in 1977-78. This was possible because of increased production and relief from payment of development surcharge to the holding Corporation. Profitability again decreased to Rs. 4.10 million in 1978-79 due to increase in the cost of production and re-imposition of development surcharge by the State Cement Corporation of Pakistan (SCCP).

138. The Committee was of the view that the policy seemed to be discriminatory in the matter of compulsory withdrawals, like price differential and development surcharge and export of Javedan's Cement by the SCCP. The company's financial position was weakened without safeguarding the interest of the minority shareholders. Rs. 66 million were paid to the company at a later stage as subsidy, but it was not accepted as a counter-balancing factor. The evaluation report pointed out that 11,840 tons of clinker, valued at Rs. 2.50 million, had been contaminated and lost. The Committee had called for a report about the matter.

GHARIB WAL CEMENT LIMITED, LAHORE

139. The unit, incorporated in 1960 as a public limited company under the name of Ismail Cement Industries Ltd., was taken over in January, 1972. The company's performance since the take-over had improved steadily. Accumulated losses had been made up. Utilization of production capacity had improved to 98% from 44% in 1971-72. There were withdrawals, however, by the holding corporation, which had deprived the unit of funds for major repairs and renovation.

140. The policy regarding depreciation charges was discussed at length. The Committee feels that a uniform policy should be adopted for all the cement units. It also noticed that the company was charging a lesser depreciation on plant and machinery in its books than that shown in the income tax returns.

141. The factory's rope-way system, for the transport of lime-stone from the quarry, was malfunctioning due to which an alternative transport mode was used. This entailed an extra expenditure of Rs. 4.89 million annually. The issue was considered to be serious for this project and the Committee has asked for a paper on the subject from the Ministry. (Paras 1005—19/Annex I).

KARACHI SHIPYARD AND ENGINEERING WORKS LIMITED (KS&EW)

(i) Shipbuilding Division

142. The marketing problem of the Ship Building Division had now surfaced to be the number one problem of KS&EW. The Company, previously, had received some major orders from Iran and China, which had since been completed. In their report to the shareholders for 1980-81, the Directors had pointed out that, for an economical utilization of the Shipbuilding capacity, adequate orders have to be obtained at least two years in advance of the scheduled deliveries. On this basis, the prospects for Shipbuilding Division seemed to be rather bleak. There were no signs of the PNSC placing any further orders on the KS&EW and the Government's decision, to keep the Shipbuilding capacity of the KS&EW fully utilised, was also not being fully implemented.

(ii) Shiprepairs Division

143. As far as the Shiprepairs Division of the KS&EW is concerned, foreign ships avoided going in for repairs at the KS&EW, because the charges therefor were said to be exhorbitant as compared to those of other neighbouring stations like Colombo,

Singapore and Hongkong. This was mainly due to a substantial portion of the overhead expenses (300% of direct labour costs) being included in the cost of Sales of this Division. Otherwise, the repair charges of the KS&EW would have been equally competitive.

(iii) **General Engineering Division**

144. The work of the General Engineering Division remained constant over the years but, as direct costs almost doubled, the Division could make only a little lesser contribution to the Project and found it difficult to compete successfully against local companies, which had smaller overhead expenses.

145. After hearing the representative of the Ministry and the Shipyard, the Committee came inevitably to the conclusion that the KS&EW were faced with a grave situation, as they had hardly any orders worth the name for shipbuilding at present. Government must, therefore, take note of this, for immediate remedial measures, because shipbuilding formed about 40% of the total capacity of the Shipyard. They should consider to review their policy, so as to provide the maximum possible work to the Shipyard, to enable them to cut down their losses and prevent the same from accumulating. Some suitable measures, suggested by the KS&EW for Government's consideration and which are endorsed by the Committee, are :—

(a) Subsidy should also be allowed on smaller vessels, which may be required for the Gulf area.

(b) Only 2 per cent interest should be charged on loans to the KS&EW, as was being done in the case of Engineering Industries, viewing the activity of the KS&EW as an export-oriented one.

(c) Diversification of KS&EW's activities, like giving them work orders for the Gates of Sukkur and other Barrages, should receive priority.

(d) The PNSC should not be allowed to place any orders abroad for ships, without a prior "no objection" from the KS&EW. (Paras 1105/Annex I).

KARACHI PIPE MILLS LTD., KARACHI

146. The company was originally incorporated in 1953 as Hyesons Steel Mills Ltd. The Federal Government took it over in January, 1972 and it was currently under the control of the State Engineering Corporation. The company was in the business of producing and selling specification steel pipes of galvanized and black steel varieties.

147. The company was a losing enterprise prior to nationalization, and became successful subsequently. Its paid-up capital was Rs. 9.05 million as on June 30, 1979, fully-owned by the government. Its total equity was Rs. 21.93 millions on the same date, which was the result of accumulation of retained earnings. The total capital employed as on the same date was Rs. 105.67 million.

148. A comprehensive long-term scheme for the replacement of old pipe Mills No. 1 under BMR, with a total capital outlay of Rs. 12.8 million, was submitted for the approval of Government in December, 1980. On a single shift basis, the new plant will produce 7,000 tons of 15 to 35 mm dia pipes per annum against 2,300 tons produced by the existing mills. The feasibility report for the replacement of the old pipe Mills No. 1 had already been approved in December, 1981 and the necessary funds for it also allocated by the Government. (Paras 977—90/Annex I).

QUALITY STEEL WORKS LTD., KARACHI

149. The unit was originally registered in 1954 as a partnership concern under the name of " General Iron and Steel Works ." It was brought under Government control in 1972, and was currently a unit of the State Engineering Corporation. The company was very profitable upto 1978. Government then withdrew a previous instruction, under which public agencies were required to buy preferentially from public enterprises. The company's profitability declined subsequently.

150. The bulk of raw materials needed in production, about 85%, comprised steel billets and zinc. The company did not directly control their import, because it was mandatory

for it to book its orders through the TCP. The timings of imports and the quantities ordered for were liable to mal-adjustment. Purchases appeared at times to be made when international prices were at their peak. The TCP also charged 5% indenting charges on its purchases, which led to an extra cost of about Rs. 3.5 million per year on the purchase of 14,000 tons of billets.

151. The company could save on indenting charges of the TCP and, possibly, improve its profitability if it could be enabled to import raw materials directly. Another constraint was the abnormal delay in payment for the supplies made to WAPDA. The company's liquidity could improve considerably if WAPDA would agree to pay 50% advance against purchase orders and also streamline their payment procedures, so that dues on not more than one month's sales remained outstanding. QSW could thereby expect to save interest charges of Rs. 2.5 million to Rs. 3 million annually on the present level of its sales to WAPDA. (Para 999/Annex I).

PART III

MISCELLANEOUS

(1) Appearance of Provincial representative before the PAC

152. The Governor, N.W.F.P. has been exercising authority over the Federally Administered Tribal Area as the Agent of the President. The Committee desired that, where the Provincial Government or a department of that Government may be acting as Agent to the Federal Government in any Area, the concerned organisation should, as necessary, be requested to appear before the PAC to account for any irregularities, pertaining to that Area, that may have been pointed out in the Appropriation Accounts or the Reports of the Auditor-General thereon. (Para 1250/Annex I).

(2) Embezzlement Cases

153. It was noted that full facts and relevant details about cases of embezzlement and fraud etc., were not being placed before the Committee. The Departments, surprisingly, mostly

seemed to hold only their junior employees responsible for such crimes. The Committee, therefore, desired that, in all cases of embezzlement etc., full facts and relevant details, be made known to the Audit, who should place the same before the Committee, along with their findings, with an advance copy to the Department. (Para 1241/Annex I).

(3) Direction for locating responsibility

154. In some cases coming before the Committee, it was noted that the departments had generally avoided fixing responsibility for lapses, where such action was most apparently called for. Paras 153, 206, 212, 254, 841 and 1038 of Annex I, illustrate this omission.

155. The Committee recommends that the departments must be made to realise the necessity of taking prompt action to locate the responsibility for serious lapses and proceed against the defaulters for any loss to the Government, due to negligence or failure in the observance of codal formalities etc., by the officials concerned.

(4) Holding of inquiries for institution of disciplinary action/ calling of explanations and taking appropriate action etc.

156. The Committee found that there would have been ample justification for initiating departmental inquiries against those responsible for various irregularities, as in paras 190, 206, 212, 220, 235, 286 and 830 of Annex I, which was not done. It is recommended that the departments should hold inquiries in the above cases and take appropriate action against those found at fault.

(5) Departmental explanations found to be vague not wholly correct

157. The Committee was loath to find that the submissions of some of the departments occasionally suffered from the following drawbacks :—

(1) The explanations furnished, as in paras 64, 219, 256, 269, 290, 320, 358, 488, 504, 509, 837, 844, 847 and

1199 of Annex I, were either not found to be wholly correct or were contradictory or un-satisfactory.

(2) Again, *vide* Paras 37, 95, 129, 132, 141, 156, 346, 381, 383, 339, 429, 433, 475, 514, 536, 572, 617 (ii), 619, 911, 917, 921, 947, 1012, 1207, and 1274 of Annex I, the explanations furnished by the Departments were either too general, vague or evasive.

(3) In yet other cases, *vide* Paras 61, 193, 198, 221, 273, 277, 301, 321, 382, 411, 414, 477, 491, 538, 584, 1060, 1062, 1063 and 1071 of Annex I, the replies or explanations furnished being deficient in some respect or the other, the Committee was handicapped in arriving at final conclusions. The latter was hence, left with no alternative but to request Audit to check and verify the replies, with the records, and report back to the Committee, wherever called for. The departmental representative concerned had also, in consequence, to be asked to submit revised factual explanations to the Committee subsequently. This involved an avoidable waste of the Committee's time and un-necessarily delayed the finalisation of the cases in question.

(6) Non-Compliance with/non-implementation of Committee's earlier decisions/directions

158. The Committee view with seriousness the failure of the departments to fully implement or comply with its recommendations in the cases dealt with in paras 251, 258, 295, 358, 360, 563, 793 and 960 of Annex I. Government should give a firm directive to all the Ministries to take prompt action in implementing the approved recommendations of the Committee in future and report the earliest possible compliance therewith, in each case.

FINAL RECOMMENDATIONS

159. While submitting this Report to the President, it is finally recommended that :—

(i) the suggestions and recommendations made by the Committee in the foregoing paragraphs and in Annexure I, be accepted, and

(ii) the excess in expenditure, contained in the statements referred to in para 14(4) and (5) above and appended to the Report as Annexure II, be regularised in accordance with the provisions of the Constitution.

M.A. HAQ,
Secretary,
Federal Council Secretariat.

GHULAM ISHAQ KHAN,
Chairman.

A.G.N. KAZI,
Vice-Chairman.

MIAN ZAKA-UR-REHMAN,
Member.

SYED SAIEED HASAN,
Member.

MASARRAT HUSSAIN ZUBERI,
Member.

ABDUL QADIR,
Member.

YUSUF BHAI MIAN,
Member.

ANNEXURE I

PROCEEDINGS

OF

PUBLIC ACCOUNTS COMMITTEE

(49—50)

NATIONAL ASSEMBLY SECRETARIAT

PROCEEDINGS OF THE MEETINGS OF THE *AD-HOC* PUBLIC ACCOUNTS COMMITTEE ON THE FEDERAL ACCOUNTS FOR THE YEAR 1979-80

Saturday, the 17th October, 1981

First Sitting (Ad-hoc **PAC**)

The 14th Session of the *Ad-hoc* Public Accounts Committee started in the State Bank Building, Islamabad, at 10.00 a.m. on Saturday, the 17th October, 1981. In the absence of the Chairman, Mr. Masarrat Hussain Zuberi, Member, presided. The following were present :—

Ad-hoc *P.A.C.*

(1) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. — *Member (Acting Chairman).*

(2) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(3) Mr. Yusuf Bhai Mian, Chartered Accountant .. *Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Mr. M. A. Suri, Joint Secretary.

(3) Mr. Inayat Ali, Assistant Secretary.

Audit :

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. M. A. Muid Khan, Deputy Auditor-General (Senior).

(3) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(4) Syed Shaukat Hussain, Accountant General, Pakistan Revenues.

(5) Mr. G. H. Minhas, Director, Commercial Audit.

Ministry of Finance :

(1) Mr. A. H. Qureshi, Deputy Secretary.

(2) Mr. H. A. Niazi, F. A. (Cabinet, Establishment and Women's Division).

(3) Mr. M.Y. Ansari, DFA (Religious Affairs).

2. *Business to be transacted.*—The business laid down to be transacted by the Committee for this session *vis-a-vis* the Ministries and Divisions concerned, was as follows :—

(i) Examination of Appropriation, Finance, Commercial Accounts, etc. and Reports of the Auditor-General thereon in respect of the Federal Accounts for 1979-80.

(ii) Consideration of the Audit Comments on compliance by Ministries, Divisions etc., on the PAC's Reports for 1975-76 to 1977-78.

(iii) Consideration of Performance Evaluation Reports by the Auditor General on Public Sector Enterprises relating to the Ministries of Production and Communications.

(iv) Consideration of any other matter brought before the Committee, with the permission of the Chairman.

3. *Accounts examined.*—The accounts of the following Divisions, Departments, etc. were examined during the course of the day :—

(1) Organisation and Methods Division.

(2) Women's Division.

(3) Cabinet Division.

(4) Establishment Division (including Federal Inspection Commission and Federal Public Service Commission).

(5) Council of Islamic Ideology.

ORGANISATION AND METHODS DIVISION

4. The Committee first took up for its examination the Appropriation Accounts, etc. pertaining to the Organisation and Methods Division. Mr. Tariq Siddiqui, Additional Secretary-in-Charge, represented the Division.

5. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Establishment Division. (Function Head 077-O & M Division only) ..	6
2.	Organisation and Methods Division	13

6. *Reconciliation of Accounts with Audit.*—Noting that the reconciliation of all the Accounts up to June, 1981 was not yet complete, the Committee directed the departmental representative to get the outstanding reconciliation completed by the end of October, 1981, as the Appropriation Accounts for the year 1980-81 will be sent by Audit for printing immediately thereafter.

APPROPRIATION ACCOUNTS

7. *Grant No. 6—Function head 077—O & M Division (page 23-AA).*—There was nothing material for consideration under the above function head.

8. *Grant No. 13—O & M Division (Page 30-AA).*—The surrender of Rs. 896,384 against this grant was explained to be due to some posts of officers and staff having remained vacant during the year. When questioned as to how many posts were vacant, the departmental representative explained that they had a chart containing the full information, but the surrender of Rs. 896,384 did not pertain only to the pay and allowances of the officers and staff. It also pertained to provision for furniture, accommodation, repairs, commodities, entertainment, etc. The departmental representative was directed to supply the necessary details to Audit, for verifying them.

9. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts or the Audit Reports thereon. These will be deemed as settled subject to such regularisation action as may be necessary under the rules.

WOMEN'S DIVISION

10. After the O & M Division, the Committee took up for examination the Appropriation Accounts etc. pertaining to the Women's Division. The following departmental representatives were present :—

(1) Mr. S. M. Hasan, Joint Secretary.

(2) Mr. Rahmat Ali Siddiqi, Deputy Secretary.

11. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Women's Division	14
2.	Development Expenditure of Women's Division	139

12. *Absence of Principal Accounting Officer.*—The Committee was informed that the Secretary, Women's Division, could not attend the PAC meeting, as she had been invited to attend the inauguration ceremony of a course to be performed by the President at Islamabad University. The Committee felt that it was not right for the Principal Accounting Officer to have absented herself from the meeting of the PAC fixed about six weeks earlier when the accounts of her own Division were being examined by the Committee.

13. *Reconciliation of Accounts with Audit.*—The Committee noted, with satisfaction, that the reconciliation work was up-to-date.

APPROPRIATION ACCOUNTS

14. *Grant No. 14—Women's Division (Page 31-AA).*—Audit had indicated a saving of Rs. 408,988 against this grant. It was explained that, out of the alleged saving of Rs 408,988, an amount of Rs. 92,988 was duly surrendered. As regards the balance of Rs. 316,000, it was explained that the saving though of less than this amount, was due to the non-receipt or non-adjustment by Audit of the details of expenditure pertaining to the Sub-Office at Lahore. The Audit representative admitted that non-adjustment of the said amount was due to late receipt of debits from their sub-office, Lahore, as payments were released at the end of the financial year. The debits were booked in the accounts for June, 1981 (F) under intimation to the Department.

15. The saving of Rs. 92,988 was claimed as being due to (i) non-receipt of bills for the full financial year from the Telephone Department and (ii) less expenditure on the repairs and maintenance of machines etc. In reply to a question

as to what were the billing months in respect of telephone charges, the departmental representative informed the Committee that the telephone bills were received subsequently, but full details were not readily available with them. The Committee directed that the details may be furnished to it.

16. *Grant No. 139—Development Expenditure of Women's Division (Page 159-AA).*—An overall saving of Rs. 5,452,822 had been shown by Audit under this grant. The Committee was informed that after taking into account the Economy Cut amounting to Rs. 5,331,000, there was a nominal saving of Rs. 121,822, which was duly surrendered. The Committee noted that the Economy Cut of Rs. 5,331,000 against the final grant of Rs. 25,000,000 appeared to be on the high side. The Audit representative explained that this was a lump sum cut. There might have been some other cuts, besides the Economy Cut of 12.6 per cent, but the Department had shown the entire reduction as an Economy Cut.

17. Replying to a query, the Departmental representative submitted that the total amount against this grant was made available to the Women's Division as a block provision. This was the first complete financial year in which the Division operated and they had to explore the areas in which they could initiate programmes for women. The major areas were opening of industrial homes and Women's Centres. Some money was also spent on the opening of adult education centres. A member pointed out that the provision in the Budget was as under :—

> "Lump provision to undertake and promote programmes in field of Adult Education for Women".

There was no mention of anything else, to authorise the Division to spend the provision for any other activity. The Auditor-General added that when a budget provision is made for a specific purpose and that purpose undergoes a change, the Division has to get the approval of the Legislature for diverting the allocation towards the new purpose. There is hence a discrepancy between the purpose for which the budget provision had been made and the actual use thereon. Had the Women's Division gone to the Finance Division, the latter would have given the former a token supplementary grant for other purposes and thereafter the Division could have re-appropriated a part of the original grant for such purposes.

18. After some discussion, the Committee directed the departmental representative to look into the matter again and submit a revised explanation, giving details of the surrender of Rs. 121,822 and the Economy Cut of Rs. 5,331,000,

and the heads of account under which the actual expenditure was incurred on items, not provided for in the original budget, and to report as to whether there was any need for the regularisation of such expenditure. Further, if any irregularity might have been committed, the Division should guard against its recurrence in the future.

19. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts or the Audit Report thereon. These would be deemed as settled subject to such regularisation action as may be necessary under the rules.

CABINET DIVISION

20. The examination of Appropriation Accounts etc. pertaining to the Cabinet Division was the next item to be taken up by the Committee. The following departmental representatives were present :—

(1) Mr. K. U. Faruqui, Additional Secretary.

(2) Mr. Khalique Ahmad Khan, Deputy Secretary.

(3) Mr. Muhammad Sharif Khan, Controller, Stationery and Forms.

(4) Mr. M. S. Qureshi, Secretary Federal Land Commission.

(5) Col. Azizul Haque, D. G., Department of Communication Security.

(6) Mr. Sardar Gul, Deputy Assistant Director, Intelligence Bureau.

(7) Mr. Ziauddin Malik, Director (Finance), Printing Corporation of Pakistan Limited.

21. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Cabinet	1
2.	Cabinet Division	2
3.	Disaster Relief and Rehabilitation	3
4.	Land Reforms	4
5.	Other Expenditure of Cabinet Division	5
6.	Stationery and Printing	38
7.	Capital Outlay on Land Reforms	131
8.	Development Expenditure of Cabinet Division	137
9.	Capital Outlay on Works of Cabinet Division	167

22. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Division had not yet been brought up-to-date. The departmental representative was directed to get all the outstanding reconciliations, specially those pertaining to the Accounts for 1980-81, completed by the end of October, 1981, as the Audit would be sending the Appropriation Accounts for that year for printing very soon thereafter.

APPROPRIATION ACCOUNTS

23. *Grant No. 1—Cabinet (Page 17-AA).*—There was nothing material for consideration in this grant.

24. *Grant No. 2—Cabinet Division (Page 18-AA).*—Audit had indicated an overall saving of Rs. 6,507,630 against this grant. Replying to a query, the departmental representative informed the Committee that the saving was surrendered on the 30th June, 1980. The Committee held the view that at least 75 per cent of the saving, could and, therefore, should have been surrendered by the 31st March, instead of waiting till the last day of the financial year as the Department knew fully well that at least that amount could not be spent within the financial year. The Auditor-General added that, according to the General Financial Rules, whenever it came to the notice of a department that the whole budget provision was not likely to be spent during the financial year, it became obligatory on its part to surrender the surplus grant immediately. The Committee observed that in the face of such a large saving, there was no justification at all for obtaining a supplementary grant. The departmental representative submitted that it was a lapse on their part and that they would follow the relevant instructions in future.

25. *Function Head "012-Intelligence Bureau" (Page 18-AA).*—A saving of Rs. 1,120,048 was shown in the Appropriation Accounts against this function head. The Department disputed the saving and claimed that, against the Final Grant of Rs. 38 545,636, actual expenditure amounted to Rs. 38,715,879 and that there was thus an excess of Rs. 170,243. The excess was explained as being due to :—

(a) purchase of 5 new vehicles in replacement of the condemned ones ;

(b) increase in the rates of rent of private buildings, hired for official use ; and

(c) increase in the prices of POL.

26. A member remarked that, in the face of large savings against other function heads, the Division could have made a re-appropriation within the grant. The departmental representative informed the Committee that they had no administrative control over the Intelligence Bureau ; it was only the submission of their Accounts for which they had been made responsible. Administratively, the Bureau were under the control of CMLA's Secretariat. He added that the Bureau did not ask for supplementary grants through the Cabinet Division. The Audit representative said that once the Government decided that the Accounts of the Intelligence Bureau would be submitted by the Cabinet Division, that Division become the coordinator and it was their responsibility to review the demand for supplementary grant and advise the Intelligence Bureau whether it was required or not, as this was the function of the coordinator.

27. When questioned as to why budget provision had not been made for the purchase of cars, the departmental representative submitted that Government had sanctioned 10 cars and 16 motor-cycles in replacement of the old ones and allowed a provision of Rs. 0.8 million for this purpose, Rs. 0.4 million in 1980-81 and Rs. 0.4 million in 1981-82. The necessary provision in the budget for 1980-81 was made with the approval of the Financial Adviser. However, while reviewing the budgetary position for 1979-80, some savings were detected and the vehicles mentioned above were purchased from such savings, again with the approval of the Financial Adviser. Thereupon, a member remarked that the Financial Adviser could not agree to a proposal for which there was no provision in the budget. The Audit representative added, that expenditure on an item, not appearing in the budget, could not be made, even out of savings on other heads, without first obtaining a token grant. To cover the lapse, the right course for the Department would be to regularise it with the sanction of the Finance Division, and not of the Financial Adviser. This was the requirement of law and the Department should fulfil it.

28. *Expenditure on Afghan Refugees.*—On a query by the Acting Chairman about whether the expenditure on Afghan Refugees was being duly audited, the Auditor-General said that, any amount for the Afghan Refugees, which pass through the Government account, would be audited. He, however, added that this was a very sensitive issue, because all the developing countries had taken the stand that expenditure from donations received for assistant to Refugees should be subject to audit by the Audit Organisation of the recipient country and not by the United Nations sending its own teams for this purpose. The Acting Chairman said that the Audit party of the United Nations was presently in Pakistan and that they were here last year also. Thereupon, a member remarked that it did not mean that if any agency carried out the audit of such funds, the Auditor-General of Pakistan would be debarred from fulfilling his statutory responsibility. The Auditor-General observed that he would instruct the AGPR to undertake the Audit of this expenditure before it was too late.

29. *Function Head "077-Administrative Training and Research—Pakistan Computer Bureau" (Page 18-AA).*—The excess of Rs. 1,400 against this Function Head was explained as being due to more debits having been raised by the T & T Department on account of telephone charges at the close of the Financial year, than anticipated. The Audit representative pointed out that during this period telephone charges were being paid in cash. Therefore, there was no question of raising of debits. The previous bills, if any due, should also have been paid in cash.

30. *Grant No. 3-Disaster Relief and Rehabilitation (Page 20-AA).*—Audit had shown an excess of Rs. 6,088,099 against this grant. The Division claimed that against the final grant of Rs. 27,321,000 the actual expenditure was Rs. 25,891,594. There was thus a saving of Rs. 1,429,406, but due to the belated adjustment of Rs. 6,095,000 pertaining to 1977-78, the saving was converted into an excess. Audit confirmed this position, whereupon they were requested that such belated adjustments should be reportad to the department concerned immediately so that, if necessary, the latter could ask for a supplementary grant. The Auditor-General said that a copy of such advice should also be sent to the Finance Division. The Audit representative informed the Committee that they had already started apprising the Departments of such belated adjustments.

31. *Grant No. 4-Land Reforms (Page 21-AA).*—According to Audit, there was a saving of Rs. 5,17,984 against this grant. The Division contested the Audit's figure and stated that the actual expenditure being equal to the final grant, there was neither any excess nor saving. The Audit representative informed the Committee that the difference in the departmental and Audit figures was due to non-receipt of debits from Audit's sub-offices at other stations, which had since been adjusted in the Accounts for 1980-81, with the concurrence of the Division.

32. *Grant No. 5—Other Expenditure of Cabinet Division (Page 22-AA).*—There was nothing material for consideration by the Committee under this grant.

33. *Grant No. 38—Stationery and Printing (Page 52-AA).*—An excess of Rs. 456,122 was shown in the Appropriation Accounts under this grant. The Department claimed that, according to the reconciled figures, the actual expenditure amounted to Rs. 37,065,595 and not Rs. 37,226,855. There was hence an excess of Rs. 295,362, which was mainly due to the belated adjustment of expenditure pertaining to the year 1978-79. Audit accepted the position.

34. *Grant No. 131—Capital Outlay on Land Reforms (Page 150-AA).*—Replying to a query the departmental representative informed the Committee that the entire amount of Rs. 65,430,000 was to be placed at the disposal of the Provincial Chief Land Commissioners but it was surrendered in toto as the rules for compensation were under scruting in Cabinet Division and Law Ministry and it was not possible to operate any amount during 1979-80. He further stated that the Land Commissions were functioning and that many cases were being remanded to the Commission for re-adjudication. There were 656 cases still pending for decision by the High Courts and about 80 cases by the Supreme Court.

35. Replying to another query, the departmental representative submitted that Compensation Bond Rules were still being vetted by the Law Division. But the Cabinet Division had to place the entire amount at the disposal of the Provincial Chief Land Commissioners as the Provincial Governments had to make payments, under Act II of 1977, at the rate of Rs. 30 per produce unit of the resumed land. When questioned as to whether any accounts of these transactions were being maintained, the departmental representative replied that the Provincial Land Commissions were maintaining the accounts. The departmental representative was directed to make sure that the accounts were being maintained properly. He submitted that necessary details in this respect had been furnished to Audit through their letter of 24th August, 1981. The amount required for payment as compensation through Bonds as well as in cash for 1980-81 was Rs. 80 million. Audit responded that, to enable them to proceed further in the matter, they should be informed of the Account numbers of the Provincial Chief Land Commissioners. The Committee directed the departmental representative to furnish such information to the AGPR immediately. Audit was also requested to check up as to what action had been taken by them on the Division's letter dated the 24th August, 1981.

36. Replying to a query, the Audit representative informed the Committee that the provision for payments, made by way of Bonds, was made at one point of time, when it became a borrowing of the Government and was shown as debt owed by them. As the position was not clear to the Committee, the representative of the Finance Division was directed to send a report to the Committee elucidating these financial arrangements clearly.

37. When questioned as to whether the Federal Land Commission would allow the money advanced to the Provincial Chief Land Commissioners to remain with them for an unlimited period or whether it would be transferred back periodically, the departmental representative replied that, under the Rules framed on the subject, the entire amount was placed at the disposal of the Provincial Chief Land Commissioners. As the Rules, mentioned by the departmental representative, were not readily available with him and he was not able to satisfy the Committee, he was directed to depute a suitable representative of the Federal Land Commission to hold a meeting with the AGPR, to sort the matter out.

38. *Grant No. 137—Development Expenditure of Cabinet Division (Page 156-AA).*—There was nothing material for consideration under this grant.

39. *Grant No. 167—Capital Outlay on works of Cabinet Division (Page 203-AA).*—A provision of Rs. 3,765,000 was made under this grant for construction of a building. Replying to a query, the departmental representative informed the Committee that the building was being constructed by the CDA under

a phased programme. Funds to the extent of Rs. 3,765,000 were provided in 1979-80, Rs. 4,400,000 in 1980-81 and Rs. 5,100,000 in 1981-82. The building was now almost complete and only minor item of work, like painting, etc., remained to be finalised. However, the departmental representative could not furnish particulars of the originally estimated cost of the building and whether it was going to over-run such estimate. Audit were requested to ascertain the facts and report back to the Committee.

COMMERCIAL ACCOUNTS

Printing Corporation of Pakistan Limited

40. *Compilation of Accounts* [*Para 3 (vii), Page 6-AR-CA*].—Audit had stated in the report that the Accounts for 1979-80 had not yet been compiled. The Committee was informed that Accounts for 1978-79 had since been Audited and the Accounts for 1979-80 had also been completed and those for 1980-81 were likely to be completed within a month or so. A member remarked that the decision about the appointment of Auditors for the 1979-80 accounts should have been initiated and taken long ago. If the Corporation did not appoint the Auditors in time, it could not comply with the provision of the company law which required submission of annual accounts to the shareholders within nine months of the end to financial year of the company. The departmental representative was directed to pursue the matter and get the Accounts for 1980-81 completed in time so that it could be included in the compilation, which was going for printing shortly.

Central Publication Branch

41. *Compilation of Accounts* [*para 3 (viii), Page 6-AR-CA*].—The report on commercial Accounts stated that the Accounts of the Central Publication Branch for 1977-78 to 1979-80 had not been compiled on the date of the report. It was contended that the Accounts for 1977-78 and 1978-79 had been compiled and were under audit, and that the Accounts for 1979-80 were in process of compilation. The departmental representative assured the Committee that they were compiling the Accounts exactly according to the earlier directive of the Committee. He was directed to get the Accounts for 1979-80 compiled by 31st December, 1981.

Deputy Controller, Stationery and Forms

42. *Compilation of Accounts* [*Para 3 (iv), page 6-AR-CA*].—The same position obtained in this case as in that of the Central Publication Branch and the same directive was applicable here too.

Printing Corporation of Pakistan Limited

43. *Irregular payment of Rs. 10,351 to an officer (Para 5, page 13-AR-CA).*—Audit had pointed out that the PCP had appointed an officer on probation, in the pay-scale of Rs. 450—50—1,000, from the 3rd of August, 1970. His probationary period, which was fixed as one year, was extended by six months. The following irregular monetary advantages were allowed to him by the Managing Director, who was not competent to grant them :—

(a) Instead of allowing the minimum of the scale, *i.e.* Rs. 450 p.m., on appointment, he was allowed a higher start at Rs. 550 p.m.

(b) His special compensatory allowance of Rs. 35 p.m. was merged with his pay and it was fixed at Rs. 600, the next higher stage, from 1-7-1971. Both the merger and fixation were inadmissible.

A departmental inquiry needed to be held for fixing the responsibility for the irregular benefits, and the over-payment should be recovered at the earliest possible date.

44. The Committee was informed that all cases of irregular payments in PCP had been regularised by the Board of Directors at their 14th Meeting held on 22-1-1977.

45. The Audit representative pointed out that, *prima facie,* it was the condonation of a very serious irregularity, as higher starting salary was given to an officer appointed on "probation", without giving any justification for the same and the extension in the period of probation showed that his performance was poor. However, the Board's proceedings would be verified and results reported to the Committee, if necessary.

46. A member remarked that the Board had regularised the cases of irregular payments themselves and thereby taken on themselves the responsibility of an irregular act. Replying to a query, the departmental representative explained that advance increments were given at the time of the appointment and not subsequently. The appointees performance came to notice later. Asked as to why his services were retained when his performance was unsatisfactory, the departmental representative submitted that the Managing Director had allowed him five advance increments and this must have been due to his higher qualifications and experience, but the details were not readily available.

47. The Committee directed that a full report should be submitted, giving the reasons for allowing advance increments, for retaining the services of the person concerned despite his poor performance and informing the Committee of what happened after the completion of the extended term of probation.

48. *Working results (Paras 258-59, page 134-AR-CA).*—It had been pointed out that the gross operating loss during the year 1977-78 amounted to Rs. 7.75 million as against a profit of Rs. 49 million during the previous year. The increase in losses was mainly due to there being an 18 per cent decrease in the sales against 12 per cent increase in costs of sales as compared to the previous year. The net loss also increased to Rs. 17.47 million during the year due to an abnormal increase of about 52 per cent in operating expenses. Concerted efforts needed to be made to check the expenditure.

49. It was explained that the increase in the operating expenditure was due to the following :—

(i) high rate of purchase of paper,

(ii) compound rate of interest on the accumulated overdraft, and

(iii) increase in salaries and wages.

Replying to a query, the departmental representative submitted that their rates were the same as those of the known printers. But they were incurring losses, as they had more staff, higher overheads, old machinery and low efficiency. They had now placed an order for import of new machinery and the ship was to arrive shortly. As for overstaffing, they had not been able to take appropriate action against those amongst the staff, who were Government employees and had been given the guarantee that they would continue to have in the Corporation the rights to which they were entitled in Government service. PCP officials and departmental representative had a meeting with the Finance Division to devise a way of getting rid of the surplus staff.

50. As regards Government loans, they were negotiating with the Finance Division and it was likely that there would be a financial restructuring whereby their loans would be converted into equity. To a member's remark that, if the Corporation were liquidated, the problem might get resolved, the departmental representative replied that Government had to have a Press of their own. The Corporation were catering to the needs of Ministries, Departments, Autonomous Bodies, etc. numbering more than 300.

51. The Committee observed that, since a case had already been submitted to the Finance Division, it should be pursued vigorously.

52. The departmental representative further informed the Committee that the Federal Inspection Commission had also conducted a detailed inquiry into the working of the Corporation and their report was under submission to the President. As soon as that report became available, a copy thereof would be made available to the Committee. The Acting Chairman observed that the Committee was more interested in the implementation of the recommendations of the said report.

53. *Disposal of finished stocks (Para 260, page 134-AR-CA).*—It had been mentioned that finished stocks, valued at Rs. 1,045,923 as on 30-6-1978, included stocks of printed material worth Rs. 643,646 which were lying unaccepted by the Indenting Departments for being different from the required specifications. The matter was under dispute since 1972-73. The Committee was informed that the disputes regarding such stocks were in the process of settlement and Audit could verify the position on their next visit. The Committee directed that this matter should be sorted out expeditiously.

54. *Sundry Debtors (Para 261, page 134-AR-CA).*—Audit had pointed out that though Sundry Debtors stood at Rs. 38,469,509 on 30-6-1978 as against Rs. 39,044,759 on 30-6-1977, the year-wise break-up of debtors had not been furnished to Audit. As such, the ages and prospects of recovery of these debts could not be ascertained. Also no provision for bad and doubtful debts had been made in the accounts. The need for the preparation of a year-wise analysis and providing for bad and doubtful debts was emphasised.

55. The department explained that this assignment had been entrusted to a new section in PCP, namely, Sales & Marketing. There was no need of making provision for doubtful and bad debts as all the indentors were Government Departments.

56. Replying to a query, the departmental representative submitted that the list of Sundry Debtors pertaining to Karachi Office was available, but not in a reconciled form. The Committee directed that the list of Sundry Debtors from Karachi, where the debts were about Rs. 20 million, should be made available to Audit immediately.

Deputy Controller, Stationery and Forms

57. *Sundry Debtors (Para 266, page 135-AR-CA).*—It had been pointed out that Sundry Debts of the Department stood at Rs. 15.447 million as on 30-6-1978, as compared to Rs. 12.507 million as on 30-6-1977 and that included in the former was a sum of Rs. 6.213 million for cash-sales. This unusual item of debts arising from cash sales was stated to represent price variations. These debts were, however, not expected to be easily recovered, as the indents did not bind the indentors to pay such price variations. A vigorous effort would, therefore, have to be made for the recovery of the dues.

58. The Division, in their written reply, explained that the Sundry Debtors had by now been reduced to Rs. 9.406 million. Efforts were being made to realise this balance as early as possible. Out of this balance, Rs. 2.989 million was outstanding against the Pakistan Telegraphs and Telephone Department and Rs. 5.938 million against the Printing Corporation of Pakistan. The latter

amount was being adjusted against the Corporation's pending bills, which had been detained for the purpose. The T&T Department had been requested to make adequate provision in their budget to liquidate the outstanding debt. They had provided Rs. 4 million therein for the adjustment of old debts during the current financial year.

59. After some discussion, the Committee directed that the question of realisation of the above debts through cash payment, instead of book adjustment, should be examined.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORTS ON THE ACCOUNTS FOR THE YEARS 1975-76 TO 1977-78 AS REVIEWED BY AUDIT.

60. *Loss of Rs. 333,222 on account of irregular payment of overtime allowance to workers (Para 287, page 74-PAC's Report 1975-76).*—In this case, Audit had been asked to verify the facts from the records and report back to the Committee. The Committee was informed that the records of the local office had been re-checked and it was found that no telephone directory for which overtime of Rs. 333,222 was said to have been paid, had been printed during 1972-73. A telephone directory had, however, been printed in 1973-74. As overtime had been paid throughout the year, it could not have been only for the printing of the directory. As such, the reply furnished by the Division did not appear to be based on facts.

61. The departmental representative admitted that the figure of Rs. 333,222 was for the whole year and it did not pertain exclusively to the telephone directory. Thereupon, Audit was requested to look at the matter again and if they were satisfied, to consider the paragraph as dropped, otherwise they should report back to the Committee.

62. *Non-reconciliation of ledger accounts (Para 291, page 74-PAC's Report 1975-76).*—The Division was directed that the work of reconciliation should be completed urgently. The Committee was informed that reconciliation had not been carried out so far due to the following reasons :—

(i) The assignment was entrusted to Rahim Jan & Co., Chartered Accountants, who were being asked to speed up matters.

(ii) During this period, the staff had been busy in special audit, special committee work, statutory audit for the years 1977-78 and 1978-79 and inspection by the Federal Inspection Team.

(iii) Shortage of accounts staff.

Replying to a query, the departmental representative submitted that, previously, they used to get this work done on contract basis when a sum of Rs. 50,000 was paid to the firm. The firm had promised to get the accounts reconciled, but they failed to do so. Now, the department were trying to put their own people on this job on an honorarium basis and hoped to complete it by March, 1982. Questioned as to whether this matter was brought to the notice of the Board of Directors, the departmental representative confessed it had not figured in the Board's meetings. He assured the Committee that, in future, the Board would be kept fully in the picture. The Audit representative said that, if the Board of Directors were not shown the observations of even the PAC, they doubted whether the Accounts would be maintained properly. Thereupon, a member remarked that there were no shareholders other than the Government and that some of the Directors appeared before the Committee. The Committee observed that the Board of Directors of the PCP must look into the observations of the Public Accounts Committee and ensure due compliance therewith.

63. *Grant No. 19-Group Head "F-Department of Communications Security" (Paras 45—47, page 49-PAC Report 1977-78).*—The following comments were made by Audit on the material furnished by the Division :—

(a) The AGPR's earlier reply was correct. The expenditure booked against this group head already included Rs. 54,872 on account of customs duty paid for the Toyota car. The Division's contention, that the saving represented customs duty paid but not booked, was incorrect.

(b) The Division's explanation was found incorrect. The savings of Rs. 68,000 and Rs. 20,000 occurred not because of non-booking of any debits, but because the payments for the Air-conditioner and Multilith equipment were not made during 1977-78. Actually, payment for the Air-conditioner was made on 15-7-1978 and the letter of credit for the Multilith equipment had not been utilised till 31-5-1981.

64. A member remarked that the above facts contradicted the explanation furnished by the Division. The departmental representative was directed to sort out the facts with Audit within a month. If Audit's view was correct, action should be taken against the person(s) concerned who gave incorrect information.

65. *Infructuous and un-planned expenditure of Rs. 232,880 on the purchase of Duplex Flat-Bed Rotary Machine (Para 59, page 51-PAC Report 1977-78).*— It was explained by the Department that a foreign engineer was contacted in 1980 and, on his advice, a new study was undertaken to find-out ways and

means of utilising the machine after technically modifying it. A team of officers, therefore, was deputed to examine and determine the feasibility of making necessary alterations in the machine for ordinary printing jobs. The team, however, reached the conclusion that it would not be a technically/economically viable proposition. The only option left now was to try to dispose of it in a public auction or through tender, for which necessary actions were in hand.

66. The Committee directed that the machine should be disposed of by the end of the current year.

67. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other points or paras in (i) the Appropriation and Commercial Accounts and Audit Reports thereon, or (ii) material supplied by Audit in pursuance of the Committee's directives on the working paper submitted by the Division on the Committee's Reports for 1975-76 to 1977-78. These would be deemed as settled subject to such regularisation action as might be necessary under the rules.

ESTABLISHMENT DIVISION

68. The Committee thereafter took up the examination of the Appropriation Accounts etc. pertaining to the Establishment Division. The following departmental representatives were present :—

(1) Mr. S. A. Sayeed, Additional Secretary.

(2) Mr. A. I. Durrani, Joint Secretary.

(3) Mr. Bashir Ahmad Bhatti, Director, Board of Trustees, Central Employees' Benevolent and Group Insurance Fund.

(4) Ch. Fateh Muhammad, Chief Welfare Officer.

(5) Mr. Muhammad Aslam Hassan, Director, FPSC.

69. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Establishment Division	6
2.	Federal Public Service Commission	7
3.	Services Tribunal	8
4.	Other Expenditure of Establishment Division	9
5.	Federal Inspection	11
6.	Development Expenditure of Establishment Division	138

70. *Reconciliation of Accounts with Audit.*—The Committee noted that in the Karachi and Quetta Circles the reconciliation of accounts for 1980-81, had not been completed as yet. The departmental representative was directed to ensure that the outstanding work was completed by the end of October, 1981, as Appropriation Accounts will be finalised by Audit for printing thereafter.

APPROPRIATION ACCOUNTS

71. *Grant Nos. 6, 7, 8, 9, 11 and 138 (Pages 23—26, 28 and 157-158-AA).*—There was no material point for consideration by the Committee in these grants.

AUDIT REPORT

72. *Irregularities in expenditure from Grants-in-Aid* [*Para 78 (1), page 59-AR*].—It had been pointed out that the most common irregularities noticed by audit in expenditure from grants-in-aid were of the following nature :—

(a) The expenditure was incurred without sanction.

(b) The service conditions of employees were not regulated by any rules in some cases.

(c) Tenders were not called for to ascertain the lowest market rates.

(d) Un-utilised grants were not surrendered at the close of financial years.

(e) Grants were not utilised for their sanctioned purposes.

(f) Separate Accounts for Grants-in-Aid were not maintained.

(g) Lavish expenditure on personal entertainment, journeys, repairs etc. was a regular feature.

73. The Division explained, in their written reply, that these common irregularities had been pointed out by Audit in respect of 19 autonomous organisations which received grants-in-aid from the Government. No serious irregularities had, however, been pointed out by Audit *vis-a-vis* the Board of Trustees in particular. The Board of Trustees, of the Central Employees Benevolent and Group Insurance Fund got contribution from the Government under the Group Insurance Fund Act only on account of premium for the group insurance of employees of Grades 1 to 15. As regards the administrative expenditure of the Board, it was not from deductions from the pay of Government employees towards the Benevolent Fund. It was, therefore, evident that no grant-in-aid was released to the Board of Trustees by the Government. As such, the Board of Trustees could not be treated on par with organisations which received grant-in-aid from the Government and the common irregularities in whose management had been pointed out by Audit.

74. A member remarked that the Government contribution was being presently paid to the State Life Insurance Corporation through intermediary organisations and enquired whether it could not be remitted directly to the SLIC. The departmental representative submitted that they would have to check up the legal requirement. The departmental representative was directed to have it examined whether the payment of Government share for the Group Insurance Scheme could be made to the State Life Insurance Corporation by the AGPR directly and the trustees informed of the payment afterwards, instead of the AGPR paying the Government's share to the trustees, in the first instance, and the trustees making payment to the Insurance Corporation later.

75. *Compliance on the PAC's Reports for 1975-76 to 1977-78.*—There was no comments by Audit on the compliance documents.

76. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation Accounts and Audit Report thereon; and (ii) in respect of compliances on the PAC's Reports for 1975-76 to 1977-78. These would be deemed as settled subject to such regularisation action as may be necessary under the rules.

COUNCIL OF ISLAMIC IDEOLOGY

77. The Appropriation Accounts etc. pertaining to the Council of Islamic Ideology were the last item to be taken up by the Committee for examination on 17-10-1981. The Council was represented by its Secretary, Mr. Sherfuddin.

78. The Council controlled Grant No. 110-Advisory Council for Islamic Ideology.

79. *Reconciliation of Accounts with Audit.*—The Committee observed that the statement submitted by the Council regarding reconciliation of accounts was not in a proper form. The departmental representative was informed that the Committee needed only the dates of reconciliation with details of the sub-heads which were not yet reconciled. In reply to a query, the departmental representative informed the Committee that they had reconciled their accounts up to June, 1981, but had not yet been given a reconciliation certificate by the AGPR. The Audit representative submitted that the department had reported for reconciliation at their office, which was working on it and would complete the reconciliation statement within this month.

APPROPRIATION ACCOUNTS

80. *Grant No. 110-Advisory Council of Islamic Ideology (Page 126-AA).*—An overall saving of Rs. 4,649,664 was exhibited by Audit against this grant. It was explained by the Council that the saving was due to less expenditure, as certain posts of officers and staff could not be filled up during the year due to non-finalization of recruitment rules and less expenditure under the head "Fee to Consultants", "Delegations Abroad" etc., on account of administrative and technical reasons. The saving also included the allocation on account of non-lapsable budget.

81. Replying to a query, the departmental representative explained that, in one of his visits to the Council, the President had given to it a grant of Rs. 10 million, which had throughout been treated by the Council as a non-lapsable grant. The Committee sought for some details about the non-lapsable grant, which were furnished by the Council representative.

82. *Compliances on the PAC's Reports for 1975-76 to 1977-78.*—There was no comment by Audit on the above compliances.

83. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other points or paragraphs in the Appropriation Accounts or the Audit Report thereon. These would be deemed as settled subject to regularisation action, if any, under the rules.

GENERAL

84. *Representation of Finance Division.*—The Committee noted that the Finance Division were represented in the Committee by a Deputy Secretary. The Acting Chairman observed that the Committee would insist that, in order to properly assist the Committee, the Finance Division should be represented in its meetings at a suitable level and that this be brought to the notice of the Finance Division.

85. The Committee adjourned thereafter to meet again at 9.00 a.m. on Sunday, the 18th October, 1981.

M. A. HAQ,
Secretary.

Islamabad, the 8th March, 1982.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 18th October, 1981.

Second Sitting (Ad-hoc **PAC**)

86. The *Ad-hoc* Public Accounts Committee took up the examination of the Federal Accounts for 1979-80 in the State Bank Building, Islamabad, at 9.00 a.m. The following were present :—

Ad-hoc *P.A.C.*

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Chairman.*

(2) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. *Member.*

(3) Mr. Abdul Qadir, former Chairman Railway Board .. *Member.*

(4) Mr. Yusuf Bhai Mian, Chartered Accountant .. *Member.*

National Assembly Secretariat

(1) Mr. M. A. Haq, Secretary.

(2) Mr. M. A. Suri, Joint Secretary.

(3) Mr. Inayat Ali, Assistant Secretary.

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. M. A. Muid Khan, Deputy Auditor-General (Senior).

(3) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(4) Syed Shaukat Hussain, Accountant General, Pakistan Revenues.

(5) Mr. G. H. Minhas, Director, Commercial Audit.

Ministry of Finance

(1) Mr. A. H. Qureshi, Deputy Secretary.

(2) Malik Asrar Ahmad, F.A. (Education and Commerce).

(3) Mr. H. A. Niazi, F.A. (Law and Parliamentary Affairs).

(4) Mr. Amin Ahmed Siddiqi, D.F.A. (Law and Parliamentary Affairs).

87. *Business transacted.*—The Accounts pertaining to the following Ministries and Organisations were examined by the Committee during the course of the day :—

(1) Law Division.

(2) Parliamentary Affairs Division.

(3) Supreme Court of Pakistan.

(4) Election Commission of Pakistan.

(5) Ministry of Education.

(6) Ministry of Commerce.

LAW DIVISION

88. The Committee first took up, for its examination, the Appropriation Accounts etc., pertaining to the Law Division. Ch. Hasan Nawaz, Joint Secretary, represented the Division.

89. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Law and Parliamentary Affairs (Function Head "011—Law Division")	95
2.	Other Expenditure of Ministry of Law and Parliamentary Affairs	96

90. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Division pertaining to 1980-81 was not up-to-date. The departmental representative was directed to get the outstanding reconciliation work completed before the end of October, 1981, as the Appropriation Accounts would be finalised and sent for printing by Audit immediately thereafter.

APPROPRIATION ACCOUNTS

91. *Grant No. 95-Ministry of Law and Parliamentary Affairs (Page 111-AA).*—Audit had shown an excess of Rs. 208,685 against the function head "011—Law Division". In their written reply, the Division explained that an independent lump sum provision of Rs. 220,000 was made for the Advisor to the President on Constitutional Affairs, though it was shown in the grant under the Parliamentary Affairs Division. As the subject related to and was actually dealt with in the Law Division, the provision was utilized in that Division. However, if this lump sum provisions were transferred to the final grant under the Law Division, their grant would stand at Rs. 5,164,900 and, after off-setting the actual expenditure of Rs. 5,153,585, there would be an overall saving of Rs. 11,315, and the saving of Rs. 220,000 under the Parliamentary Affairs Division would totally disappear.

92. A member remarked that, had the Division re-appropriated the amount, there would have been no difficulty. The departmental representative accepted the omission and added that re-appropriation was probably not resorted to under the impression that it was an independent provision under the same grant.

93. *Grant No. 96-Other Expenditure of the Ministry of Law and Parliamentary Affairs (Page 112-AA).*—The Committee noted that, against the final grant of Rs. 16,658,000 the Division had surrendered an amount of Rs. 4,905,040 and desired to know the reasons for this large saving. The departmental representative informed the Committee that the saving was mainly due to :—

(a) late establishment of Law Commission.

(b) lesser expenditure on litigation than anticipated, and

(c) less expenditure on the 15th Centenary Hijrah Celebrations.

Replying to a query, the departmental representative informed the Committee that the total provision for litigation was Rs. 3 million. The Law Division were responsible for contesting the cases where the Government were a party. They did not get any reimbursement from the Ministries on whose behalf they attended to the cases in the courts, as all Government litigation was centralised.

94. A member observed that the saving could have been surrendered in March or April instead of waiting therefor till the 30th June. The Auditor-General added that rules also provide that the amount, which was found to be surplus to requirements, should be surrendered as soon as it became clear that it would not be utilised.

95. The Committee finally directed that the Finance Division should examine this point, for modifying the deadline for surrenders or taking such other action as may be deemed to be suitable by them.

96. *Compliances on the points raised in the PAC's Reports for 1975-76 to 1977-78.*—No comments were made by Audit in their material on the above working paper.

97. *Points not discussed to be treated as settled.*—The Committee did not make any observation on : (i) the other points in the Appropriation Accounts and the Audit Report thereon ; and (ii) Compliance on the PAC's Reports for 1975-76 to 1977-78. These would be deemed settled, subject to such regularisation action as may be necessary under the rules.

PARLIAMENTARY AFFAIRS DIVISION

98. After Law Division, the Appropriation Accounts etc., pertaining to the Parliamentary Affairs Division were taken up for examination. Ch. Hasan Nawaz, Joint Secretary, represented the Division.

99. This Division controlled Grant No. 95 (Function Head "011—Parliamentary Affairs Division").

100. *Reconciliaion of Accounts with Audit.*—The Committee noted that, subject to what has been stated in the succeeding paragraphs, the reconciliation work of the Division was up-to-date.

APPROPRIATION ACCOUNTS

101. *Grant No. 95 (Function Head "011—Parliamentary Affairs Division") (Page 111-AA).*—The saving of Rs. 220,000, shown by Audit against the above function head, was explained to have been due to the budget provision, relating to the Advisor to the President on Constitutional Affairs, having been made and the expenditure having been incurred by the Law Division but the budget provision getting inadvertently printed against the Parliamentary Affairs Division.

102. A member questioned as to why notice of this was not taken during the course of the entire year and the accounts reconciled earlier. The departmental representative submitted that it was an independent provision pertaining to the Law Division. Replying to a query, the Audit representative informed the Committee that reconciliation was effected by the Department in June, 1981. The Committee expressed its concern about this delayed reconciliation and directed the departmental representative that, in future, timely reconciliation should be ensured.

103. *Compliances on the points raised in the PAC's Reports for 1975-76 to 1977-78.*—No material was included by Audit in their comments on the above working papers.

104. *Points not discussed to be treated as settled.*—The Committee did not make any observation on : (i) the other points in the Appropriation Accounts and the Audit Reports thereon ; and (ii) Compliance on the PAC's Reports for 1975-76 to 1977-78. These would be deemed settled, subject to such regularisation action as may be necessary under the rules.

SUPREME COURT OF PAKISTAN

105. The examination of the Appropriation Accounts etc., pertaining to the Supreme Court was the next item to be taken up by the Committee. Mr. M. A. Latif, Registrar, represented the Court.

106. The Court controlled the Appropriation under the Head "Supreme Court".

107. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of Accounts in this case was up-to-date.

APPROPRIATION ACCOUNTS

108. *Appropriation "Supreme Court" (Page 243-AA).*—The Committee noted that Rs. 60,075 was surrendered by the Supreme Court and desired to know the reasons for the saving. The departmental representative explained that the saving was due to three posts of Research and Reference Officer having remained vacant, as they could not find suitable persons to fill them up. Replying to a query, he submitted that the minimum qualification laid down for these posts was a law degree but they were trying to find more qualified persons for these posts, preferably with LLM. degree.

109. *Compliance on the points raised in the PAC Reports for 1975-76 to 1977-78.*—No material was included by Audit in their comments on the above working papers.

110. *Points not discussed to be treated as settled.*—The Committee did not make any observation on: (i) the other points in the Appropriation Accounts and the Audit Report thereon; and (ii) Compliance on PAC's Reports for 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

ELECTION COMMISSION OF PAKISTAN

111. The Committee took up examination of Appropriation Accounts etc., pertaining to the Election Commission of Pakistan, thereafter. The following departmental representatives were present :—

(1) Mr. Muhammad Amin, Joint Secretary.

(2) Mr. S. A. Wahab, Deputy Secretary.

112. The Commission controlled the Appropriation under the Head " Elections ".

113. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of Accounts by the Commission was up-to-date.

APPROPRIATION ACCOUNTS

114. *Appropriation "Elections" (Page 244-AA).*—There was nothing material for consideration by the Committee under this Appropriation.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS

115. *Appropriation "Elections" (Para 717, page 175 PAC Report 1977-78).*—In compliance with the directives of the Committee, Audit submitted that an amount of Rs. 1,026,730 had been adjusted during 1979-80 and the remaining amount was being verified for adjustment during the year 1980-81. Out of the amount of Rs. 21,433, stated to have been misbooked by the Sub-Office, Peshawar, a sum of Rs. 9,977 was adjustable at Centre instead of at Peshawar. Hence this did not amount to a variation. The remaining amount of Rs. 11,456, as detailed below, actually pertained to the Provincial Election Commission :—

	Rs.
P.O.O.	6,102
P.O.E.	617
Allowances and honoraria	4,737
Total ..	11,456

The Sub-office had called for acceptance of the figures by the Department, *vide* letter No. Bud. II|R.B. 22|77-78|1786-87, dated 24-8-1981. A reply from or acceptance by the Commission was, however, still awaited. The Commission might, therefore, revise their explanation in the light of the above factors.

116. After seeking some clarification from Audit, the Committee observed that the Commission should settle the matter with Audit and, subject to satisfaction of Audit, the paragraph would be deemed as dropped.

117. *Points not discussed to be treated as settled.*—The Committee did not make any observation on : (i) the other points contained in the Appropriation Accounts and the Audit Report thereon ; and (ii) Compliance on PAC Reports for 1975-76 to 1977-78. These would be deemed settled, subject to such regularisation action as may be necessary under the rules.

MINISTRY OF EDUCATION

118. The Appropriation Accounts etc. pertaining to the Ministry of Education were the next item to be examined by the Committee. The following departmental representatives were present :—

(1) Dr. M. A. Qaseem, Joint Educational Adviser.

(2) Mr. M. Ashraf Qureshi, Joint Secretary.

(3) Mr. Irshad Ahmad, M. D., Book Foundation.

(4) Mr. B. A. Shaikh, Chairman, F. B. I. S. E.

(5) Mr. M. A. Beg, C.B.E.

119. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Education	34
2.	Education	35
3.	Federal Government Educational Institutions in the Capital and Federal Areas	36
4.	Federal Government Educational Institutions in Cantonments and Garrisons	37
5.	Development Expenditure of Ministry of Education	145
6.	Capital Outlay of Ministry of Education	175-A

120. *Reconciliation of Accounts with Audit.*—The Audit representative pointed out that the Accounts of the Karachi Office for 1980-81 had yet to be reconciled. The departmental representative was directed to get the outstanding work completed by the end of October, 1981, as the Appropriation Accounts would soon be finalised and sent for printing by Audit.

APPROPRIATION ACCOUNTS

121. *Grant No. 34—Ministry of Education (Page 48-AA).*—Audit had claimed an overall saving of Rs. 3,372,164 against this grant. It was explained that out of the reported savings, a sum of Rs. 2,891,400 was surrendered and the remaining saving of Rs. 480,764 was mainly due to short booking by Audit. The Audit representative informed the Committee that the difference between their and departmental figures related mainly to the CAO, Ministry of Foreign Affairs, and the difference was being investigated. The Committee directed that the department should settle the matter with Audit.

122. *Recovery—Function Head "411—Administration and Education Research" (Page 48-AA).*—A lesser recovery to the tune of Rs. 158,000 had been shown against the Head "Deduct—Amount met from UNESCO, Contribution etc." The department explained that, against the estimated recovery of Rs. 158,000, the actual recovery was of Rs. 87,118, which was not shown by Audit. The short recovery of Rs. 70,882 was mainly due to two posts of Research Officers in the Experimental Pilot Project for Integrating Education in Rural Development having remained vacant. The Audit representative submitted that the reason for the non-adjustment of the recovery of Rs. 87,118 was being ascertained from the CAO, Ministry of Foreign Affairs. The departmental representative informed the Committee that the CAO had informed them that the recovery could not be booked by him. Thereupon, a member observed that the entry should be passed now.

123. *Grant Nos. 35, 36, 37 and 145 (Pages 49, 50, 51 and 169-AA).*—No observation was made by the Committee on the above grants.

124. *Grant No. 175-A—Capital Outlay of Ministry of Education (Page 210-AA).*—An excess of Rs. 4,500,000 had been exhibited against this grant. Audit had indicated in the Appropriation Accounts that this expenditure represented an adjustment relating to previous years. The department explained in the written reply that the AGPR had, in his letter No. TA. 1|Supdt|80-81|3731, dated 23-11-1980, informed the Ministry that this expenditure pertained to the year 1976-77. But, in the accounts of that year (1976-77), no variation was reported between the final grant and the actual expenditure and the brief submitted by the Ministry of Education was examined by the PAC on the 17th January, 1980, on that basis. Since no debit was reportedly awaited during that year and the grant was cleared without any observation to the contrary, the AGPR had been informed that the adjustment was not in accordance with the previous reports (*vide* Ministry of Education letter No. F. 3—12|79-Budget, dated the 20th January, 1981).

125. The Audit representative informed the Committee that, in 1976-77, an amount of Rs. 5,000,000 had been reconciled under Grant No. 160, but the material supplied by the Accounting Section showed it as Rs. 500,000 *i.e.* one zero less. The Accounting Section adjusted the difference of Rs. 4,500,000 in 1979-80 without looking up the Appropriation Accounts 1976-77 where the booking was shown correctly at Rs. 5,000,000. A correction will now be made in the Finance Accounts of 1980-81.

126. After seeking some clarification from Audit, the Committee observed that, there being no excess, the amount should come in the Finance Accounts but would not be included in the statement of excesses for regularisation.

AUDIT REPORT

127. *Irregularities in a Board's Office* [*Para 12 (i), page 24-AR*].—It had been pointed out that the regulations of the Federal Board of Intermediate and Secondary Education, Islamabad. constituted in 1975, were required to be approved by the Federal Government. This was not done with the result that their functions and financial transactions were without proper sanction. In November, 1978, the Board intimated that the regulations (in three volumes) had been submitted to the Ministry, but their approval was still awaited in May, 1980.

128. The Committee was informed that the matter was being actively pursued with the Establishment Division, who had, so far, conveyed their views and given their comments on Volume I of the regulations only. The comments of the Establishment Division on the remaining volumes were still awaited. Audit representative added that six years had passed but approval was still awaited, without this approval the expenditure incurred was irregular.

129. Replying to a query, the departmental representative explained that all the three volumes were sent to the Establishment Division simultaneously. That Division had made certain queries and correspondence was going on. Actually, the terms and conditions of the former Chairman had not been settled. The Committee directed that there should be an early meeting between the Education Ministry and Establishment Division, to resolve this issue.

130. *Non-recovery on account of Grant-in-aid of Rs. 65,000* [*Para 12 (ii), page 24-AR*].—The Committee was informed that the total amount of Rs. 65,000 had been adjusted after obtaining the accounts from the agencies concerned, and the subsequent adjustment had also been verified by Audit. The paragraph was, therefore, treated as dropped.

131. *Irregular payment of Rs. 14,294 to a Chairman, and irregular payment of salary and benefits to an* ex-*Chairman* [*Para 12 (iii) and (iv), pages 24-25-AR*].—It had been explained that the whereabouts of the *ex*-Chairman of the Federal Board of Intermediate and Secondary Education, Islamabad, could not be traced earlier. The Chairman (Mr. Akbar Ali Tonio) was now reported to have resumed his duties in his parent department, *i.e.*, the Directorate of Army Education, GHQ, Rawalpindi. The recovery of the outstanding dues from the officer had now been decided to be made, in consultation with the Establishment Division. The Directorate of Army Education, GHQ, Rawalpindi, had been requested to settle the outstanding dues of the Board.

132. Replying to a query, the departmental representative submitted that the recovery had not yet started. After some discussion, the Committee directed that the matter should be settled in an inter-departmental meeting.

133. *Irregularities in the expenditure from Grants-in-aid* [*Para 78 (7) to (12), page 59-AR*].—The department had explained that the Audit observations were of general applicability, which had been noted in the Ministry of Education and also circulated to all concerned, to ensure that the irregularities of the nature, pointed out by Audit, were not repeated.

134. A member remarked that this was not a paragraph satisfactorily drafted by Audit. The Audit representative submitted that individual reports had gone to the Ministries concerned, while individual inspections were carried out and irregularities identified. But in accordance with the wishes of the Committee, it was decided that there should be a consolidated paragraph, indicating the types of irregularities being committed in the Organisation receiving the grant. Thereupon, the member said that Audit should then have clearly said that this paragraph was for information only and individual reports had been sent to the Ministries concerned for their comments. Audit noted this for the future.

COMMERCIAL ACCOUNTS

National Book Foundation

135. *Compilation of Accounts* [*Para 3 (iii), page 6—AR-CA*].—It is stated in the Audit Report that the Accounts for the year 1979-80 had not been compiled. The Committee was informed that the Accounts for 1979-80 had been compiled after the date of the Audit Report.

136. *Notes on Accounts* (*Para 244, page 607—CA*).—Against item 12—Cash and Bank Balances—It was noticed that a sum of Rs. 8,691,981 was kept in a bank during 1978-79. The departmental representative informed the Committee that the balance was now reduced to about Rs. 0.3 million only, which had been lying in a Current Account with Habib Bank and that it was not earning any interest. Thereupon, a member remarked that someone must have secured some benefit from placing the amount on current account. The Committee wanted to know as to why such a large amount was not placed on deposit carrying interest. The departmental representative promised to look into it. Audit was also advised, in this context, to examine the propriety of such transactions.

137. Against the item "5.3—Other Finance" (page 605—CA), an amount of Rs. 6,696,018 had been shown as "Advances from Customers". The Committee desired to know the details of the customers from whom the amount in question was received as advances. As the required information was not readily available the department was requested to furnish it to the Committee. The departmental representative was further directed to clarify whether any interest was paid by the Book Foundation to the customers on the advances paid by them.

138. A member invited the attention of the departmental representative to item " 1.7—Royalty " (Page 603—CA), wherein it had been stated that " Royalty expenditure is accounted for in the book of account as and when paid ". Replying to a query, the departmental representative informed the Committee that royalty to foreigners was paid at the time of the initial agreement and to Pakistanis on the sale of their books. The Committee observed that the Department should have shown the amount payable in the Accounts, as it was a definite liability.

139. *Compilation of Accounts for 1981.*—When asked about the compilation of the 1981 Accounts, the Audit representative informed the Committee that they had not received the Accounts of 1981 as yet. Thereupon, a member remarked that the Company Law requires companies to prepare their accounts and submit them to the shareholders within nine months of the end of the financial year and that quoted companies are required to submit their accounts within six months of the end of their financial year. But, as the same had not been observed by the Book Foundation, he would like to know whether the National Book Foundation was a company ? The departmental representative submitted that it was a statutory body and there was no specific provision in the law, governing it, for the preparation of Accounts etc. Thereupon, the Committee observed that, if no rules had been framed by the Government for the National Book Foundation so far, the Ministry should get this done soon, providing therein for the preparation of Accounts etc. by set dates.

140. *Pricing Policy of National Book Foundation.*—Replying to a query, the departmental representative submitted that, individual books were priced so that there may be no profit nor any loss. However, nothing had been specifically laid down in this behalf and only the rough formula served as a guideline. The Chairman enquired if any annual grant was received by the Book Foundation and observed that, despite cost of production the overheads appeared to be very high. He desired to know as to what were the overheads for the current year. The departmental representative submitted that they were not receiving any subsidy from the Government and that the pricing formula had been framed by the National Book Foundation itself. The Auditor-General, thereupon, remarked that when the organisation was being run on no-profit-no-loss basis, it clearly meant that all the expenses would have to be spread over the sales during a particular year. He suggested that the Committee might like to ask the Department to submit a note on the pricing policy of the Foundation publications.

141. The Committee agreed with the Auditor-General and directed the departmental representative accordingly. The Committee also observed that, despite the no-profit-no-loss basis for pricing, inclusion of all or a part of the overheads in price might be considered by the management of the Foundation.

142. *Book Debts (Para 233, page 125—AR—CA).*—Audit had pointed out that the Book Debts of the Foundation stood at Rs. 5,501,220 at the close of the year 1978-79 as against Rs. 5,123,660 at the close of the previous year. As the year-wise break-up of the book debts had not been prepared, the ages of debts could not be ascertained. In any case, maximum possible efforts were needed to realise the debts.

143. The departmental representative informed the Committee that the University Grants Commission and the General Headquarters were their principal buyers. Presently, Rs. 2,104,720 was payable by the University Grants Commission alone. The Committee, thereupon, enquired as to why it was not recovered from them? It further observed that if the Government wanted to subsidise the books purchased by the Commission, then the Commission itself should do the subsidising. The Foundation should be left to sell their books strictly on a no-profit-no-loss basis, without incurring any loss.

COMPLIANCE ON THE POINTS RAISED IN PAC'S REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS THEREON.

144. *Grant No. 31—Group Head "E—Education Offices in Foreign Countries (Para 604, page 127—PAC Report 1976-77).*—In compliance, it was explained that the Student's Hostel in London was established on a no-profit-no-loss basis and that the income of the Hostel was supposed to meet its expenditure. From the very beginning, they had been making budget provisions, after taking into account the receipts of the Hostel with the approval of the Finance Division.

145. The paragraph was dropped.

146. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation and Commercial Accounts or the Auditor-General's Reports thereon; and (ii) the material supplied by Audit on compliance by the Ministry with the PAC's reports for 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

MINISTRY OF COMMERCE

147. The Appropriation Accounts etc. pertaining to the Ministry of Commerce were the last to be taken up by the Committee for examination on 18-10-1981. The following departmental representatives were present :—

(1) Mr. Izharul Haq, Secretary.

(2) Mr. Ijaz Ahmed, Joint Secretary.

(3) Mr. Riaz Malik, Registrar, Trade Marks.

(4) Mr. A. I. Khan, Director, Export Promotion Bureau.

(5) Mr. Manzoor Hussain, Controller, Imports and Export.

(6) Mr. Nusrat Hasan, Chairman, Cotton Export Corporation.

(7) Mr. Ali Muhammad Chaudhry, Finance Director, Cotton Export Corporation.

(8) Mr. Riaz Ahmad Naik, Chairman, Rice Export Corporation.

(9) Mr. M. Yaqub, Chairman, State Life Insurance Corporation.

(10) Dr. Bahadur Ali, Secretary, Pakistan Tobacco Board.

(11) Mr. Aftab Ahmad, Chairman, Trading Corporation of Pakistan.

148. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Commerce	15
2.	Export Promotion	16
3.	Other Expenditure of Ministry of Commerce	17
4.	Development Expenditure of Ministry of Commerce	140
5.	Capital Outlay of Ministry of Commerce	168

149. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of the Accounts for 1980-81 in the offices of the CCI&E and Export Promotion Bureau was still outstanding. The departmental representative was directed to get the outstanding work completed by the 31st October, 1981, as the Appropriation Accounts would be sent for printing by Audit immediately thereafter.

APPROPRIATION ACCOUNTS

150. *Grant No. 15—Ministry of Commerce (Page 32—AA).*—The excess of Rs 924,373 against this grant was explained as being mainly due to the following reasons :—

(i) Increase in the rate of House Rent and Conveyance Allowances and grant of Dearness Allowance during the year.

(ii) Increase in the cost of travel, P.O.L., Telephones, Liveries, and local purchase of stationery items, not supplied by the Department of Stationery and Forms.

(iii) The Ministry of Foreign Affairs had issued a circular for the revision of Foreign Allowance on 1st June, 1979, but it was made effective from October, 1978. The Ministry of Foreign Affairs issued another circular increasing the Foreign Allowance in January, 1980, but again it was given retrospective effect, this time from October, 1979. This incerase could not be anticipated. The total increase on this account came to Rs. 411,265, which constituted almost one-half of the excess.

(iv) The orders revising the pay of the local staff of Trade Officers resulted in an increase of Rs. 44,903.

(v) The proposal for the purchase of new staff cars for Hong Kong and Singapore submitted to Finance in the Budget Estimates 1979-80, was rejected by the Deputy Financial Adviser. The expenditure of repairs and maintenance of old cars, amounting to Rs. 82,525, was excessive and uneconomical but unavoidable.

(vi) The excess expenditure incurred on medical charges in respect of Trade Missions was due to an exhorbitant increased in the rates charged for medical treatment. The present increase of Rs. 61,800 mainly related to the Commercial Sections at Brussels and Paris.

At the time of regularisation of savings and excess for 1979-80 in respect of Trade Offices abroad, no supplementary grant was asked for, as it was anticipated that the excess would be met from within the sanctioned budget and the Trade Offices had been requested to keep the expenditure at the level of the sanctioned budget.

151. The Audit representative pointed out that the department's plea that no Supplementary Grant had been asked for was not factual, as a Supplementary Grant of Rs. 602,000 was obtained by the Ministry for, *inter alia* increase in

House Rent Allowance, etc. which proved to be insufficient. The Chairman remarked that excess had occurred due to expenditure on not only the Trade Missions abroad but also on other items, which were not unforeseeable. The Committee observed that somebody in the Ministry should have been seeing to these things. In any case, a monthly review of expenditure should have been regularly undertaken and should be organised now for the future.

152. *Grant No. 16—Export Promotion (Page 33—AA).*—The excess of Rs. 827,524, shown against the function head "033-Commerce", was explained as being due to :—

(i) Grant of Dearness Allowance.

(ii) Enhanced rates of House Rent and Conveyance Allowances, which were sanctioned by the Government after the finalisation of the Budget Estimates for 1979-80.

(iii) Air Fare, Air Freight Charges, Postage and Telephone and Electricity Charges were also enhanced without a corresponding provision of additional funds in the Budget Estimates 1979-80.

153. When asked as to why an amount of Rs. 296,000 was surrendered when there was an excess, the departmental representative said that it was due to economy cut. The Committee, however, noted that another amount of Rs. 934,000 had been surrendered, separately, on account of economy cut. The explanation for the excess was, therefore, considered to be unsatisfactory and the departmental representative was directed to have a revised explanation furnished to the Committee. He was further directed to locate the responsibility for the excess expenditure and take necessary action against the defaulter.

154. *Grant No. 17—Other Expenditure of Ministry of Commerce (Page 34—AA).*—An excess of Rs. 265,254,520 was exhibited in the Appropriation Accounts against the function head "600—Subsidies—620—Others". The department claimed that as shown on the reconciliation statement, the excess was due to the following wrong bookings :—

	Rs.
(i) Payments on indigenous wheat, debitable to Food and Agriculture	212,824,451
(ii) Lumpsum provision for the repatriated employees of the Chittagong Port Trust, wrongly booked	70,000
(iii) Debits of 1978-79 adjusted in 1979-80..	52,360,069
Total ..	265,254,520

155. The Audit representative informed the Committee that—

(i) The amount of Rs. 212,824,451 pertained to the Ministry of Food and Agriculture, but after it was once debited to that Ministry, it was again debited by the Treasury Office and State Bank of Pakistan respectively to the Ministry of Commerce. This, unfortunately, did not come to notice, as the Ministry of Food and Agriculture did not carry out any reconciliation and the Ministry of Commerce reconciled their expenditure a year later in 6|81. The rectification of these accounts was under correspondence between the Treasury Office, Karachi and State Bank of Pakistan.

(ii) Rs. 70,000 pertained to Grant No. 23 (Ministry of Communications) but was wrongly booked here. It did not come to notice, as reconciliation had not been carried out in time. It will be corrected now by an errata.

(iii) Rs. 52,350,069 represented adjustments during 1979-80 of the debits for rebate on the export of cotton pertaining to the year 1978-79, for which a supplementary was promised but not included in the book of Supplementary Demands.

156. After seeking some clarification, the Committee directed that Audit should submit a report to the Committee on (1) the problem of reconciliation of Accounts with the State Bank of Pakistan and (2) in this case, (a) how the mistake actually occurred, (b) how was it going to be cleared, and (c) what corrective action was proposed to be taken to guard against such mistakes in future.

157. *Grant No. 140—Development Expenditure of Ministry of Commerce (Page 160—AA).*—A provision for Rs. 3,497,000 had been made against the function head "033—Commerce—Research Station for Tobacco Board". Replying to the query as to what were the original estimates and the actual total cost, the departmental representative submitted that the original estimate was Rs. 11.6 million and actual expenditure upto June, 1980, Rs. 7.55 million. The provision in 1980-81 was Rs. 2.1 million and, during 1981-82, it is Rs. 1.9 million. This was a phased programme. The Audit representative pointed out that, if the building was going to be built in four years, then the cost was surely going to increase. A member added that it was strange that the department did not revise the estimated cost even once during the last four years, particularly in view of the high rate of inflation in this period. The departmental representative was directed to check whether there was any increase in the originally estimated cost.

158. The Chairman remarked that the Tobacco Board was constituted under a separate law and that it was a body corporate. The question was whether the building's ownership would be transferred to the Board? If it was to be transferred, the annual payments should have been grants to the Tobacco Board and not direct expenditure by the Government. The departmental representative submitted that this was the development expenditure of the Ministry of Commerce. Thereupon, the Chairman said that, in that case, it was the Government's building and not of the Tobacco Board. The Committee desired that Government should take a decision about the ownership of the Tobacco Research Building.

159. *Grant No. 168—Capital Outlay of Ministry of Commerce (Page 204—AA).*—There was no material point for consideration by the Committee in this grant.

COMMERCIAL ACCOUNTS

Rice Export Corporation of Pakistan Limited

160. *Loss of Rs. 6,156,250 due to imprudent amendment in agreement for export of rice (Para 14, page 20—AR—CA).*—According to Audit, the Rice Export Corporation entered into an Agreement with a foreign firm in October, 1974, for the export of 10,000 metric tons of coarse rice @ $ 355 per metric ton. The export was to be completed by February, 1975, failing which the Corporation had a right to forfeit the security deposit of $ 87,500 and resell the defaulted quantity at the risk and expense of the firm. On the 3rd November, 1974, the firm established a letter of credit, amounting to $ 1,775,000, for the shipment of 5,000 metric tons of rice, but it failed to export any quantity by the stipulated date. Instead of enforcing the terms of the agreement, the Corporation, after negotiations with the firm, amended the original agreement on the 14th March, 1975, substituting therein 3,500 metric tons basmati rice @ $ 800 per metric ton for 10,000 metric tons coarse rice, and forfeited the firm's security deposit of $ 87,500. Subsequently, the above 10,000 metric tons of coarse rice was sold by the Corporation to other parties for $ 2,400,000 ($: 240 per metric ton) against the contracted sale value of $ 3,550,000 ($: 355 per metric ton). The Corporation, thus, suffered a loss of $ 1,150,000, which could have been recovered from the firm, had the original agreement not been amended. There was also disagreement between Audit and RECP about the price at which basmati could have been sold elsewhere.

161. The departmental representative explained that the sale price for basmati mentioned by the RECP and Audit was based on wrong information. Only 1,000 metric tons of rice was sold to Kuwait at $ 592 per metric ton, but

Audit claimed that it could have been sold at $ 670 per metric ton. Realistically speaking, because of the tough competition in the world market at the relevant time and the stocks with the Rice Export Corporation, the rice in question could not be sold at more than $ 385 per metric ton. 100,000 metric tons were sold to Iraq at this price because they insisted that they were not going to pay any more. He added that this was the price of the good quality American rice at that time and, therefore, the ruling rate in the international market.

162. The departmental representative further said that Kuwait was not the only buyer: 575,000 metric tons of rice were in fact sold to Saudi Arabia @ $ 675 per metric ton and 17,000 metric tons to Behrain at the same rate. Thereupon, the Chairman observed that, so far as the Committee was concerned, these transactions were not of much significance. All that it wanted was that litigation should be avoided on this score.

163. *Loss of Rs. 2,104,679 on account of damage to rice (Para 15, page 21—AR—CA).*—It had been pointed out that the Rice Export Corporation of Pakistan purchased 7,364 metric tons of rice in 1976, of which 1,764 metric tons, *i.e.* 23.7 per cent, valuing Rs. 2,104,679, was ultimately declared as damaged. This was *prima facie* the result of either improper storage or purchase of defective rice.

164. The Committee was informed that these stocks actually belonged to private parties and were taken over by the Rice Milling Corporation due to nationalisation of the Rice Mills. It was further stated, that, after the procurement of 7.364 metric tons of 100 per cent broken rice only 5,618 metric tons could be exported, leaving a balance of 1,746 tons, which was sold locally. In fact, the report of the local Audit party that the entire quantity of 1,746 metric tons was declared damaged was not correct because 1,503 metric tons was disposed off through local tender. There was, no doubt, a loss of 243 metric tons in the handling of such large quantities of rice on open kutcha grounds. The quantity lost was worth Rs. 200,000, a figure which in the context of the storage and handling arrangements at the Qasim Rice Godowns should be considered small.

165. The Chairman observed that the information furnished by the departmental representative appeared to be correct, but it should not have taken them so long to answer the question. The Audit representative added that they would verify the factual position in the light of the information furnished by the department.

Cotton Export Corporation of Pakistan Limited

166. *Infructuous expenditure on a plot for storage godown, Rs. 179,539 (Para 16, page 22—AR—CA).*—In January, 1975, the Cotton Export Corporation purchased two plots for Rs. 60,000 at Multan for constructing godowns.

The construction work was entrusted to a contractor under the supervision of a firm of Consultants. After incurring an expenditure of Rs. 154,539 for construction and Rs. 25,000 as Consultant's charges, the Corporation realised that waste water of an adjacent mill was flowing along the boundry wall of the plots. The site was hence not found to be suitable for construction of godowns and the Corporation abandoned these plots and purchased plots at another place. The expenditure of Rs. 179,539, paid to the Contractor and Consultants, was rendered infructuous. This was due to lack of proper planning in selecting the site and starting work without proper survey.

167. In their written reply, the department explained that the Audit objection, that the infructuous expenditure was mainly due to lack of proper planning in selecting the site and starting work thereon without proper survey, was not based on facts. The plot for the storage of cotton was obtained from the Industrial Estate, Multan, in November, 1974. Various officers of the Corporation inspected the site and found it suitable for the storage of cotton. The firm of Pakistan Consultants prepared the plan and the cost estimates for storage godowns. After the approval of the plan by the Industrial Estate, Multan, a PC-I proforma was submitted to the Ministry of Commerce for securing the approval of the competent authority. The construction work could, however, not start, because obtaining approval took time.

168. However, in view of the pressing need for storage space, it was decided to construct 'Kutcha' cotton storage godowns, which were generally found in every ginning factory. A contract for the construction of temporary storage space was given to a local contractor, Farid & Co., on the basis of lowest bid. The work done on the site by the Contractor was, unfortunately, destroyed by abnormally heavy rains and floods that year and also by accumulation of rainy water on the premises. There was further damage by drainage water, which accumulated in the sewer drain laid by the Industrial Estate, Multan, along the road which was to be constructed on the side of the plot. Earlier completion of construction of the godowns and the boundary walls might have prevented damage. The 'kutcha' construction was in order and would have lasted for five to six years until permanent construction, as per the specifications suggested by the Consultants, was completed after approval of the scheme by Government.

169. As a result of the above expenditure during the heavy rains and floods, the allotted plots were not considered suitable for the storage of cotton. It was noticed that the drainage system of the area was not good for rains and floods and that there were only remote chance for any marked improvement in it in the near future. Moreover, the approach roads to the plots were also not completed by the local administration, as promised. Therefore, it was considered desirable to change the location, to avoid larger losses.

170. Replying to a question, the departmental representative submitted that they had no storage capacity of their own, but hire space as and when needed. In 1978, they had to pay about Rs. 80 million on account of fire losses. He added that they were paying an insurance premium of about Rs. 30 million annually. Replying to another query, the departmental representative said that, if they had proper storage, the insurance premium could be about 30 per cent less, because this factor was also taken into account in determining the premium. In reply to another question, he said that the godowns could be put to alternative uses.

171. The Committee, finally, observed that the pace of developing cotton storage capacity was too slow. Its stepping up would be strongly justified, as—

(i) heavy losses were caused by weather and fire,

(ii) insurance premia could be reduced considerably with good storage, and

(iii) alternative uses of the storage capacity thus created could be made during the off-period.

Pakistan Tobacco Board

172. *Advances for purchase of Conveyance (Para 212, page 119—AR—CA).*—According to Audit, no interest on conveyance advances granted to officers was being recovered, resulting in a short recovery of Rs. 3,347 during the year under review. All the past cases of advances also needed to be reviewed with a view to recovering the interest due from the Officers concerned. Moreover, the amount of conveyance advances granted was much in excess of the prescribed ceiling fixed by the Government therefor, entailing an extra payment of Rs. 88,825.

173. The Committee was informed that advances for the purchase of conveyance were given on the basis of 9 months' pay of the employees as per the advice received from the Accountant General, NWFP, *vide* his letter No. H. 15 (2)|38 of 25th January, 1977. The payment of advances was, therefore, not in excess of the prescribed ceiling. As far as the recovery of interest was concerned, the principal amounts of most of the advances were still in the process of recovery. Three persons, who had left service, had been contacted for the recovery of interest charges.

174. Replying to a query, the departmental representative submitted that the letter of the A. G. Peshawar referred to in his reply did not appear to lay down any limit for the grant of advances. It only said : " The limit for advances for the purchase of motor cycles and motor cars has been raised to an amount equal to 9 months' pay ". The Audit representative said that there seemed to

be some misunderstanding on the part of the A. G., Peshawar as Government Orders at the time were for 9 months pay or Rs. 5,000. They would look into it.

COMPLIANCES ON THE POINTS RAISED IN THE PAC's REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS THEREON.

175. *Reserve on account of assets in former East Pakistan (Para 650, page 161—PAC Report 1977-78).*—The Committee was informed that the question of taking over the fixed assets of Rs. 16,473,319 and paying to the Pakistan Insurance Corporation equivalent cash in settlement thereof, had been taken up with the Finance Division. The matter was under their consideration and they had advised that a decision would be intimated shortly.

176. The Committee directed that the Finance Division should be reminded to expedite the matter.

177. *Sundry Debtors (Paras 651-52, page 162—PAC Report 1977-78).*—In this case, the Committee had directed that the Pakistan and National Insurance Corporations should adjust the claims by all Government departments and 100 per cent Government-owned organisations on National Co-Insurance Scheme against the claims by the latter on the former, and then consider writing off the balance. Without this, the scheme could continue to drag on *ad-infinitum*. In compliance, it had been explained that according to the NCS books of account, a sum of Rs. 11.4 million was due to NIC as on 31-12-1979, but the same could not be paid to them for lack of funds. As for the winding up of the NCS, both the PIC and NIC were doing their best to finalise the NCS accounts as early as possible. After finalising the accounts, which would take some more time, the net liability of the Scheme would be recovered from the member insurance companies. The Ministry was also watching the progress of finalisation of NCS Accounts. The recoveries of outstanding premia and settlement of claims were being attended to by NIC on behalf of PIC. Accordingly, statements showing the net position of each client *i.e.* the amounts due to or due from them, had been prepared in respect of the NCS Head Office and the North Zone and that for South Zone was to be completed soon. Lists of each client might have to be prepared policy-wise and claim-wise and, thereafter, PIC and NIC would be able to initiate action for adjusting claims made by and debts due from Government Departments and 100 per cent Government-owned organisations, as desired by the PAC. The Work involved was voluminous and labour-*cum*-time consuming. In view of the difficulties explained by the Corporation, the Ministry considered that it would take about two years to finalise the accounts.

178. The Committee noted that progress had been made in the preparation of Accounts, and hoped that the pace would be maintained and directed that the audit of the Accounts should also be expedited.

179. *Trade Debtors (Paras 657—61, page 163-PAC Report 1977-78).*— The Committee was informed that the only doubtful case now was that of the Saigol Group. The Department had avoided taking any extreme steps in the past. If the Saigol Group were found to be co-operative, it would be well and good, otherwise the Government would have to consider bringing in an Ordinance for dealing with them. The Committee observed that this meant that the Government intended to pursue the matter to its logical conclusion.

GENERAL

State Life Insurance Corporation of Pakistan

180. A member desired to know as to why were the Accounts of the State Life Insurance Corporation of Pakistan not being presented to the Committee. The Auditor-General submitted that, if the Corporation had come into existence under an order of the Government, the Accounts thereof have to be audited and presented to the PAC. The Pakistan Audit and Accounts Order does not exempt any such body from Audit by the Auditor-General. He added that it appeared that some Corporations still did not want their accounts to be looked at by the Auditor-General.

181. The Committee directed that the Accounts of State Life should also come to the Auditor-General for audit and, thereafter, submitted to the PAC for their examination. Audit was also requested to inform the Committee whether the Corporation was formally approached by them for making available their accounts, and, if so, what was their reply.

182. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other points in (i) the Appropriation|Commercial Accounts and Auditor-General's Reports thereon; and (ii) material supplied by Audit on the PAC Reports for 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

183. The Committee then adjourned to meet again at 9.00 a.m. on Monday, the 19th October, 1981.

M. A. HAQ,
Secretary.

Islamabad, the **28th *March*, 1982.**

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 19th October, 1981

Third Setting (Ad-hoc **PAC**)

184. The *Ad-hoc* Public Accounts Committee resumed the examination of the Federal Accounts for 1979-80 in the State Bank Building, Islamabad, at 9.00 a.m. The following were present :—

Ad-hoc *P.A.C.*

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Chairman.*

(2) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. *Member.*

(3) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(4) Mr. Yusuf Bhai Mian, Chartered Accountant .. *Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Mr. M. A. Suri, Joint Secretary.

(3) Mr. Inayat Ali, Assistant Secretary.

Audit :

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. M. A. Muid Khan, Deputy Auditor-General (Senior).

(3) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(4) Syded Shaukat Hussain, Accountant General, Pakistan Revenues.

(5) Mr. G. H. Minhas, Director, Commercial Audit.

(6) Mr. Idris Ahmad, A. O., I. S &F.

(7) Syed Jameel Ahmad Zaidi, Director, Audit and Accounts (Works), Lahore.

Ministry of Finance :

(1) Mr. Javed Talat, Joint Secretary.

(2) Mr. Manzoor Hussain, F. A. (Industries).

(3) Mr. Irtaza H. Zaidi, F. A. (Works).

(4) Mr. Abdur Rashid Shami, D. F. A. (Works).

185. *Accounts examined.*—The Accounts of the following Ministries and Divisions were examined by the Committee during the course of the day :—

(1) Ministry of Industries.

(2) Works Division.

(3) Environment and Urban Affairs Division.

MINISTRY OF INDUSTRIES

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

(1) Dr. Aftab Ahmad Khan, Additional Secretary.

(2) Mr. A. R. Khan, Joint Secretary.

(3) Mr. Hashmat Ali, Deputy Secretary.

(4) Mr. O. M. Qarni, Director General, Department of Supplies.

(5) Mr. M. Sadiq, Director, Finance, Ghee Corporation of Pakistan.

(6) Brig. Khushi Mohammad, Managing Director, Utility Stores Corporation.

187. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Industries	75
2.	Industries	76
3.	Department of Investment Promotion and Supplies	77
4.	Other Expenditure of Ministry of Industries	78
5.	Capital Outlay on Miscellaneous Stores	128
6.	Development Expenditure of Ministry of Industries	153
7.	Investment in Agrarian Management Corporation	186-A

188. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Accounts of the Karachi and Lahore circles to 30th June, 1981 had not been completed as yet. The departmental representative was directed to pursue the matter and get the outstanding work completed by the 31st October, 1981, as the Appropriation Accounts for 1980-81 would soon be finalised and sent for printing by Audit thereafter.

APPROPRIATION ACCOUNTS

189. *Grant No. 75-Ministry of Industries (Page 90—AA).*—The excess of Rs. 190,279, shown by Audit against the function head "571-Administration", was explained as being due, *inter alia*, to the following :—

(1) Payment of salary to the staff of Agrarian Management Cell for full year as against provision for three months only.

(ii) Payment of Conveyance and House Rent allowances at enhanced rates.

(iii) Payment of leave salary for ten months to the Director of Weights and Measures on the abolition of his post.

(iv) Higher expenditure on telephones.

(v) Larger payment of charges on the maintenance and repairs of motor vehicles, etc.

190. The Committee remarked that these items were not unforeseeable and a supplementary grant should have been asked for to cover the excess. The departmental representative submitted that the excess became known in June, 1980 when they did make a request for a supplementary grant, but it was turned down by the Deputy Financial Adviser, as it was too late. Thereupon, the Chairman observed that, since the department were admitting their fault, the Committee would direct that it should be ascertained as to why the excess could not have been foreseen earlier in the year, say in March or April, when a supplementary grant could have been asked for. The departmental representative was also directed to ask for an explanation of the person concerned and take suitable disciplinary action in the event that the explanation was found unsatisfactory.

191. *Grant No. 76 and 77 (pages 91-92—AA).*—There was nothing material for consideration by the Committee under these grants.

192. *Grant No. 78-Other Expenditure of Ministry of Industries (Pages 93-94—A.A).*—Audit had shown an excess of Rs. 745,916 against the function head "573-Industrial Estates and other Government Support of Industries". The department contending that this function head was not their responsibility, the Audit representative maintained that the expenditure had been duly reconciled by the department at Peshawar. Thereupon, the departmental representative reiterated that this did not pertain to the Federal Government, as it was the responsibility of the Provincial Government. The Auditor-General conceded that "Industrial Estate" was the responsibility of the Provincial Government and there should be no dispute on this score. If this related to the Provincial Government, expenditure against this function head should go to their account. The Chairman observed that this amount had to be taken out, because there was no budget provision for it.

193. The Committee, finally, directed Audit to verify whether any provision under the Federal budget existed for the Peshawar Industrial Estate and if the answer was in the negative, to take appropriate action to take out the amount from the Federal accounts.

194. *Function Head "579-Others" (Page 94—AA).*—The excess of Rs. 5,554 against the above function head was explained as being due to reimbursement on account of purchase of cotton pertaining to the Demand No. 80—Other Expenditure of Ministry of Industries for the year 1978-79 and which was adjusted through a Journal Entry, passed by the A.G.P.R. Sub-Office, Karachi.

195. A member remarked that there was a provision of Rs. 827,394,000 against this function head *viz* 'Others' but the purpose for which the provision was meant was not clear. When such a large amount had been provided in the budget, its purpose should be given clearly. The departmental representative was directed to furnish to the Committee the break-up of this grant, item-wise, and the expenditure against each item.

196. *Grant No. 128—Capital Outlay on Miscellaneous Stores (Page 147—AA).*—Audit had exhibited minus expenditure of Rs. 45,350 against the function head "815—Other Commodities", resulting in a saving of Rs. 784,350 against the final grant of Rs. 739,000. This saving was explained by the department as being due to the transfer of expenditure to Revenue Head, in order to close the accounts of the Defunct Schemes during the year, for whose minus expenditure no budget provision was required to be made.

197. When questioned as to how could be expenditure be 'minus' the Audit representative submitted that there was current expenditure involved and the recovery had been shown separately. He added that, in some of the old schemes, there was more expenditure and in some more receipts. A member said there could be no such thing as 'minus expenditure'; all that must have happened was that Audit had incorrectly booked receipts as a deduction from expenditure rather than showing it 'as a Recovery'. The Chairman said that there appeared to be some misunderstanding. No doubt, actual recovery had been shown in the Accounts, but such recovery had to be shown against the estimated one. The Department was trying to wind up different schemes, but their written reply did not indicate as to what was the final position?

198. The Committee, finally, observed that the Accounts of the defunct schemes should be looked into by the Ministry of Industries and Audit and expenditure and recoveries should be shown under the correct Accounting Heads.

199. *Grant No. 153—Development Expenditure of Ministry of Industries (page 184—AA).*—No observation was made by the Committee on this grant.

AUDIT REPORT

200. *Unsatisfactory sale arrangements of a ship-wreck (Para 1, page 19—AR).*—Audit had pointed out that a Directorate spent Rs. 17,500,000 on

cutting and bringing ashore in 1977 the wreck of a vessel, which had sunk in 1972. The scrap, weighing 3,995 tons, was auctioned by the Department of IP&S for Rs. 3,755,300 at the highest bid of Rs. 940 per ton on "as is and where is" basis. The sale letter issued in November, 1977, *inter alia* stipulated (i) the imposition of a penalty and cancellation of the sale if the scrap was not lifted by the 31st March, 1978 and (ii) deposit of 1|5th price through challan before lifting the material. The contractor failed to lift the scrap by the stipulated date and extensions were allowed to him upto the 31st March, 1979.

201. By the time of audit in August, 1979, the contractor had lifted only 200 tons out of 3,995 tons of scrap and paid a sum of Rs. 188,000. The requisite 1|5th price was also not realised. Instead, a cheque for Rs. 100,000 was obtained as "Security" and retained by the Department without encashment and, while the contract was returned to the contractor, without obtaining a fresh one. The terms and conditions of the sale arrangement dated 8th November, 1977 were defective inasmuch as no provision was made for obtaining security money and the penal clause was vague, as it did not mention any specific amount of penalty.

202. The Department explained that the matter had since been investigated by the Department through an Inquiry Officer and appropriate action against the persons responsible was in hand for—

(i) entering into a defective sale agreement,

(ii) charging undue favour to the contractor by granting extension of time, instead of cancelling the sale, and

(iii) non-encashment of the cheque of Rs. 100,000 obtained as security.

The departmental representative further informed the Committee that they would come back if they found anything worth placing before the Committee.

203. The Committee directed the departmental representative to supply a copy of the Inquiry Report to Audit who would report back, if necessary.

204. *Irregular drawal and retention of money out-side Government accounts and loss of interest (Para 35, pages 33-34—AR).*—According to Audit, the Punjab Agriculture Department placed a sum of Rs. 42 million at the disposal of the Federal Department of Supplies in January, 1978, for procurement of pesticides. The purchase contracts, issued during February to June, 1978, required an adjustment of the expenditure between the two departments by book transfer. The Audit Office, accordingly, passed on the debits to the Accounts Officer concerned, through monthly accounts, for adjustment.

Meanwhile, the Department of Supplies drew the entire amount of Rs. 42,546,000 in cash from the State Bank on the 27th June, 1978, and deposited it into two local Banks. The amount was, initially, kept in current account and then under fixed deposit, on which an interest of Rs. 3,221,015 was earned up to the 6th May, 1979. The total amount of Rs. 45,767,015 (Principal *plus* interest) was credited back to the Government on 8th May, 1979. The case, thus, involved serious irregularities.

205. The department, after explaining the background, admitted that the irregularity, in fact, was at the end of the Agriculture Department, Punjab, who drew the amount and the A.G., Punjab, who allowed the withdrawal of the amount in question, contrary to the normal arrangement of payment by book adjustment. However, it was done in good faith, to avoid a lapse of funds for the contracts already placed. The amount was, no doubt, placed in the Nationalised Banks on the specific instructions of the Indenting Officer, to avoid its getting lapsed.

206. Replying to a question, the departmental representative explained that the Provincial Government had made certain purchases and those bills had yet to be cleared. They wanted the Department of Supply to get hold of the money and that was why the money had been kept in the Commercial Banks. He admitted that this was not according to the rules. Thereupon, the Chairman remarked that somebody had completely ignored the rules and regulations and put the money in the Banks. The Committee left it to the Ministry to take appropriate action against those responsible for disregarding the rules in this behalf.

207. *Loss by accepting higher rate (Rs. 1,531,050) and waiving liquidated damages (Rs. 750,095) (Para 36, pages 34-35—AR).*—A number of quotations were received against a tender enquiry advertised by a Purchase Department in May, 1972, for the supply of 46,000 bales, each bale containing 300 gunny bags. Two of the bids were for imported bags, at Rs. 945.07 and the other at Rs. 843 per 100 bags. Initially, the Purchase Department, wanted to accept the higher offer mainly because of the bidder's reputation for reliability but, ultimately, they decided to procure 7,000 bales of imported gunny bags from the two parties, 5,000 @ Rs. 945.07 and 2,000 @ Rs. 843 per 100 bags. Contracts were issued for supply by the 31st August, 1972. The reason for purchasing the major quantity at a higher rate was not clear because, even though both the contracts were identical and the stores were of the same type and originated from the same source, the rates quoted therefor were different. The procurement of 5,000 bales at a higher rate would have involved an avoidable extra expenditure of Rs. 1,531,050, and the purchase would have thus amounted to undue aid to a particular party.

208. Both the contracts were, cancelled unilaterally after a few days of issue, without assigning any reason and consulting the Finance and Law Divisions. Subsequently, on legal advice, contracts were restored hurriedly after six days without even reaching any understanding with the contractors that they would not claim any damage for the temporary cancellation of the contracts. The firms failed to supply the stores within the stipulated delivery dates. A sum of Rs. 752,095 (Rs. 549,775 + Rs. 203,320) was calculated to be the liquidated damages as per the contracts, but the firms came up with a counter-claim on account of the cancellation of the contracts. The Department, thereupon, waived the entire claim of liquidated damages. Thus, the hasty and un-justified cancellation of the contracts, without considering its legal and financial implications, resulted in loss of Rs. 752,095.

209. In their written reply, the Department explained that, consequent upon the opening of an advertised tender on 15th June, 1972, participated in by 12 bidders, including local Jute Mills, the bid of Rafi Associates @ Rs. 645. subsequently raised to Rs. 945, was perhaps erroneously adjudged to be the lowest, as Customs Duty and Sales Tax were not taken into account, assuming that these amounts would go into the offers of Government as revenue receipts. This financial aspect was duly discussed while making the Purchase Proposal for the imported bags as under :—

> "The Offer seems to be very attractive, as the real expenditure on the side of the Government would be only Rs. 477 per 100 bags, in view of the simple fact that the Customs Duty and Sales Tax would be going to the other pocket of the Government and, as such, the expenditure on this account would be equalised by the income on the other side".

The other reason for not placing the contract for the full quantity on M|s. Mohammad Bux and Sons, who had quoted Rs. 843 FOB, inclusive of Customs Duty and Sales Tax, was that this price seemed to be unrealistic, as also agreed to by the DFA (Industries). The Additional Finance Secretary had also then expressed his apprehension that Mohammad Bux would perhaps not be able to execute the contract on this price. Finally, with the due approval of the Ministry of Finance orders were placed for 5,000 bales on Rafi Associates @ Rs. 945 and for 2,000 bales on Mohammad Bux and Sons @ Rs. 843. As the requirement of bags was rather urgent, and Mohammad Bux and Sons had offered only 3,500 bales for August, 1972, and their price was also seemingly rather unrealistic, an order for only 2,000 bales was placed with them.

210. As regards the cancellation and subsequent restoration of contracts, the Department explained that the two contracts, were telegraphically cancelled under the telephonic direction of the then Secretary Industries. Subsequently, as per the advice of Law Division that the cancellation of the acceptance of tender was not in order, the contracts were restored.

211. The Chairman remarked that it was possible that the contracts might have been cancelled by someone, intentionally, to extend some assistance to the supplier. The question here was as to why, in the first instance, the contracts were cancelled and then the Ministry went to the Law Division for advice? The Auditor-General added that the then Secretary Industries must have given his direction for the cancellation of the contract on some file, giving reasons for this decision, and the Ministry must have set out the facts while making a reference to the Law Division. The Chairman added that the other thing that the Committee would like to know was that when the contracts were being restored, why was an undertaking not obtained from the Suppliers that the restoration would not mean any relaxation in the terms of the contracts. The departmental representative submitted that the loss was imaginary. Actually, there was no loss.

212. The Committee, finally, directed that an inquiry should be conducted in the matter covering, *inter alia*, as to who had assessed that the offer was attractive, who accepted the offer on the ground that as the Customs Duty paid would in any case be coming to the Government, it should be considered a reduction from the price, why was the cancellation of the contracts orders, why were the same restored and why was there no stipulation, at the time of the restoration, in case this was being done at the request of the party, that the penalties accrued under the contracts for the past omissions etc. would not be condoned, because of the restoration. The Inquiry Report should be submitted to the Committee.

213. *Irregularities and delays in installing Lifts (Para 37, pages 35-36—AR).*—The departmental explanation was deemed to be satisfactory and the paragraph was treated as settled.

214. *Loss due to non-inclusion of duty and tax in sale price of vehicles—Rs. 626,628 (Para 38, page 36—AR).*—Under the State Trading Scheme of Purchase and Sale of Diplomatic Cars, a Government Department purchased fourteen vehicles during 1976-77 and 1977-78, for disposal. According to the Rules, the sale price of such vehicles was to include Customs duty and Sales tax also. But, in these cases, the duty and the tax were not assessed, despite specific instructions from the Foreign Office, and the vehicles were sold out without including these elements. This deprived the Government of

revenues amounting to Rs. 626,628 (Customs duty Rs. 521,360 and sales tax Rs. 105,268), out of which Rs. 430,867 pertained to nine vehicles sold to private parties and the remaining to Government and semi-Government Organisations.

215. The department *inter alia* explained that, under the relevant rules, they were required to include the following elements while fixing the reserve price of the vehicles :—

(i) Price of the vehicle paid to the owner, plus

(ii) Customs Duty and Sale Tax if paid, plus

(iii) Storage charges @ Rs. 3 per day plus

(iv) Any expenditure which may have been incurred on the servicing and up-keep of the vehicle plus

(v) Departmental charges at 2 per cent.

As no subsequent orders on the subject had been issued by the Central Board of Revenue they were justified in not adding the amount of Custom Duty and Sales Tax in the reserve prices of the vehicles. The Department maintained that, since no rules had been infringed, there was no need to hold any inquiry or have the transaction regularised by the Government.

216. The Audit representative said that they were still of the view that Customs Duty was payable by the Department. He added that, normally, diplomats selling their cars to non-diplomats were responsible to the CBR for the payment of duty In the instant case, as the diplomats were selling their cars to a Government Department, neither the diplomat nor the department was required to pay the duty. But, when the car was being sold to a private person, duty did become payable and it was the responsibility of the seller to realise the same from the purchaser. Thereupon, the Chairman remarked that the responsibility for the payment of Customs duty and Sales tax, in the circumstances was squarely that of the department and the purchaser could not be held responsible for it. The Director General, Supply should have included the Customs duty and Sales tax on the Diplomatic Cars in his reserve prices. The Committee observed that if there was any rule, which admitted of a different interpretation, its amendment should be duly considered. Accordingly, substitution of the words " if paid " in the Rules by the words " wherever payable " needed to be examined and effected urgently.

217. *Loss due to irregularities in Purchase of Stores (Rs. 70,687) (Para 39, pages 36-37—AR).*—It had been pointed out that against an indent dated 22nd August, 1975, for the immediate supply of 15,000 SAC Filaments to a

government department, a tender inquiry was advertised in October, 1975. In response, eight quotations were received. But only two firms, who had quoted at Rs. 20|44 and Rs. 20|80 per unit and were 5th and 6th respectively, were considered to be technically acceptable. However, on receipt of further clarification from another firm, their offer of Rs. 18|85 per unit, being the second lowest, was accepted. A contract for Rs. 282,750 was placed on them, stating that the price was firm and final and inclusive of all taxes and charges. The clause regarding price was, subsequently, amended four times, lastly in December, 1977, conceding an extra payment by the Government of Excise duty at actuals on the production of documentary evidence on the plea that the firm, in their quotation, had mentioned that "Excise Duty" if levied, would be on buyer's account. Consequently, the firm was allowed an additional payment of Rs. 70,687 on account of Excise duty. On that basis, their offer ultimately became the 7th lowest, involving an extra expenditure of Rs. 46,837, as against even the 5th lowest acceptable offer of Rs. 20.44 per unit. This additional payment was a loss to the Government and was not justified because (i) the Excise duty in question had been levied long before the receipt of the question, (ii) all other quotations inclusive of all taxes and (iii) the contract, based on a firm and final price, had been duly accepted by the supplier. Thus, the firm was given an undue benefit of Rs. 70,687. Even assuming that the offer of the contractor was exclusive of taxes and duties and extra expenditure of Rs. 46,837 was incurred by not having accepted the lower acceptable offer.

218. The department, *inter alia*, explained that the assumption that all the other manufacturers had quoted prices inclusive of Excise duty was incorrect, as they had not mentioned this clearly in their quotations. Had the orders been placed on any other firm, the same legal situation would have cropped up, since it appeared from the communication of the Central Excise Department that the manufacturers were informed of the imposition of this duty after the award of the contract. The presumption that the Clause in respect of Excise duty had been inserted at a later date was only an assumption and far from correct, as would appear from the quotation of the firm in the file.

219. The Audit representative pointed out that the contract was finalised, assuming that the rates of Sparkway were inclusive of all taxes and duties, otherwise they would have been the 7th lowest. Their quotation also stipulated that their prices were firm and final and inclusive of all the prevailing taxes and any change therein or a levy of fresh taxes would be on the buyer's account. The departmental representative admitted that their explanation was not satisfactory.

220. The Committee, finally, directed that action should be taken against those responsible for this avoidable loss to Government.

221. *Loss due to irregular acceptance of higher rate (Rs. 64,735) (Para 40, page 37—AR).*—The Committee was informed that, in the instant case, the indentor had written a letter that the samples would be approved by the Union Leader of the T&T Department. Hence it was stipulated in the Tender Inquiry. After some discussion, the Committee decided to drop the paragraph subject to verification by Audit.

222. *Inadmissible payment of Rs. 11,411 on purchase of Diplomat's Cars (Para 41, page 37—AR).*—The explanation furnished by the department was accepted by the Committee and the paragraph was deemed as settled.

223. *Irregularities in the expenditure from Grants-in-aid [Para 78 (15), 59—AR].*—The Committee was informed that this paragraph was only for information.

COMMERCIAL ACCOUNTS

Utility Stores Corporation Ltd.

224. *Working results (Para 298, page 146—AR—CA).*—Audit had pointed out that the Corporation had sustained a net loss of Rs. 23,090 million during the year under review, as against Rs. 22.609 million during the previous year. The increase in losses could be attributed to—

(i) abnormal fall in sales,

(ii) fixing of selling prices with insufficient margin of profit to cover overheads, and

(iii) Losses due to larger pilferage of stores (Rs. 286,781) in 1979-80 as against Rs. 66,354 in 1978-79.

Ways and means need to be devised to increase sales, control losses on account of damaged stocks and review the sales policy, to convert the Corporation into a self-sustaining concern.

225. In their written reply, the department explained that the overall working of the Corporation had been reviewed by the Federal Inspection Commission in 1979. Based on their recommendations, a new Managing Director was appointed in September, 1979. He took several measures to re-organise and streamline the working of the Corporation, including the introduction of effective systems and controls, centralised buying, revised pricing and reduction in overheads. The year under review was the worst in the history of the Corporation due primarily to lack of capital, which was eroded by accumulated losses.

extremely low percentage of gross profit and high overheads. Moreover, damage and obsolete stocks, which had accumulated since the commencement of this Corporation in 1971 and were not saleable, had to be written off. As a result of the efforts of the new management, the year ending 30th June, 1981, showed a marked improvement, as sales increased by approximately 50 per cent and Gross Profit from 0.7 per cent to 9.34 per cent. Moreover, the operating expenses were reduced by 33.57 per cent and the net losses by 87 per cent.

226. When questioned as to how did the Corporation succeed reducing their losses and whether it was a result of a change in the pricing policy, the departmental representative submitted that, basically, there were three major problems for the Corporation, namely, lack of capital, excessive staff, which had since been reduced by 200 to 400 persons, and unbusiness-like purchases, which were previously being made by the divisions without adequate control. He added that, on the recommendation of the FIC, the management was changed. After the new management took over, they approached the Government for more money and were able to secure additional capital to the extent of Rs. 21 million. They had also now centralised the purchases and were purchasing from manufacturers and not distributors. This had made a lot of difference.

227. Continuing, the departmental representative said that they had reduced the losses from Rs. 23 million to Rs. 3 million, as they were allowed to obtain a loan of Rs. 20 million from Banks, which they were required to repay. He added that since they had to run the Corporation as a welfare organisation, they could not afford to buy things by paying 14 per cent interest to the Banks. They were hopeful that, by next year, they would be able to reduce the overheads further.

228. Noting that the Corporation was reportedly doing better now, the Committee advised the departmental representative to keep the administration cost under further strict control.

229. *Auditors Report to the shareholders (Para 335, page 874—CA).*— External Auditors in their report had pointed out that, due to unsatisfactory maintenance of fixed assets registers and absence of reconciliation with financial records, they were unable to express their opinion on the accuracy of the figures for fixed assets. The departmental representative informed the Committee that earlier the accounts had not been audited, a pre-requisite in any commercial organisation. They also did not have any Service Rules in the Corporation. But they had streamlined the system now and introduced checks and balances. Now, for audit purposes, they had their own Internal Auditors, besides Commercial Audit and External Auditors.

230. Replying to a query about the findings in the Federal Inspection Commission's report, the departmental representative submitted that most of the Commission's recommendations had been implemented. One of them was that the Managing Director should be replaced. The Audit representative asked for a copy of the FIC's report, which the Departmental representative promised to send soon.

Ghee Corporation of Pakistan Limited

231. *Compilation of Accounts* [*Para 3 (xxxiv-Lii), pages 7-8—AR—CA*].—On Audit pointing out that the Accounts for 1979-80 of the Ghee Corporation and the Units working under them had not been compiled the Committee was informed that such accounts had already been compiled. These were required to be audited by Chartered Accountants under the Companies Act. Some time ago, the Director, Commercial Audit, had asked for the audited accounts, which could not be supplied them. The audit by Chartered Accountants had also been completed and the accounts had now been given to Commercial Audit.

232. The Audit representative informed the Committee that audit of these accounts had been included in their programme and some of these had since been audited.

Fazal Vegetable Ghee Mills Ltd.

233. *Working results* (*Para 305, page 148—AR—CA*).—According to Audit, the Mills sustained a net loss of Rs. 2,028,291 during the year under review as against a net profit of Rs. 250,423 in the previous year. Audit had made out that a loss of Rs. 878,517 was sustained by the Mills due to excessive process losses. It was explained by the department that the said process losses were calculated on the basis of standard quality of oil. Efforts were made to check the excessive process losses during 1980-81 and the results achieved were encouraging. In practice, however, the process losses varied according to the actual quantity of oil processed. The departmental representative admitted that in this particular Mills, there was some deviation from the standard. One of the reasons for this was that the quality of oil used by them was not of the standard quality and they had deducted Rs. 180,000 from the suppliers as quality cut. He admitted that they were looking into the reasons for deviation from the standards. The deviation of 1.32 per cent in 1979-80 had been reduced to 0.83 per cent in 1980-81.

234. Replying to a query, the departmental representative submitted that the allegation about mixing water in oil was not made by the press. On the contrary, it was the management of the factory themselves who during their investigation discovered the fraud. By a process of elimination, they came to the

conclusion that there was something wrong with the oil tankers. So, they appointed a special team to check one of the tankers thoroughly. They detected that a separate chamber had been fabricated inside the tanker, which contained water, and this water was mixed with oil when the latter was transferred from the tanker to the Mill tanks, from where oil was pumped into the factory. Replying to a query, the departmental representative submitted that the tanker had a capacity of 8 tons and the concealed chamber, which carried water, of 1.5 tons. He added that this did not seem to have been going on for many years. Had it been, so the process losses would have been higher. He further stated that the case was reported to the police, but no departmental inquiry was held.

235. The Committee finally directed that this matter should be got inquired into by the department in detail to bring out the full facts and find out as to why the fraud could not have been detected at an earlier stage. A copy of the report should also be furnished to the Committee.

236. According to Audit, 1,926.785 tonnes of finished soap was produced by the Mills during the year under review as a by-product. The standard consumption of 110 Kgs of caustic soda for each tonne meant that 211,946 Kgs. of caustic soda should have been used to produce 1,926.785 tonnes of soap, the actual consumption, however, was 257,308 Kgs. Thus, 45,362 Kgs. of caustic soda, valued at Rs. 279,883 @ Rs. 6.17 per Kg. was excess consumed during the year.

237. The Committee was informed that the matter regarding the excess use of caustic soda was being looked into. The departmental representative was directed that a copy of the report, when finalised, should be made available to the Committee.

238. *Doubtful Debts* (*Para 306, page 149—AR—CA*).—Audit had pointed out that an amount of Rs. 394,009 was outstanding against Oil Suppliers, which showed that either advances had been given or overpayments made to them. Similarly, ghee distributors had been issued ghee on credit and Rs. 81,802 remained outstanding against them. These debts were apparently unsecured. The circumstances leading to the supply of ghee to distributors on credit and unsecured advances to oil suppliers needed to be investigated.

239. The department explained that efforts were being made to recover the outstanding debts. However, as required by Audit, investigation for giving supplies on credit had also been initiated. The departmental representative further added that they had since recovered certain amounts but, as these were very old debts, it was not possible to recover them over-night. Now, payments were being made after the oil had been delivered in the mills and not earlier. A

member observed that the department might consider writing the old debts off. The departmental representative informed the Committee that they were going to do so. As regards ghee distributions, the departmental representative submitted that a suit had been filed against the parties, which was pending.

Dargai Vegetable Oil Processing Industries

240. *Working results (Para 311, page 151—AR—CA).*—It had been pointed out that the factory started its commercial production on 1-4-1980 and suffered a net loss of Rs. 2,526,104 during the period ending 30-6-1980.

241. The main reason for the losses were :—

(i) Payment of interest, amounting to Rs. 1,957,238, on account of loans obtained from the Government and the National Development Finance Corporation.

(ii) High cost of transportation of edible oils from Karachi to the Mills. The Mills paid freight charges to the extent of Rs. 2,250,873 on the transportation of 3,764.001 tonnes of edible oil through tank lorry during the period ending 30-6-1980. There would have been a saving of about Rs. 1,002,165 if the edible oil had been transported through Railway Wagons, the transportation charges through Railway Wagons being lesser by Rs. 266.25 per tonne as compared with those through tank lorries. The factory would continue to incur such extra expenditure unless the transportation of oil through Railways was arranged on a regular basis or a "Transportation cost equalisation reserve fund" was created in the Ghee Corporation of Pakistan for supplying oil to each factory at the same rate.

242. The Department had explained that—

(i) The Ghee Corporation was making out a case for investment on equity basis, to avoid interest.

(ii) Only when the Railways showed their inability to supply Railway Wagons transportation through tank lorries was arranged to keep the factory running. It was always endeavoured to transport as much oil as possible through Railway tank wagons, but availability of tank wagons was beyond the control of the management. However, the proposal made by Audit in respect of "Transportation cost equalisation fund" was already being looked into. As soon as the matter was finalised, this cause of loss would be reduced to a great extent.

243. When questioned as to why there was no equity capital in the company, the departmental representative replied that the Mill was started by the Sarhad Development Authority. At that time, the Federal Government had given them loans to set it up. That loan was still outstanding.

244. The Committee observed that, the cost of conversion being high in three units, *viz.*, Dargai, Bara and Haripur, the matter required careful investigation and remedial action. The Committee further observed that the equity structure of the new units should be determined at the earliest possible stage, before they began to break down for lack of equity and funds. The departmental representative was advised to have this issue settled with the Finance Division when the equity is determined, it should be treated as such from the very beginning and the interest on that portion waived *ab initio*.

Bara Vegetable Ghee Mills

245. *Residential Colony* (*Para 321, page 154—AR—CA*).—Audit had pointed out that the residential buildings constructed at the mills had not been allotted to the employees after completion. Approximately Rs. 80,000 was being paid annually as house rent allowance, despite the availability of accommodation. Besides, funds to the tune of Rs. 2,471,107, spent on their construction, had been un-necessarily blocked. The necessity of urgently allotting already available residential accommodation was stressed, to eliminate further payment of house rent allowance.

246. It was explained by the department that the colony still lacked certain basic facilities, such as water supply, electricity, market, schooling. As soon as these facilities became available, residential accommodation would be allotted to the employees. Replying to a query, the departmental representative submitted that they were thinking of selling the colony and the workers were prepared to buy it. This might generate about Rs. 3 million to Rs. 4 million and reduce capital investment to the same extent. The Committee remarked that it would be better to dispose of the completed buildings in the colony.

Associated Ghee Industries Limited, Nowshera

247. *Freight Charges* (*Para 326, page 156—AR—CA*).—It had been pointed out that freight charges, amounting to Rs. 10,001,947 at Rs. 578.15 per tonne, were paid on the transportation of 17,300.078 tonnes of edible oil, imported in tank lorries, while 4,423.535 tonnes of the same raw material was transported in Railway wagons at a total cost of Rs. 1,162,490, inclusive of Railway siding charges at Rs. 262.80 per tonne. There would have been a saving

of Rs. 315.35 per tonne or Rs. 5,455,472, had the entire quantity been transported by Railways instead of tank lorries. As the factory had its own Railway siding, oil could be conveniently, economically and safely transported in Railway wagons. The possibility of transportation of oil in Railway wagons, therefore, should be looked into.

248. The department explained that efforts were always made to transport oil in Railway wagons and transportation in tank lorries was resorted to only when the Railway wagons were not available. A member remarked that the main reason for the losses, sustained by the company was considerable increase in the production cost, which included the cost of transportation. The Chairman said that the transportation cost appeared to be excessive. He added that, because of the Karachi-Multan pipeline, there should now be more wagon capacity available for the company. The departmental representative stated that now the average number of wagons allocated was 30 per day as against 22.

COMPLIANCE REPORTS ON THE POINTS RAISED IN THE PAC's REPORTS ON FEDERAL ACCOUNTS FOR 1975-76 TO 1977-87 WITH AUDIT COMMENTS.

249. *Note 2—Annexure 'C'—Item (e)—Scheme for Production and Supply of coal (Para 459, page 104—PAC Report 1975-76).*—In this case, the Committee had directed the department to make further efforts to wind up the scheme. The Committee was informed that, as against Rs. 2,303,301, now only Rs. 1,026,060.32, being the cost of coal/coke taken over by the former Government of West Pakistan on 30-11-1964, remained recoverable, for which correspondence was going on with the Chief Accounts Officer, Coal Control Wing, Government of Punjab.

250. Audit, in their comments, pointed out that the scheme was transferred to the Government of West Pakistan in 1964. The outstandings were yet to be cleared for the scheme to be closed. Some complications arose because, the actual stock was taken on 30-11-1964 whereas the scheme was transferred with effect from 30-6-1964. All the credits received from the Government of West Pakistan were not adjusted, but debits for this period (1-7-1964 to 30-11-1964) were transferred to them. After discussion between the Central and Provincial Governments, some adjustments had been made which showed that the Central Government might have to pay instead of recovering any dues. The winding up of the scheme needed expediting.

251. The Committee observed that its previously approved recommendation should be complied with.

252. *Waiver of the amount of risk purchase (Para 461, page 105—PAC Report 1975-76).*—In compliance with the Committee's directive, the department reported that the lowest acceptable tender was received from Western Traders, Karachi and the revised rates were made the basis for risk purchase. Thus, the prices were ascertained in accordance with the procedure then in vogue. However, an order could not be placed at these rates as the availability of funds was not confirmed by the Indenting Officer who, despite the request made on 3-12-1974, did so as late as on 27-3-1975. The Law Division had given the opinion that the amount of risk purchase could be based only on the prices received immediately after the cancellation of the contract or, at the most, within a few months thereafter and not after the passage of a year. Therefore, the firm was served with a notice to make good the loss of Rs. 1071.25, a sum worked out in accordance with the ruling of the Law Division *i.e.* the difference between the contract prices and the prices received as a result of the fresh tender inquiry, issued by the department immediately after the cancellation of the contract. The recovery of Rs. 1,071.25 had since been made.

253. Audit pointed out that the PAC had enquired as to why (1) the tender of Western Traders was not accepted if it was in order and (2) the prevailing market prices were not ascertained in time. The departmental reply was that the tender was not accepted due to non-availability of funds. This reply was not factual, because the offer was rejected for the specifications not being clear and thus being technically non-acceptable. No reply had been given to the second question. Actually, the requisite funds were available, because the account left over against the cancelled quantity of stores was sufficient to cover the difference of cost. The question of western Traders was unusually low as compared to the rates quoted by the other tenders and its was apparently a fake offer. This offer was made the basis for calculating the risk purchase amount.

254. In view of the above position and because of the heavy financial implications involving Rs. 1,45 million the case needed to be properly investigated at the appropriate level for fixing responsibility and taking consequential action.

255. A member remarked that the point here was that the department could not have accepted the tender which was actually invited immediately after, because they did not have the money, whereas Audit had made out that the unspent balance was available with the department because of the difference in the earlier contract. The question was whether the department had the money or it did not have it? The departmental representative submitted that the original tender was accepted, orders placed and certain quantities were

also supplied by the contractor. This dispute went on and, later, the contract was cancelled. The total cost was about Rs. 400,000 and the difference was of Rs. 286,000. Therefore, there could be a loss of only about Rs. 300,000 and not of Rs. 1.45 million. The Chairman remarked that the first tender was the lowest whereas the later one was much higher and enquired as to why the lowest was not accepted? Moreover, the department had given the impression that they did not have the money. The departmental representative submitted that the lowest tenderer had not forwarded the specifications. There upon, the Chairman remarked that the real thing was that the department had made different statements at different times in this case. The actual amount of the difference was a secondary matter.

256. The Committee, finally, observed that the department had adduced reasons in their Compliance Report which were different from what they had given in reply to the Audit paragraph. The departmental representative was directed to go into the issues raised and send a full report to Audit at an early date.

257. *Grant No. 114-Purchase of Diplomatic Cars (Paras 407-08, page 98—PAC Report 1976-77).*—In compliance, the department had submitted a comprehensive note on its activity in the Disposal Wing, as well as on the scheme of purchase and disposal of Diplomatic cars. No further observation was made by the Committee thereon and the paragraph was treated as dropped.

258. *Grant No. 80—Department of Investment Promotion (Paras 1178—83. pages 255-56—PAC Report 1977-78).*—Audit had pointed out, in their comments, that the department had failed to comply for over a year on PAC's directive to take suitable action against the person who failed to make timely request for a supplementary grant. The Committee directed that such disciplinary action should be expedited.

259. *Loss due to non-recovery of risk purchase amount of Rs. 250,717 (paras 1197—1201, pages 258-59—PAC Report 1977-78).*—The Committee was informed that the matter was referred to the Law Division with full facts and they had advised that the contract was not valid. Thereupon, the Chairman observed that the department should see as to what steps were required to be taken to prevent the recurrence of such mistakes. If necessary, an amendment in the Manual should also be considered.

260. *Loss due to irregularities in purchase of stores.—Rs. 150,787 (Paras 1202—06, pages 259-60—PAC Report 1977-78).*—The departmental representative informed the Committee that an inquiry in the matter had since been completed. The Audit representative pointed out that, normally, a copy of the

inquiry report was sent to Audit but this was not done so in this case despite several reminders. The departmental representative submitted that the last reminder was dated the 21st September, 1981 whereas the inquiry had been completed only recently and a copy of the report would be supplied to Audit soon.

261. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points and paragraphs (i) in the Appropriation and Commercial Accounts or Audit Reports thereon ; and (ii) the compliance reports on the PAC's Reports 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

WORKS DIVISION

262. The Committee then took up the examination of the Appropriation Accounts, etc., pertaining to the Works Division. The following departmental representatives were present :—

(1) Hafiz S. D. Jamy, Joint Secretary.

(2) Mr. C. A. Qavi, D. G., Pak P.W.D.

(3) Mr. S. Fasihuddin, Chief Engineer (HQ), PWD.

(4) Mr. C. H. Sharif, C. E., Quetta.

(5) Mr. S. Faiz Ahmad, C. E., Karachi.

263. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Works Division	72
2.	Civil Works	73
3.	Other Expenditure of Works Division	74
4.	Capital Outlay on Civil Works	181

264. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Division for 1980-81 was still in arrears. The departmental representative was directed to get the outstanding work completed by the 31st October, 1981, as the Appropriation Accounts for the year would be finalized and sent for printing by Audit immediately thereafter.

APPROPRIATION ACCOUNTS

265. *Grant No. 72-Works Division (Page 87—AA).*—There was nothing material for consideration under this grant.

266. *Grant No. 73-Civil Works (Page 88—AA).*—Audit had shown an excess of Rs. 15,088,909 against the function head " 578-Construction of Buildings and Structures ", in the " Other than Charged " section. The department contested the figures and submitted that the final grant was Rs. 176,912,041, and not Rs. 170,410,591 shown in the Appropriation Account which was agreed to by Audit. It was explained that the excess of Rs. 8,587,459 was mainly under

the head " 750-Other Misc. Expenditure ", which was formally known as " Other Suspense Accounts ". There was an expenditure of Rs. 17,837,257 against the final grant of Rs. 8,740,000, causing an excess of Rs. 9,097,257,257. This excess had been reduced to Rs. 8,861,395 in consideration of the saving of Rs. 235,862 under other heads of accounts. Out of this excess, an amount of Rs. 2,288,235 represented the clearance of outstanding credits under " Purchases ". The remaining excess of Rs. 6,757,160 was due to the payment of larger advances to state controlled industries, for the purchase of cement and steel. Payment of these advances were of an inescapable nature, as their non-payment could cause the cancellation of allocations for cement made by these industries to the PPWD. These materials could, under the rules, be purchased by the department from the state controlled industries only locally and their non-availability could cause dislocation in the schedule of completion of works executed by the department. As allocations of cement, to be made by the state controlled industries, were un-predictable, additional funds could not be asked therefor.

267. A member remarked that, if the expenditure was inevitable, it should have been provided in the Budget. The departmental representative submitted that a provision was made in their Budget Estimates, but it was not granted by the Finance Division. Thereupon, a member remarked that the Audit and the department should sit together, find out the exact position and devise ways and means to deal with this matter properly. Advances had been accumulating and the amount recovered thereagainst was small. The exercise indicated above should cover the period up to 1980-81. The Committee desired that this information may be supplied by the 31st December, 1981.

268. The departmental representative submitted that they were very short of staff, having only three Accountants out of the sanctioned strength of ten, and even these three were not fully conversant with Works Accounting. A member remarked that, in that case, the department should ask for help in preparing the Accounts and fix a date for doing this exercise. The departmental representative submitted that he was not able to understand as to what statements were required by the Committee. Thereupon, the member observed that the department had departmentalised their Accounts and received directly funds and also received funds from other departments but had failed to produce any accounts for such funds. The main purpose of the departmentalisation of Accounts was to enable the department to keep record of the funds which were being spent, to know of their correct position and to reflect the cost of completed projects and to transfer such costs to the agencies for whom the works were carried out and to eliminate the 'O' cost from its books. In short, the objective was that the Government should finally know the correct cost of the works which were handed over to the

Pak. PWD and the department should be able to provide to Government information about the cost of individual buildings or projects, or works, as the case may be. The Auditor-General intervened to say that the Works Division must have some information and a statement, as desired by the Committee, could be prepared on the basis of that information. He added that, up to 31st December, 1981, they could assist the Division in preparing the accounting statement, as required by the PAC. The departmental representative submitted that they did have the accounts of works which were provided for in their budget, but not in respect of the works which they carry out on behalf of other departments.

269. The Committee directed that the department should look into the case again and a revised explanation, giving full details up to 1980-81, be submitted to the Committee by the 31st December, 1981. If necessary, this should be done with the help of Audit.

270. *Grant No. 74-Other Expenditure of Works Division (Page 89—AA).*—There was no material point for consideration by the Committee under this grant.

271. *Grant No. 181-Capital Outlay on Civil Works (Page 221—AA).*—Audit had pointed out that, according to the departmental figures and despite the fact that a sum of Rs. 15,935,300 was surrendered during the year, a saving of Rs. 10,134,897 still showed up at the close of the financial year, and expressed the view that the department should have surrendered the full amount. The departmental representative explained that those savings were in regard to the works which could not be executed in time and the funds therefor were given back. It was further stated that the Divisional Engineers concerned, who failed to surrender the savings before the close of the year, had been asked by the Works Division to give their explanations, with a view to initiating disciplinary action against them. The Chairman remarked that the department had given the details in their written reply. A member added that as the department handled large amount of money, it was necessary that when any advance was given they should ensure that it was given for executing the job for which the funds had been received in the first place. He added that this was a requirement of Accounts Code and the department should pay due heed to it.

AUDIT REPORT

272. *Expenditure incurred on works in anticipation of Technical Sanction (Page 66, page 54—A R).*—Audit had alleged that, during 1978-79, in violation of the rules, an expenditure of Rs. 299.56 million was incurred by the Pakistan Public Works Department on 985 works without obtaining technical sanction to their estimates. Consequently, the necessary financial control over the progress of expenditure could not be exercised properly, nor could it be vouched that the works were feasible, technically sound and executed at the minimum possible cost.

273. It was explained that the position of unsanctioned works as incorporated in the audit paragraph was not based on correct information as an investigation in respect of works during 1979-80 revealed that only 151 works, involving a cost of Rs. 34,353,412 had not been sanctioned so far in the department. The departmental representative added that the position had further improved and now the outstanding cases were only nine, involving an amount of Rs. 6 million. Noting that considerable work had been done in this respect, leading to the position stated above, the Committee directed the departmental representative to have the outstanding cases cleared before the end of the year. Audit was also asked to verify the position in the light of the figures furnished by the department.

274. *Outstanding Stock Returns* (*Para 69, page 54—AR*).—According to Audit, the stock transactions of various divisions of the PPWD for 1979-80, not including tools and plants, road metal and material charged directly to the works, were as summarised below :

	Rs.
Opening balance on 1st July, 1979	21,837,530
Value of stock received during the year	2,876,850
	24,714,380
Less : Value of stock utilized or otherwise disposed of during the year	3,482,252
Closing balance on 30th June, 1980	21,232,128

As 56 stock returns and certificates of physical verification for the year ended 30th June, 1980 were not received from various divisions of the Pak. PWD, it could not be certified that the book balances, as detailed above, represented the actual value of ground balances. The reserve limits of stock for the year 1979-80 were sanctioned by the Works Division at Rs. 16,746,000 against a closing balance of Rs. 21,232,128, which needed regularization.

275. The department explained that the position of outstanding Stock Returns brought out in the paragraph was not correct. Only five Stock Returns were awaited at 30th June, 1980. At that date the book balances of various stock holding divisions of Pak. PWD, totalled Rs. 13,680,815, and the figure being within the sanctioned reserve stock limit, there was no need for regularisation.

276. It was further explained that physical verification was conducted in the Stores and Workshop Division, Rawalpindi, and a report sent to the Audit and Accounts (Works) *vide* S. E. Central E|M Circle Rawalpindi office memo

No. CEMC|W-II|R-102|3363|81, dated 2-5-1981. Instructions had also been issued to the Divisional Officers for arranging the physical verification of the stores in their charge by 30-9-1981 *vide* D.G's office circular memo No. 712|374 (282) GL-79-80|A&C, dated 5-9-1981, and for submission of certificates to the Directorate of Audit and Accounts Works.

277. The Committee appreciated the good work done by the department. The para was deemed settled, subject to the satisfaction of Audit after verification.

278. *Loss of Rs. 245,475 due to non-acceptance of the lowest tender (para 70 page 55—AR).*—According to Audit, a Division of the Pak. PWD invited tenders for a work in January, 1975. The lowest rate quoted at 59.25 per cent above the scheduled rates was not accepted and the second lowest quoted at 78 per cent above the scheduled rate was accepted. Under the departmental rules, such cases should have been reviewed by the next higher authority, in this case, the Government. This was not done, resulting in a loss of Rs. 245,475 to the public funds.

279. After explaining the position, the department stated that a request for condoning the irregularity of accepting the second lowest tender was made to by the Works Division soon thereafter such acceptance, that is, in December, 1975 in the ACE's letter No. ACEO|W-2|85|A|Barkhan, dated 18-12-1975. The department further contended that as the decision taken by the then ACE was in the interest of the works and he used his discretion in this regard within his competency, and no irregularity being involved, there was no occasion for fixing any responsibility or making any recovery.

280. Replying to a query, the departmental representative submitted that the first tenderer had quoted very low rates and, had the work been entrusted to him, he would have delayed completion. On the basis of their calculation, that tender was declared unworkable. The Chairman remarked that, anyhow, the department had also to convince the Government. The departmental representative intimated that the 2nd lowest tender had been approved by government. He was directed that a copy of Government's sanction should be supplied to Audit.

281. *Non-Recovery of Rs. 188,384 (Para 71, page 56—AR).*—Audit had pointed out that, in Karachi Central Civil Division No VI of Pakistan Public Works Department, a contractor failed to complete the construction work by October, 1974, the stipulated month. His contract was accordingly rescinded. Subsequently, on his representation, the rescission orders were withdrawn in

November, 1975. The contractor again left the work incomplete and his contract was again rescinded in September, 1976. According to the Performance Bond given by him in August, 1976, the department could claim Rs. 188,384 from the National Insurance Corporation. This amount was not collected.

282. In their written reply, the department explained that, in fact, the contracts were restored under the orders dated 6th November, 1975, of the then Minister of State for Works, after accepting the undertaking of the contractor dated the 31st October, 1975, requiring him to furnish Performance Bonds from the National Insurance Corporation, separately, equal to the values of each of the four contracts, to be completed by him by specified dates. The contractor failed to complete the works and the Insurance Corporation was approached on the 21st August, 1976, for the payment of Rs. 188,384, representing the value of the un-fulfilled contracts. As the Insurance Corporation did not make the payment, the matter was referred to Law Division, who appointed Messrs Hodda & Co., Advocates, to file an appeal with the Appellate Insurance Tribunal. The Advocate, however, did not prosecute the case and withdrew his powers on the date of hearing on the plea that the Executive Engineer was not present and he had no further instructions. The appeal was, consequently, dismissed.

283. The departmental representative had been called upon to explain his absence and the Law Division had advised that a civil suit be filed for recovery from the contractor. The Civil suit with regard to two Hostels, for the recovery of Rs. 99,984, had been filed in the High Court of Sind, on the 23rd April, 1981, but the suit could not proceed, as it was transferred to the District Court due to an enhancement in the monetary jurisdiction of that Court. The District Court would now issue notice. The case for the recovery of Rs. 130,018|91 for the remaining two Hostels was with the Federal Standing Counsel, who was being approached to file the suit as early as possible.

284. Replying to a query, the departmental representative submitted that, on the date of hearing, the said Executive Engineer did go to the Court to represent the department. He was advised by the lawyer to sit with the Sirishtadar, outside the Court, to be called when needed, but he was never called in. The matter was reported to the Law Division for taking suitable action against the lawyer. The Committee directed that the Law Division should be requested to advise whether there was any professional misconduct on the part of the lawyer. If so, the matter should be reported to the Bar Council. Replying to a query, the departmental representative submitted that they were filing an application for revision.

285. *Fraud in measurements and loss of Rs. 123,776 (Para 72, page 56—AR).*—According to Audit a division of the Pakistan Public Works Department awarded the work of laying 3,240 Rft underground cable for electrification to a contractor on the 30th June, 1970. He was paid Rs. 98,425 on the same day on the basis of measurements recorded by the Sub-Engineer and checked and measured by the Assistant Engineer, but not checked and measured by the then Executive Engineer. It was, however, detected by the successor Executive Engineer during his check measurements in September, 1970, that the contractor had laid under-sized cable of .06 square inch instead of the specified .1 square inch.

286. After explaining the position, the departmental representative submitted that, of the three persons involved in the case, one had been retired, the second, an Assistant Engineer, had died and the third one an Overseer, was being prosecuted. The Committee made no further observation.

287. *Excess expenditure of Rs. 99.865 due to non-acceptance of lowest rates (Para 73, page 56—AR).*—It had been pointed out that a Division of the Pak. PWD invited tenders for a work in July, 1975. The lowest rate quoted was about 63 per cent above the scheduled rate, but it was rejected without assigning any reason Tenders were then called for again in August, 1975, and the lowest rate of 75 per cent above the scheduled rate of 1973 was accepted. In this way, an excess expenditure of Rs. 99,865 was incurred by allowing a higher rate to the contractor. The excess expenditure so incurred needed to be investigated for fixing responsibility and for regularising the loss.

288. The department had, *inter alia,* explained that Audit presumed that the work was awarded after conducting negotiations, which was incorrect. Tenders had to be called three times and, it was on the last occasion that the tender was awarded to the lowest bidder at 75 per cent above the scheduled rates. An analysis of rates for important items as compared to their market rates was furnished to the Audit Office, justifying the award of work at 75 per cent above. Audit had raised some objections on the analysis of rates so submitted to them. A fresh analysis was hence furnished to the Audit Office, which showed that the rates were still 2.76 per cent below the market rates. This also established the fact that the rates accepted were just workable.

289. When questioned as to whether the analysis was carried out by the department at the time of preparing an estimate, the departmental representative submitted that the first was the technical stage and the second was the stage of preparation of estimates. The system was based on inviting quotations on the prevalent market rates. Thereupon, the Chairman enquired as to what was considered by the department to be "Unworkable". The departmental representative could not answer the query and replied that they would sort it out.

290. The Committee, finally, directed that the Division should submit a fresh paper on the problem of working out Technical Sanctions and what level of rates below those given in the technical sanction were considered to be unworkable for the purpose of making an award. The present case should be treated as a test case for the purpose.

291. *Overpayment of Rs. 70,859 to a contractor (Para 74, page 57—AR).*—According to Audit in a Central Project Division, Pak. P.W.D., Karachi, an item of work "Providing and laying terrazzo floor 1⅜" thick consisting of ⅜" thick topping over a Base of 1" thick laid in panels" was measure and paid to a contractor in the 5th running bill during January, 1977. In the 6th running bill in August, 1977, the thickness of the floor was increased from 1⅜" to 2⅜" in the Measurement Book by scoring out the previous entry and making a fresh entry. This resulted in an over-payment of Rs. 70,859 to the contractor.

292. The Committee was informed that this case was entrusted to the Anti-Corruption Cell and the department had just received a reply saying that the Cell had found some irregularity in this case, which was under examination. Audit was requested to pursue the matter.

293. *Overpayment of Rs. 11,749 due to incorrect calculations (Para 75, page 57—AR).*—Audit had claimed that the Central Civil Division of Pak. PWD at Quetta over-paid Rs. 11,749 to a contractor due to incorrect calculations in his bills for May and June, 1977. The department explained that the actual overpayment amounted to Rs. 1,957.54 and not Rs. 11,749, as calculated by Audit, and that the full amount of Rs. 1,957.54 had since been recovered. The paragraph was treated as dropped, subject to verification by Audit.

294. *Non-maintenance and non-production of record, returns etc. (Para 76, page 58—AR).*—The Committee was informed that this had since been complied with. Audit was instructed to verify the receipt of the records, returns, etc.

COMPLIANCE ON THE POINTS RAISED IN THE PAC's REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS.

295. *Excess payment of Rs. 88,177 (Paras 33—35, page 27—PAC Report 1975-76).*—The department had explained that the case had been referred to an arbitrator whose award was still awaited. Further action would be taken on receipt of the award, and reported to the Committee.

296. *Grant No. 168 (Para 59—61, page 38—PAC Report 1976-77).*—A summary, showing the amounts provided to the divisions in the beginning in respect of all the grants, the amount spent by them during 1976-77 and the balance at hand was made available to the Committee, as desired by it. The paragraph was treated as settled.

297. *Loss of Rs. 2,954,665 due to award of a contract at a rate higher than the lowest tendered rate (Para 62, page 38—PAC Report 1976-77).*—It was explained that the estimates for the work "Construction of 70,000 tons capacity grain godown at Landhi" were prepared on 7th September, 1976 and approved by the Chief Engineer for Rs. 17,876,670. The Division was justified in rejecting the rates quoted in the first three lowest tenders, which were considered as unworkable and the contract was given at 68 per cent above the scheduled rates. The work was split up and awarded to four contractors, due to the tight construction schedule. The contractors, to whom the contract was given at 68 per cent above the schedule rate were also pressing for *ex-gratia* payment due to escalation in the cost of material and labour in accordance with the guide-lines issued by the Government. The instructions contained in Para 89 (6) of the Central PWD Code were also kept in view while accepting the tender other than the lowest one and the reasons for the non-acceptance of the lowest tenders were also recorded and accepted by the competent authority.

298. Audit pointed out in their comments that the estimate was technically sanctioned by the Chief Engineer on 7th September, 1976 *i.e.* 3 days after the acceptance of the tenders on 4th September, 1976. It provided a premium of 40 per cent on account of enhancement in the market rates and, therefore, the lowest tendered rate of 43.78 per cent above, which were not accepted, should have been workable.

299. The Chairman remarked that, in this case, the important thing was that it was not the rates but that the contractors did not have the necessary experience. Subject to these remarks, the paragraph was treated as settled.

300. *Unauthorised payment of Rs. 50,933 for overlaps (Para 68, page 39—PAC Report 1976-77).*—Audit pointed out that, in the Notice Inviting Tender and also in the Agreement, overlapping was included in item 27. As such, payment on this account as an additional item was not correct. Besides, overpayment of Rs. 50,933 on this account was made three years after the final payment. This position had been explained to the department on 14th December, 1980 and again on 23rd September, 1981 and the amount should be recovered.

301. The departmental representative explained that the case had been looked into again. It related to the year 1971-72. In the Chief Engineer's Office Memo. No. 726 dated 23rd February, 1965, it had been mentioned that overlapping, unless clearly shown in the drawings, shall not be mentioned. Audit was requested to check up the Office Memo. referred to by the departmental representative. The paragraph was dropped, subject to satisfaction of Audit.

302. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation Accounts or Audit Report thereon, and (ii) in the Compliance Report for 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

ENVIRONMENT AND URBAN AFFAIRS DIVISION

303. The Appropriation Accounts etc. pertaining to the Environment and Urban Affairs Division were the last to be taken up by the Committee for examination on 19th October, 1981. The following departmental representatives were present :—

(1) Mr. G. M. Samdani, Joint Secretary.

(2) Mr. Shamsul Haq, Deputy Secretary.

304. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Environment and Urban Affairs Division	69
2.	Development Expenditure of Environment and Uran Affairs Division ..	152

305. *Reconciliation of Accounts with Audit.*—The Committee noted, with satisfaction, that the reconciliation work of the Division was up-to-date.

APPROPRIATION ACCOUNTS

306. *Grant No 69—Environment and Urban Affairs Division (Page 84—AA).*—There was no material point for consideration by the Committee under this grant.

307. *Grant No. 152—Development Expenditure of Environment and Urban Affairs Division (Page 183—AA).*—There was nothing material in this grant, except that the Committee sought some information regarding the purpose of the grant, which was given by the departmental representative to the Committee's satisfaction.

COMPLIANCE ON THE POINTS RAISED IN THE PAC's REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS.

308. *Grant No. 151—Development Expenditure of Environment and Urban Affairs Division (Para 924, page 209—PAC Report 1977-78).*—The Committee was informed that necessary inquiry was conducted into the exact circumstances and reasons for not surrendering the saving of Rs. 1,250,000 under Grant No. 151—Development Expenditure of Environment and Urban Affairs Division for the year 1977-78. It was found that this was due to a

lapse on the part of Mr. Mahmood Ahmed Chaudry, Planning Officer, and Mr. Abdul Ghani, Section Officer (F&A). The services of the Planning Officer had already been dispensed with on grounds of misconduct. No action against him was, therefore, considered necessary at this stage. The Section Officer (F&A) had been directed to exercise more vigilance in the future. The paragraph was treated as dropped.

309. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation Accounts or Audit Report thereon ; and (ii) in the Compliance Reports on PAC's Reports for 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

310. The Committee then adjourned to meet again at 9.00 a.m. on Tuesday, the 20th October, 1981.

M. A. HAQ.
Secretary.

Islamabad, the 28th March, 1982.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 20th October, 1981

Fourth Sitting (Ad-hoc **PAC**)

311. The *Ad-hoc* Public Accounts Committee resumed the examination of the Federal Accounts for 1979-80 in the State Bank Building, Islamabad, at 9.00 a.m. The following were present :—

Ad-hoc P.A.C.

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Chairman.*

(2) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. *Member.*

(3) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(4) Mr. Yusuf Bhai Mian, Chartered Accountant .. *Member.*

National Assembly Secretariat :

(1) Mr. M. A. Haq, Secretary.

(2) Mr. M. A. Suri, Joint Secretary.

(3) Mr. Inayat Ali, Assistant Secretary.

Audit :

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. M. A. Muid Khan, Deputy Auditor-General (Senior).

(3) Mr. Khalid Rafique, Deputy Auditor-General, (A&R).

(4) Syed Shaukat Hussain, Accountant General, Pakistan Revenues.

(5) Mr. G. M. Minhas, Director, Commercial Audit.

Ministry of Finance :

(1) Mr. Javed Talat, Joint Secretary.

(2) Mr. A. H. Qureshi, Deputy Secretary.

(3) Malik Asrar Ahmed, F.A. (Sports, Culture and Tourism).

(4) Mr. Manzur Hussain, F.A. (Production).

(5) Mr. Ain-ud-Din, D.F.A. (Production).

312. *Accounts examined.*—The Accounts of the following Ministries and Divisions were examined by the Committee during the course of the day :—

(1) Culture, Sports and Youth Affairs Division.

(2) Tourism Division.

(3) Ministry of Production (Partly).

CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION

313. The Committee first took up, for its examination, the Appropriation Accounts etc. pertaining to the Culture, Sports and Youth Affairs Division. The following departmental representatives were present :—

(1) Mr. Masood Nabi Noor, Secretary.

(2) Mr. Mohsin Kamal, Joint Secretary.

(3) Mr. M. A. Beg, Joint Secretary (Sports).

(4) Mr. Yusuf Jamal, Deputy Secretary (Culture).

(5) Mr. S. Munawar Ahmad, Chairman, CBFC.

(6) Mr. Agha Nasir, M.D., NAFDEC.

(7) Mr. Atique Zafar Shaikh, Director, Department of Archieves.

314. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Culture, Sports and Youth Affairs Division	24
2.	Archaeology and Museums	25
3.	Other Expenditure of Culture, Sports and Youth Affairs Division	26
4.	Development Expenditure of Culture, Sports and Youth Affairs Division ..	142
5.	Capital Outlay on Culture, Sports and Youth Affairs Division	174

315. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of Accounts for 1980-81 was still not complete. The departmental representative was directed to ensure that the outstanding work was completed by the 31st October, 1981, specially the reconciliation of the Accounts in the Peshawar Circle, as the Appropriation Accounts will soon be finalised and sent for printing by the Audit.

APPROPRIATION ACCOUNTS

316. *Grant No. 24—Culture, Sports and Youth Affairs Division (Page 39—AA).*—According to Audit, there was a saving of Rs. 36,231 against the function head "074—Films and Publications". The department contended that the actual expenditure was Rs. 791,791 and not Rs. 753,791, as shown in the Appropriation Accounts. There was thus an excess of Rs. 1,769, instead of a saving. The difference was due to the re-appropriation of Rs. 38,000 from the Lahore Office to the Head Office, for the purchase of a Projector, not having been taken into account either by the department or Audit.

317. The Audit representative pointed out that, on the whole, the re-appropriation order for Rs. 38,000 did not make any difference, because re-appropriation had been made between Minor Objects under the same function head, *viz.* Films and Publications. The total of three reconciliation statements, produced by the department with their reply, also came to Rs. 753,791 and not Rs. 791,791, as claimed by the department. Replying to a query, the departmental representative submitted that the amount of Rs. 38,000 had not been included in expenditure either at Islamabad or at Lahore. Thereupon, a member remarked that, if that was so, then the department should produce the records to Audit. If the department had themselves not included this amount in their expenditure, how could Audit be blamed for its non-inclusion therein. It, therefore, appeared that the department's reconciliation was not correct.

318. The Committee directed that the department should carry out reconciliation with Audit again, because the earlier reconciliation did not appear to be correct.

319. *Grant Nos. 25 and 26 (Pages 40-41—AA).*—There was no material point for the Committee's consideration under these grants.

320. *Grant No. 142—Development Expenditure of Culture, Sports and Youth Affairs Division (Page 163—AA).*—A saving of Rs. 249,000 was shown by Audit against the function head "413—Professional Universities and Colleges". The department claimed that the saving was surrendered on the 30th June, 1980 whereas Audit contended that an amount of Rs. 625,000 only, in addition to the economy cut, was surrendered by the department under this function head and this had been accounted for. The saving of Rs. 249,000 had not been surrendered. The Committee noted that the surrender order issued by the department was defective. The departmental representative promised to look into it. The Chairman observed that these things should be carefully checked by the department before the Committee's meetings, otherwise there was a waste of every one's time. It was also evident that the work of reconciliation should be carried out at a higher level and after proper verification. The departmental representative was directed to submit a revised explanation about the surrender of Rs. 249,000.

321. The Committee further noted that there were variations between the departmental and Audit figures in the other function heads as well. It, therefore, directed that Audit and the department should sort this out.

322. *Grant No. 174—Capital Outlay of Culture, Sports and Youth Affairs Division (Page 208—AA).*—Audit had shown a saving of Rs. 13,484,200 under this grant. The department contested the figures of both the final grant and the

actual expenditure and claimed that both the final grant and actual expenditure were Rs. 91,765,200 instead of Rs. 83,485,200 and Rs. 70,001,000 respectively as shown in the Appropriation Accounts. The difference in the actual expenditure was said to be due to non-accountal by Audit of the foreign aid of Rs. 21,764,200 received from China. The Audit representative submitted that figures of Foreign Exchange were not included in the actual expenditure, as no advice had been received from the Economic Affairs Division. The Committee concluded that the final grant, as worked out by the department, was not correct but the actual expenditure claimed by the department, however, appeared to be correct.

323. The Committee, finally, directed that the Department and Audit should reconcile the figures again and this should be done by more senior officials.

AUDIT REPORT

324. *Irregularities in the expenditure from Grants-in-Aid* [*Para 78 (6), page 59—AR*].—The department had, *inter alia,* explained that the Accounts of the Pakistan Sports Board were being maintained in accordance with the accounting procedure laid down in the constitution of the Board. The Audit representative pointed out that, if the Grant-in-Aid, was given for a particular purpose, then subsidiary accounts were required to be maintained by the Board to show that the grant was spent on that specified purpose. A member remarked that generally the accounting had to be done in accordance with the constitution of the Board but, if some conditions were laid down in respect of a specific grant then those conditions had also to be followed. The Auditor-General invited the attention of the Committee to Rule 209 of the General Financial Rules, which lays down that "Unless it is otherwise ordered by Government every grant made for a specific object will be spent upon the object within a reasonable time if no time-limit has been fixed by the sanctioning authority; and any portion of the amount which is not ultimately required for expenditure upon that object should be duly surrendered to Government".

325. The departmental representative explained that no subsidiary accounts were being maintained by the Board. He added that, after the allocations have been made by the Government for various federations, the Executive Body re-appropriates the allocated amount, if it was not spent on the item for which it was allocated. Thereupon, the Chairman remarked that if the grant was for a specific purpose, separate accounts were required to be maintained for it and that Board could not utilise it for any another purpose before getting the revised orders of the Government. Only a general grant could be re-appropriated by the Executive Committee or the Board without the prior approval of the Government.

COMMERCIAL ACCOUNTS

(Audit Report)

326. *Irregular repatriation of blocked funds (Para 32, page 37—AR—CA).*—The Committee accepted the department's explanation and decided to drop the paragraph.

327. *Loss of Rs. 973,239 due to failure of a project for study of Film Art (Para 33, page 38—AR—CA).*—Audit had pointed out that NAFDEC had instituted a project, namely—"The Pakistan Institute for study of Film Art, which was intended mainly to bring into existence a National Film Academy for imparting training in the techniques of Film Art. To familiarise technicians in the field of film making, clubs were opened in four big cities in August, 1975. Films were screened once a week in these Clubs with an admission fee of Rs. 5 per show. In the first instance, the yearly consolidated membership fee was fixed at Rs. 350 but, later it was reduced to Rs. 200 to attract more members and consequently increase revenues. The admission fee of Rs. 5 per show per member was abolished from 15th May, 1976 at the instance of the then Managing Director of the Corporation, without corresponding increase in the yearly membership fee. The revenues from the project were estimated at Rs. 560,000 per annum, but this target was never achieved. The Corporation sustained a total loss of Rs. 973,239 during the period August, 1975 to January, 1979 from the operation of this project.

328. The department explained that the project was started in 1975 in pursuance of a Government decision and because of its inclusion in the Film Policy of the country. The project was not self-financing; hence it suffered heavy losses. It was, therefore, discontinued in January, 1979. The project had been reviewed by the Board of Directors, NAFDEC who were well aware of the results of its operations. The losses sustained on the operation had also been approved by the Board of Directors, NAFDEC. So far as the question of fixing responsibility for the failure of the project and other remedial measures were concerned, it might be mentioned that the Board of Directors, as then constituted had been dissolved and a new Board had been constituted, consisting mainly of Government officials.

329. *Serious irregularities in NAFDEC resulting in substantial losses (Para 34, page 39—AR—CA).*—A member suggested that Audit should say, in a comprehensive paragraph, as to what went wrong because no inquiry was going to be conducted and, even if one was held, it was not going to produce any result. The Audit representative submitted that they wanted to bring out the fact for a decision thereon. The Chairman added that two issues were

involved here, namely, one about taking decision and the other about financial irregularities. If any financial irregularities had taken place and were pointed out, then the Committee could certainly take notice of them, as for example in the following four cases :—

(i) *Irregular payment of Entertainment Allowance of Senior Officers—Rs. 114,620* [*Para 34 (4), page 41—AR—CA*].

(ii) *Irregular/over-payment to Controller Finance on account of pay, allowances and fringe benefits—Rs. 97,250* [*Para 34 (5), page 41—AR—CA*].

(iii) *Irregular payment to a Director—Rs. 46,322* [*Para 34 (6), page 42—AR—CA*].

(iv) *Unjustified financial drain to an employee due to grant of higher starting pay and promotion—Rs. 31,988* [*Para 34 (7), page 43—AR—CA*].

330. The main question regarding the above paragraphs was whether Government orders were *pari passu,* applicable to the Corporation. Being informed that the Corporation was limited company and had its own rules, the Chairman enquired whether the terms and condition of service of its employees had been framed on the pattern of a limited company. The Auditor-General pointed out that, when the Government decide to establish a Corporation, or a body corporate, the terms and conditions of its staff are also settled and in addition certain conditions might be imposed by the Government. Even if a Corporation laid down its own scales, Audit had still the right to bring to the notice of the Committee if such discretion had not been exercised judiciously by the said body.

331. After some discussion, the Committee requested Audit to verify the cases again and report back to the Committee, if necessary.

332. *Non-recovery of advance from Distributor—Rs. 37,331* [*Para 34 (8), page 43—AR—CA*].—According to Audit, under an agreement dated 3rd August, 1974 with the Distributor by an advance payment of Rs. 50,000, adjustable against his 80 per cent share of profit, NAFDEC acquired the distribution rights of a film up to the 30th June, 1976, at a commission of 20 per cent of the net proceeds. A sum of Rs. 12,669 was adjusted against the 80 per cent share of the Distributor, leaving a recoverable balance of Rs. 37,331. This amount had not been recovered so far.

333. The department explained that such situation was inherent in most of this business. It had, however, been taken care of for the future. A member asked if it was a bad debt and whether any attempt had been made to recover

it, the departmental representative replied that the party was not available in the country. Thereupon, the Chairman observed that the party might have property in Lahore. The Chairman added that it would be better if the practice prevalent in the USA was followed here, *i.e.*, to give the staff a precentage of amount of such debts recovered by way of incentive for making recoveries.

334. *Non-recovery of increase in cost of cement from Contractor—Rs. 19,200 (Para 34 (9), page 44—AR—CA).*—Audit had pointed out that NAFDEC undertook to supply 300 tons of cement for a work and procured a permit @ Rs. 320 per ton *ex*-factory godown. The delivery of the cement was to be taken by the contractor within a period of five weeks up to 22nd May, 1977. The contractor lifted 140 tons of cement up to the 11th June, 1977. The factory enhanced the rate from Rs. 320 to Rs. 440 per ton on the 12th June, 1977. The Corporation paid Rs. 19,200 to the factory on the 25th July, 1977, being the difference in cost of the remaining 160 tons @ Rs. 120 per ton. But the contractor had, in fact, failed to take delivery of the whole quantity according to the procurement schedule and recovery was to be made from him.

335. The department explained that the final bill of the consultants, amounting to about Rs. 500,000 had been pended and recovery would be made out of this sum. This would be just a book adjustment, which could be carried out any time. The recovery was still pending, because NAFDEC had, under instructions from its Board, asked an Expert to report on the construction work of the whole complex. Replying to a query, the departmental representative submitted that the recovery would be made from the consultants, because they had been verifying wrong bills of the contractor. Thereupon, the Chairman remarked that it would be difficult to recover from the consultants, because they might go to the court. The Corporation should try to make recovery from the contractor and take up the matter with the consultants, if they failed to do so.

336. *Irregular re-imbursement of medical expenses—Rs. 16,298 [Para 34 (10), page 44—AR—CA].*—It had been pointed out that the Executive Chief, whose services had been lent to the Corporation, was reimbursed expenses incurred by him on the medical treatment of his wife abroad. Government sanction was necessary in this case, which was not obtained. When this was pointed out by Audit, they were informed in December, 1976, that the lady was sent abroad for treatment on the recommendation of the Medical Board, because her treatment was not possible in the country. It was further stated that the expenses incurred only on medical consultation, operation and medicines were reimbursed after obtaining the approval of Board of Directors, the final authority

for reimbursing such expenses to employees of the NAFDEC. The Managements reply was not tenable, as neither the Government's nor the Corporation's rules provided for the re-imbursement of these charges, which included Rs. 7,682 as boarding, lodging and transport expenses in private capacity. The recommendation of the Medical Board was also not on record.

337. No further comments were made by the department in their written reply. Replying to a query, the departmental representative, however, submitted that the expenditure would be regularised by the Board. Audit was requested to verify and also identify the authority which was competent to regularise the expenditure.

338. *Irregular payment to Manager Distribution—Rs. 12,270* [*Para 34 (11), page 45—AR—CA*].—According to Audit, NAFDEC appointed a Manager (Distribution), on contract basis, for one year from 8th August, 1974, and this contract continued till the 31st December, 1975. In addition to allowing him the maximum of the pay scale *i.e.*, Rs. 1,650 he was simultaneously allowed a special pay of Rs. 499 per mensem on his fresh appointment. He was given another contract on the same pay effective 1st January, 1976, but this time his special pay was reduced to Rs. 325 per mensem. No provision for the grant of special pay to group 7 employees existed in the rules nor was it covered by the condition prescribed for the grant of special pay. Thus, an irregular payment of Rs. 12,270, on account of special pay, was made to the employee for the period from the 8th August, 1974 to the 31st December, 1976.

339. The Committee was informed that the case would be referred to the Board of Directors for regularisation, as desired by Audit. The paragraph was treated as dropped, subject to the regularisation of the expenditure by the competent authority.

340. *Loss of Rs. 1,782,325 due to non-recovery of an advance from film producer and interest thereof (Para 35, page 46—AR—CA)* :—

(v) *Irregular advances allowed and interest accrued thereon—Rs. 1,327,323* [*Para 35 (1), page 46—AR—CA*].

(vi) *Non-recovery of an advance—Rs. 203,703* [*Para 35 (2), page 47—AR—CA*].

(vii) *Non-recovery of advance—Rs. 52,188* [*Para 35 (3), page 47—AR—CA*].

341. The department had explained, in respect of these paragraphs, that the case filed against the producer had been decided by the court. An *ex-parte* decree for the recovery of the due amount had been passed by the Civil Court

on the 14th January, 1981 in favour of NAFDEC. Steps were being taken for the realisation of the amount from the film producer. The Chairman remarked that here the department had done all that they could do. Subject to these remarks, the paragraphs were treated as dropped.

342. *Suspected/fictitious payment of Rs. 62,445 (Para 36, page 48—AR—CA).*—It had been pointed out that NAFDEC paid Rs. 62,445 to certain members of a film unit and employees of a Project for petty expenses in connection with the production of a film. These payments were made on cash vouchers, out of the imprest account, but as the vouchers did not hear acknowledgements of the recipients they could not be accepted by Audit.

343. The Committee was informed that this was an old case and none of the concerned employees was any longer in the service of the Corporation. However, a case had been filed against the producer for the recovery of the amount and it was still pending in the Court. The matter being *sub-judice*, no observation was made by the Committee.

344. *Infructuous expenditure of Rs. 55,479 and defective planning in production of a feature film (Para 37, page 49—AR—CA).*—It had been explained that the expenditure in question had been written off in the accounts, with the approval of the Board of Directors. The minutes could be inspected by the Auditors. The Auditor-General observed that it would be proper if clearance of the concerned authorities was obtained by the Corporation before embarking upon such ventures. Subject to these remarkes, the paragraph was treated as dropped.

345. *Loss on the sale of raw film material (Para 38, page 49—AR—CA).*—Audit had pointed out that NAFDEC procured raw film material, measuring 47,610 feet and costing Rs. 19,900, during August, 1973, for making release prints of certain Urdu films, to exhibit them in foreign festivals. Due to improper storage and delay in disposal, the raw stock became foggy. It was disposed of in February, 1975, and the Corporation sold it for Rs. 9,200 only, resulting in a loss of Rs. 10,700. When pointed out by Audit in November, 1977, the management, in their reply in April, 1979, merely stated that they had already furnished their reply to Audit, whereas even the first reply was not received from them. The matter was brought to the notice of the Ministry who, in their reply of June, 1980, intimate that the storage of raw film material was in the hands of a raw stock dealer and the question of recovery of this loss from him was being taken up separately. It was, therefore, necessary :—

(i) to make the proposed recovery expeditiously ; and

(ii) to fix responsibility for not taking timely action.

346. No further comments were made by the department on the above Audit observations. After seeking additional information, the Committee directed that a note should be submitted to the Committee stating therein :—

(a) whether the amount had since been recovered ;

(b) and, if not, why did the department not proceed against the person who failed to store the material properly ; and

(c) who was the stock dealer who kept the material.

The department should also look into this case to see if it was possible to do anything more in the matter and intimate the Committee of the outcome.

347. *Loss of Rs. 17,477 by excess issue of raw film (Para 39, page 50—AR—CA).*—The Committee was informed that the amount in question had been written off. When questioned as to why it could not be recovered, the departmental representative submitted that it was time-barred. The paragraph was deemed as settled.

National Film Development Corporation

348. *Working results (Para 246, page 130—CA).*—According to Audit, the Corporation sustained a net loss of Rs. 1,003,830 during 1979-80 against a net profit of Rs. 735,058 during the year ending 30th June, 1979. The loss could be attributed to abnormal increase in the administrative and financial expenses, which rose from Rs. 2,120,367 and Rs. 70,844 during the previous year to Rs. 3,038,915 and Rs. 1,970,352, respectively, during the current year. Steps were, hence, needed to be taken to control the expenses.

349. In the written reply, the department explained that net loss of Rs. 1,003,830 was mainly due to the following reasons :—

(i) Interest amounting to Rs. 1,963,579, on the Habib Bank loan had been charged to expenses for the first time. Previously, all interest accrued on the Habib Bank loan was capitalised, because the Cinema was not in operation up to 1978-79.

(ii) The amount of depreciation, provided in the accounts for 1979-80, was Rs. 1,186,009 whereas the amount charged in 1978-79 was Rs. 224,029 only. The increase in the provision of depreciation was due to the Cinema Complex having been completed in late 1978-79 and no depreciation having been provided therefor till completion of the Complex.

If the above two amounts were excluded from the administrative expenses, the difference between the figures of 1978-79 and 1979-80 would be negligible. In fact, the Company had shown more profit than last year. Despite the above facts, the department appreciated Audit's suggestion about controlling expenses and necessary measures were being taken to do that.

350. Replying to a query regarding investment, the departmental representative informed the Committee that the case for the restructuring of the Corporation and settling all their outstanding problems was under consideration in the Finance Division. As far as their operation was concerned, the Corporation had made a profit of above Rs. 1.2 million per annum. He added that one of their suggestions was that either the Bankers should be made partners of the Corporation or Government should give them a grant. Cinemas, he said, were new a problem the world over; as most of the cinemas were being converted into shopping plazas. If someone put Rs. 10 million in the bank, he know that it would be more profitable to him. It was not clear as to who took the decision to establish twin cinemas in the capital, as the Diplomatic Missions had their own arrangements. So, this investment was not a very sound proposition.

351. When questioned as to what losses were expected during 1981-82, the departmental representative replied that they had done their best to curtail expenditure. They had sold their fleet of cars, certain posts had been downgraded and expenditure on telephones etc. had been cut. They had also decided that, so far as distribution was concerned, it must make the maximum possible profit.

352. *Cash and Bank Balances* [*Para 269 (13), page 657—CA*].—A member pointed out that, on 30th June, 1980, an amount of Rs. 5.34 million was lying in the bank and the Corporation were also getting some interest on it but, at the same time, the Corporation were paying much higher interest on their bank loan. If Rs. 5.34 million were surplus to the Corporation's requirements, why was it not used for repaying the loan. He suggested that the Corporation should look into it and send a note, to the Committee, explaining as to how much money was in the bank at present and why it could not be used for repaying the bank loan. The departmental representative submitted that, with the approval of the Board and the administrative Ministry, they approached the Bank, saying that they were prepared to pay the whole amount, provided the interest on the loan was condoned. But the Bank pleaded that there were some formalities involved in the matter and it would be better if the Corporation complied with those formalities. Thus, though the loan been paid off from that very date, one year had elapsed since. Thereupon, the member remarked that, had this amount been paid to the Bank, Government's burden would have been lightened. The delay on the part of Government to arrive at a decision in this case would result in the payment of still more interest.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS.

353. *Grant No. 29—Group Head "1—Central Board of Film Censors" (Paras 163-64, pages 49-50—PAC Report 1975-76).*—As desired by the Committee, details of the staff and functions of the Central Board of Film Censors were furnished by the department (Appendix "A").

354. *Working Results (Paras 170-72, pages 50-51—PAC Report 1975-76).*—In this case, the Finance Division had been requested by NAFDEC to clarify whether income-tax was payable on royalty? The Committee was informed that no clarification had been received by the Corporation from the Finance Division so far. The representative of the Finance Division invited the attention of the Committee to the rules, already in force on the subject. The Committee directed that a copy of the rules be supplied to NAFDEC for their future guidance.

355. *Current Account with Commercial Bank (Paras 175—77, pages 51-52—PAC Report 1975-76).*—The Committee was informed by the representative of Finance Division that the orders for keeping 60 per cent of the total funds in Current Account in the National Bank of Pakistan were withdrawn in 1976, and now there was no such regulation in favour of NBP. The departmental representative was directed to follow the instructions issued by the Finance Division.

356. *Deposit Accounts (Para 178, page 57—PAC Report 1975-76).*—Audit had pointed out that NAFDEC should either carry out the Government's instructions about investing surplus funds in Government Securities and Government Treasury Bills or secure an exemption therefrom. The Committee directed that NAFDEC should invest in Treasury Bills, if they had no exemption from the rules.

357. *Wasteful expenditure by a State owned authority (Para 149, page 54—PAC Report 1976-77).*—After verifying the record, Audit had come to the conclusion that the written orders of the then Minister were not available and the equipment was used by a private party for the production of its own films. The whole expenditure was infructuous, as the print was not released and its negative was sent out of the country. Besides, the Ministry had not given information on the progress of recovery of the imported film equipment by the end of September, 198 , as directed. When questioned as to whether the officer concerned had the authority to loan the equipment to a private party, the departmental representative submitted that this was one of the charges against the officer in question, who had since been dismissed from Government service.

The Audit representative pointed out that in their previous reply, the Ministry had mentioned Minister's orders in this case but no such orders could be produced to Audit. The Committee observed that the department had previously submitted an incorrect statement and directed that they must be more careful in future.

358. *Wasteful expenditure by State owned authority (Para 150, page 54—PAC Report 1976-77).*—As the question raised by the Committee remained unanswered, the consideration of the paragraph was deferred and the departmental representative was directed to submit a revised explanation on the main issue involved, *i.e.,* whether sanction had been correctly given by the Ministry of Education, after consulting the Finance Division.

359. *Wasteful expenditure by a State owned authority (Para 152, page 54—PAC Report 1976-77).*—Being informed that the amount involved would be written off as per its direction, the Committee took notice that the department had failed to write off the amount during the past 18 months. It directed that the write off should be finalised by the 30th November, 1981 and reported to Audit the departmental representative apologised for the delay in the matter and assured the Committee that they would now take immediate action on it.

360. *Wasteful expenditure by a State owned authority (Para 153, page 54—PAC Report 1976-77).*—As the department had not submitted their report, promised in their earlier reply, the Committee directed the departmental representative to look into the matter again and report back.

361. *Excessive payment of allownces and incorrect appointment of a Director (Para 154, page 54—PAC Report 1976-77).*—The department had, *inter alia,* explained that the matter was being reviewed by the Ministry and a formal proposal, recommending the grant of NPS 20 to Mr. Uxi Mufti, as approved by the Board of Governors of the Institute, had been referred to the Establishment Division. Replying to a query, the departmental representative submitted that they had not heared from the Establishment Division as yet, although the case was referred to them about two months back. The Committee decided to defer the paragraph.

362. *Grant No. 31—Archaeology and Museums (Paras 938—41, page 213—PAC Report 1977-78).*—In compliance with the Committee's directive, the Financial Adviser of the Ministry informed the Committee that a supplementary grant of Rs. 3,000,000 had been given to the department. The Chairman pointed out that, while the supplementary grant was included in the Book of Supplementary Demands, the department contended that they had never asked for it. The question was as to how the supplementary grant was sanctioned by the Finance Division. Was there any request from the department?

The representative of the Finance Division said that, at the end of the year there was a request from the Department. As that was a contribution in foreign exchange, Government had to provide for local cover in Pak. rupees. However, the departmental representative reiterated that no request was put in by them for the supplementary grant. He also produced a copy of a note from the Finance Division in support of his claim. As the matter was not clear, the Finance Division were requested to look into the records to see as to how the supplementary grant was sanctioned and how the entire amount remained unspent.

363. *Avoidable loss of Rs. 475,786 on the exhibition of imported films (Paras 955-56, page 215—PAC Report 1977-78).*—It was explained that, as verified by Audit the arbitration award, announced in December, 1980, required NAFDEC to pay Rs. 556,567 to Everlast Enterprises Limited and to Mr. Tayab Hasan, with 1 per cent simple interest per month from the date of pronouncement of the award, plus 70 per cent of their cost on the arbitration. NAFDEC had challenged the award in the court. Subsequently, the parties compromised outside the court, NAFDEC agreeing to pay Rs. 2,80,000 to Everlast Enterprises Limited in full and final settlement of the claim. No further observation was made by the Committee and the paragraph was treated as settled.

364. *Working Results (Paras 974-75, page 218—PAC Report 1977-78).*—It had been explained that, out of Rs. 2 million about Rs. 100,000 was spent, initially, on documentary films about the Silk Route, but the project was discontinued later. With the approval of the Board of Directors, the rest of the amount was used for the production of film " Khak Aur Khoon " and on other purposes. Audit pointed out that it had been found, on verification, that Rs. 688,000, had been spent on purposes other than those for which the grant was given and this expenditure still needed Government's approval.

365. The Chairman observed that Government had made a grant for a specific purpose, which the Board could not divert. Therefore, Government's approval was necessary for regularising the matter and action should be taken on this accordingly.

366. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation and Commercial Accounts or Audit Reports thereon ; and (ii) on the Compliance Reports on the Committee's Reports for 1975-76 to 1977-78. These would be deemed as settled subject to such regularisation as might be necessary under the rules.

TOURISM DIVISION

367. The Committee then took up the examination of Appropriation Accounts etc pertaining to the Tourism Division. The following departmental representatives were present :—

(1) Mr. Masood Nabi Noor, Secretary.

(2) Mr. Mohsin Kamal, Joint Secretary.

(3) Mr. Aftab Ahmad Khan, M.D., P.T.D.C.

(4) Mr. Ashraf Choudhry, Manager (Finance), P.T.D.C.

368. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Tourism Division	27
2.	Other Expenditure of Tourism Division	28
3.	Development Expenditure of Tourism Division	143

369. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of Accounts for 1980-81 had not been completed by the department. The departmental representative was, therefore, directed to get the outstanding work completed by the 31st October, 1981, as the Appropriation Accounts for the year would soon be finalised and sent for printing by Audit immediately thereafter.

370. *Grants No. 27 and 28 (Pages 42-43—AA).*—There was no material point worth consideration by the Committee under these grants.

371. *Grant No. 143—Development Expenditure of Tourism Division (Page 165—AA).*—Against the function head "413—Professional Universities and Colleges—Establishment of Tourism and Hotel Training Institute", the department explained that, according to the reconciled figures, the actual expenditure amounted to Rs. 910,000, and not Rs. 1,710,000, shown in the Appropriation Accounts. The departmental representative added that reconciliation had been carried out with the Audit Office in December, 1980 and the departmental figures of expenditure for this function head was Rs. 910,000 as against the Audit figure of nil. This variation was shown in the reconciliation statement and Audit had promised to remove it by drawing a journal entry. It appeared that Audit had, inadvertently, passed the entry for Rs. 800,000 twice resulting in a variation of that amount. The Audit representative informed the Committee that the excess booking would be corrected in 1981-82.

372. A member remarked that the original grant against the function head Tourism and Hotel Training Institute (THTI) was Rs. 5 millions. There was an Economy Cut of Rs. 1,500,000 and Rs. 2,590,000 was surrendered by the department. Thus, against the provision of Rs. 5,000,000, the department could spend Rs. 910,000 only. The Chairman added that it was very surprising that the Finance Division provided for this amount in the budget, when the department were not very keen about it. Normally, the Finance Division were pretty tight on such demands. The departmental representative submitted that, to spend Rs. 4 millions, economically and viably, needed a lot of organisation. What actually happend was that the schemes, for which this grant was obtained, were not an a sufficiently advanced stage, at that time, for being launched. In the past, such allocations merely used to be transferred to the P.T.D.C., but, in the instant case, the Ministry had refused to do so.

AUDIT REPORT

373. *Irregular use of Staff Cars (Para 67, pages 53-54—AR).*—Audit had pointed out that: (i) A sum of Rs. 2,963, due as charges for the private use of staff cars during 1973--76, was recoverable from different officers. The recovery had not been effected till November, 1980. (ii) Entries in the movement registers of staff cars were not signed or attested by the officers using them. According to Rules 8 and 9 of Staff Cars Rules 1975, all such journeys covering 12,637 miles were to be treated as private. Therefore, a sum of Rs. 15,164 was recoverable from the officers concerned. (iii) In disregard of rule 7 the purposes of the journeys were also not recorded against the entries covering 1,855 miles. These journeys were, hence, to be treated as private. A sum of Rs. 2,226 was recoverable from the officers using the staff car. (iv) According to rule 14 staff cars were meant for use within the Municipal and Cantonment limits only. In contravention of those provisions, the cars were used frequently for long distance tours covering 9,591 miles. The irregularity required condonation by the competent authority; and (v) Though the matters were brought to the notice of the Bureau in July, 1978 and the Ministry in March, 1980, recovery had not been effected till November, 1980.

374. The department explained, in their written reply, that:—

(i) These cases related to the period as far back as 1973—76 and most of the officers involved therein were no more in the Tourism Division. Hence, the Division was handicapped in effecting recovery from them at this stage. However, efforts were being made to effect recovery from as many of them as possible. Audit will be apprised of the outcome in due course.

(ii) The entries, covering a total of 7,800 miles, had since been signed or attested by the officers concerned. Further efforts were still being made to get the entries pertaining to the balance of 4,837 miles signed or attested by the concerned officers. Audit will be informed of the position in this regard, shortly.

(iii) The " purpose of journey " has since been recorded by the concerned officers against entries covering 1,400 miles, while efforts are being made to have the remaining entries, covering 455 miles, completed. Audit will be informed of the completion of the entries or recovery of the amount, as the case may be, from the officers concerned, in due course.

(iv) & (v) Out of 9,591 miles, a total of 4,538 miles were used by the then Secretaries, who were themselves competent to accord clearance in such cases. This being so, efforts were being made to obtain orders of condonation from the competent authority in respect of the remaining journeys, covering 5,053 miles. The results will be conveyed to Audit, as soon as this is finalised.

375. The Audit representative pointed out that the replies furnished by the Division were of an interim nature. As such, compliance would be verified on receipt of final replies. A member remarked that the department had changed their ground now and stated that this had yet to be finalised. If this were not possible soon, the department should clearly say so. The Auditor-General added that, if it was proposed to write off the amounts involved, action should be taken accordingly. Concluding, the Committee directed that final action on the paragraph should be taken by the end of this year and a report submitted to Audit.

COMMERCIAL ACCOUNTS

(Audit Report)

376. *Wasteful expenditure of Rs. 343,722 (Para 29, page 34—AR—CA).*— It had been pointed out that the PTDC started a Sound and Light Project in the Lahore Fort in 1971. Due to the renovation work carried out in the Fort by the Archaeology Department, some equipment of the project get damaged and the project was suspended indefinitely in August, 1975. Nevertheless, the Corporation continued to incur expenditure on the pay and allowances of employees, electricity and contingencies, which amounted to Rs. 343,722 during the years 1975-76 to 1977-78. The assets of the project, costing about Rs. 2,337,000, were lying un-utilized and their condition was deteriorating. No physical verification thereof had been conducted in recent years.

377. From the reply furnished by the department, the Committee noted that, although the case was reported by Audit in November, 1978, the findings of investigation in the case were still being discussed between the PTDC and the Ministry. The departmental representative submitted that there was nothing in the paragraph except the issue of having kept on Chowkidars and staff engaged in the project. Thereupon, the Auditor-General said that, if the equipment was not working even though no one was at fault, then there was no justification for retaining the same strength of staff, to operate it. The department could divert them to some other place and work.

378. The Committee directed that a final decision in the matter must be taken before the end of this financial year. The departmental representative was also directed to supply to the Committee a copy of the letter addressed by them to the Finance Division, to enable it to consider instructing that Division to do something in the matter :—

(i) *Overpayment of Rs. 110,360 to a consultant due to defective agreement (Para 30, page 35—AR—CA).*

(ii) *Extra expenditure of Rs. 10,000 due to provision of incorrect transparencies (Para 31, page 35—AR—CA).*

(iii) *Audit comments by the Director of Commercial Audit on the accounts for the year 1978-79 (Paras 250—57, pages 131—33—AR—CA).*

379. The deparment had stated, in respect of the above paragraphs, that specific replies to the points raised therein were still awaited from the PTDC. The Committee desired it to be noted that it was the Division's responsibility to secure, within time, replies in respect of their Accounts from all the organisations working under them. The Division should, therefore, refrain, in future, from offering as an excuse for not sending a reply, to the Audit Report on any Organisation under them, the ground that a reply had not been furnished by or received from the latter.

Pakistan Tourism Development Corporation Limited

380. *Auditor's Report to the Share-holders (Para 271, page 662—CA).*— In their report, the Auditors had pointed out that :—

(i) Rs. 47,943,666, utilised by the Corporation out of Federal Government Grants, had not been reflected in the accounts except for an amount of Rs. 836,584 ;

(ii) in the absence of adequate itemised record of fixed assets, they were unable to verify these assets satisfactorily ; and

(iii) some of the Bank Accounts could not be verified due to non-ability of reconciliation statements, Bank statements and Balance confirmation certificates.

381. A member remarked that there was a grant for the building of a Rest House. This Rest House had neither been shown in the Accounts of the Corporation nor in the Books of the Government. He suggested that the department should see that it appeared in the Accounts of the Corporation, somewhere, till a decision was taken on its ownership. He wondered how many similar items were floating about in various departments. He added that, in the absence of itemised records of the assets, the Auditors were unable to verify them. He wondered if any action was being taken by the Corporation to produce the inventory of the assets and observed that an inventory of the assets should be prepared and produced soon and compliance reported to the Committee. The report should also include a note on the valuation of such assets.

382. The member further asked that, if the Corporation did not have any bank statements, how were they keeping their accounts. Audit was requested to see as to what was missing in this respect. The departmental representative was also directed to have the accounts of the subsidiary companies produced, as they had not been produced so far.

383. *Cash and Bank Balances* [*Para 276 (17). page 682—CA*].—An amount of Rs. 2.037,063 had been shown against the item "On Collection Accounts". A member invited the attention of the departmental representative to the above item and remarked that a lot of sanctioned money was not being spent by the Corporation. The departmental representative replied that the Division had taken cognizance of this at the highest level and had since held a number of meetings with the Chairman, PTDC, raising the same question that a lot of money, provided by the Government for development, was not being spent by the Corporation in-time and had been accumulating. The Secretary had also appointed an Auditor for special audit. A member pointed out that one of the issues here was that large sums of money, provided for one purpose, had been spent for other purposes. For example, on the maintenance of Tourist Information Centre, PTDC till the end of the year 1978-79 spent Rs. 3,895,672 in excess of government grants for the purpose. He wondered as to how were all these things, irregularities, going to be regularised. The departmental representative was directed to submit a report to the Committee about expenditure having been incurred on items other than those for which grants had been obtained and as to why the grants could not be utilised for the specific purposes for which they were obtained. The department must show, in each case, as to what the grant was and how, when and on what account it was spent.

384. The departmental representative submitted that the matter had already been investigated and a full-fledged joint report had been prepared by the PTDC and the Division. A summary along with the said report had also been submitted to the President, through the Ministry of Finance. There were three separate reports on the (i) wrong utilisation of funds and over-spending (ii) non-utilisation of money provided for specific purposes, and (iii) diversion of interest, which was taking place. Thereupon, the Auditor-General said that a copy of the summary should also be made available to Audit.

385. A member remarked that the PTDC funds were, in fact, the funds allocated to the administrative Ministry, and desired to know whether the Financial Adviser was supposed to oversee the expenditure. The Auditor-General said that the Financial Adviser was at liberty to raise all these points, because all these cases of irregular expenditure had to be processed through him. Replying to a question, the representative of the Finance Division said that they did not get the balance sheet of the Corporation. Besides, the Financial Adviser's functions did not include supervision or monitoring of the financial expenditure. He only tenderred advice to the Ministry, whenever asked for.

(At this stage, the Auditor-General read out letter dated 24th February, 1981, Issued by Finance Secretary on the Role of the Financial Advisers).

386. The Committee, finally, observed that, as the exact implications of the Finance Secretary's letter dated 24th February, 1981 about the performance of their intended role by the Financial Advisers, were not fully understood by all concerned, the matter might be re-examined by the Finance Division to issue instructions which do not suffer from ambiguity.

COMPLIANCES ON THE PAC'S REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS THEREON.

387. *Grant No. 142—Development Expenditure of Tourism Division (Paras 988—90, page 220—PAC Report 1977-78).*—Since the material required by the Committee was furnished by the department, the paragraph was treated as settled.

388. *Amount payable to Government of Pakistan (Paras 991—94, page 220-21—PAC Report 1977-78).*—The department had explained that the advisability of the inclusion of Note 2 in the Balance-Sheet of the PTDC was not clear. Hence, the Corporation had been requested to clarify the position *vide* letter No. F. 2 (9)|SS|72, dated 1st June, 1981, and to make out a complete case, covering even the items which they thought should be excluded from the valuation of Assets for submission to the Finance Division. The response to the above communication was still awaited.

389. The Committee directed that the department should resolve the matter and send a report to it.

390. *Grant for maintenance of Tourist Information Centre (Paras 995-96, page 221—PAC Report 1977-78).*—The Committee was informed that the matter had been taken up with the PTDC and their specific reply to the point raised under this paragraph was still awaited. [Similar point asked for in para 382 ante—Commercial Account para 276 (17)-Page 682—1979—1980].

391. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation Accounts, Commercial Accounts or Audit Reports thereon ; and (ii) in the Compliance reports on the PAC's Reports for the years 1975-76 to 1977-78. These would be treated as settled, subject to such regularisation action as may be necessary under the rules.

MINISTRY OF PRODUCTION

392. The Appropriation Accounts etc. pertaining to the Ministry of Production were the last to be taken up by the Committee for its examination on that day. The following departmental representative were present :—

(1) Mr. M. I. K. Khalil, Additional Secretary.

(2) Mr. T. Z. Farooqi, Joint Secretary.

(3) Mr. Aslam Iqbal, Chairman, S. C. C. P.

(4) Mr. M. Salim, Chairman, PERAC.

(5) Dr. M. H. Chaudhry, Chairman, F. C. C. & C. L.

(6) Mrs. Salima R. Ahmad, Director (Finance), PIDC.

(7) Mr. A. S. Ansari, G. M. F&A, PIDC.

(8) Mr. M. Anwar Khan, G. M. (Finance), State Engineering Corporation.

(9) Brig. Shuja-ud-Din, G. M., NFC.

(10) Mr. Saada Hussain Khan, M. D. Ravi Rayon Engineering.

(11) Dr. A. K. Qureshi, M. D. Ittehad Chemical Pesticides.

(12) Mr. Masaud Beg, M. D., Karachi Pipe Mills.

(13) Mr. K. M. Khatian, M. D., Quality Steel Works.

393. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Productions	106
2.	Other Expenditure of Ministry of Production	106-A
3.	Capital Outlay on Industrial Development	186

394. *Reconciliation of Accounts with Audit.*—The Committee noted with satisfaction, that the reconciliation work of the Ministry was up-to-date.

APPROPRIATION ACCOUNTS

395. *Grant Nos. 106, 106-A and 186 (Pages 122-123 and 230—AA).*—There was nothing material for consideration by the Committee under these grants.

COMMERCIAL ACCOUNTS

396. *Compilation of Accounts (Para 3, pages 6—8—AR—CA).*—Audit had pointed out that certain Holding Companies had declined to allow the representative of the Auditor-General to check their accounts. The departmental representative explained that, at one stage, some of the Corporation did not entertain Government Audit on the assumption that, having had their Accounts audited by Chartered Accountants as well as by professional Internal Auditors, there was no need for a third audit. The matter was further considered by the Ministry and though the Minister was inclined to support the contention of the Corporation, the *status quo* remained and they accepted (Government) Commercial audit, as at present.

397. The Committee observed that, like the accounts of project etc., the accounts of Holding Companies should also be submitted to the Auditor-General. Similarly, the organisations, which might have declined to furnish their accounts to the Auditor-General, should be advised to make the same available to Audit.

Bannu Sugar Mills

398. *Financial Review—1978-79 (Para 98, page 267—CA).*—It was stated by Audit that the Mills sustained a loss of Rs. 12,025,414 during the year under review. When questioned whether attempts were still being made to dispose it of, the departmental representative replied that the position had improved this year as a result of better availability of sugarcane. The mill was the first amongst the Frontier Sugar Mills to complete the quota prescribed for pre-sale and a small profit was also made but, in the over-all according, it was still in the red. He added that hey were not sure whether they were going to sell the Mills straightaway. The Frontier Government wanted that it be given to the Sarhad Development Authority, but that proposal was also not crystallising. The Chairman remarked that a consistent policy for disinvestment was not being followed, because the governments of the Punjab and Sind were disinvesting their very profitable sugar factories whereas the Federal Government were perhaps observing a different policy. The Government avowed policy, as known, was that what was to be retained in the public sector might be retained and the rest be disinvested. The departmental representative submitted that the policy was clear but the application of the criteria was not clear and, as pointed out by the Chairman, the criterion being followed in the Provinces and that adopted by the Federal Government did not appear to be exactly the same. A uniform criterion was, however, being developed and considered. Since there was no positive decision about any specific criterion to be observed, every case had to be considered separately. One of the factors for disinvestment, taken into account, was that the unit in question was a losing one. The Bannu Sugar Mills was

initially in the list of those to be disinvested but, in the meantime, it having made a profit, opinion had changed. The Chairman remarked that, as the Ministry might be able to get a good price now, this might as well be the proper time for disinvestment, because the profitability might not last for very long. A member added that, when a policy decision had been taken that sugar mills were to be sold, there should be no exceptions. The Chairman concluded that the Bannu Sugar Mills was certainly not one of those industries which had to be retained by the Government on a long term basis. They had disinvested the sugar mills in the Punjab and Sind, which were located in very good sugarcane areas. To his knowledge, the Government had no intention of keeping any of the sugar mills.

399. The departmental representative submitted that they had not as yet formulated any firm policy of disinvestment, particularly with regard to sugar mills. They had, however, listed out certain units, which were not viable and could not be put on a profitable basis or should not be in the hands of the Government because of managerial problems. The Bannu Sugar Mills had been set up for serving a socio-economic objective at the time when general nationalisation had not taken place and at one stage they had even entered into an agreement to disinvest it, but because of the change in policy the agreement was revoked. However, in the Ministry they were now re-considering the question of disinvestment on a case-to-case basis. The Bannu Sugar Mills was on the list, but they were not disinvesting just yet. Replying to a query, the departmental representative informed the Committee that the overall question of disinvestment would have to be dealt with by the Ministry of Planning and Finance and the Provincial Coordination Committee.

Harnai Woollen Mills

400. *Working results (Para 48, page 60—AR—CA).*—Audit had pointed out that, during 1979-80, gross profit had come down to Rs. 177,477 as compared to Rs. 375,645 during the previous year. The decrease in the gross profit was due to higher cost of sales.

401. In their written reply, the department had explained, that, due to substantial increase in the cost of sales, particularly in the cost of raw materials, in salaries and wages, in repairs and maintenance and in the depreciation charge, the gross profit in 1979-80 was considerably less than in the previous year. Necessary remedial measures were being taken to improve the power requirements of the Mills. French experts were being engaged for the repair and overhauling of the out-of-order generator. The WAPDA had been requested to supply power to the Mills. Six new shuttleless looms had been installed to increase its weaving capacity. Besides, a new Carding Machine had also been purchased to increase the production capacity of the Woollen Section.

402. Replying to a query, the departmental representative submitted that, though power had since been supplied to the city of Quetta, WAPDA had said that other areas would be connected to the Grid in 1983-84. They were, therefore, using diesel oil at present. The departmental representative added that, at the moment, the Mills were paying annually interest of Rs. 5 million on the loan and had, in this connection, proposed certain financial re-structuring. This industry had been established in a part of Baluchistan, where power was not available and nobody would like to establish any industry. Moreover, they had to compete with the other Woollen Mills in the country, particularly the Lawrencepur Mills. Thereupon, a member remarked that such projects gave a bad name to the public sector and enquired as to why it could not be converted into a subsidised project. The Committee expressed its full sympathy with the PIDC regarding this particular project, because it was located in one of the remotest part of Baluchistan. If the Government were at all agreeable to subsidise it in accordance with their policy, then it would be far better for the PIDC to ask for subsidy rather than claim that the project would become viable some time or other. Another member remarked that on account of power alone, they needed a subsidy of about Rs. 2.5 million. An expansion of the project was going on and its capacity had also been increased, but they could not make any profit, specially when there was no power supply. Thereupon, the Chairman observed that it was quite possible that, if the project could get power at normal rates, it would, perhaps become viable.

403. The Committee finally directed that a straight case of subsidy in the shape of injection of equity, might be made out to the Government on the ground of poor location of the Mills and its social cost. A similar subsidy for power could, if necessary, be made out for other units also, placed in a similar situation in Baluchistan. There should be no delusion that, by mere restructuring, the Harnai Mills would become viable in the future. In fact, such unrealistic devices brought a bad name to the Government in view of the better performance of the Woollen mills in the private sector.

404. *Physical verification of Stores and Stock* (*Para 49, page 60—AR—CA*).—Audit had brought out that, the physical verification of stores and stock, disclosed excesses and shortages amounting to Rs. 220,799 and Rs. 208,739 respectively. The shortages needed to be investigated and the excesses taken on charge under the orders of the competent authority.

405. The Audited accounts for 1980 showed that during the year under reference, total shortages were valued at Rs. 208,279 and excesses Rs. 220,799, resulting in a net excess of Rs. 12,520, which had been adjusted against the previous year's net shortage of Rs. 203,977, reducing the figure to Rs. 191,457.

406. The Committee directed that a write-off of the shortages might be considered because it was a fictitious asset.

407. *Trade Debtors (Para 51, page 60—AR—CA).*—According to Audit, the Trade Debtors increased to Rs. 13,619,111 during the current year as against Rs. 9,745,996 in the preceding year. Debts amounting to Rs. 1,276,855 had remained unrecovered for more than three years. Effective steps might be taken to recover these long outstanding dues from the Debtors concerned.

408. The Committee expressed its surprise that debts were going up, whereas the sales were not. The departmental representative replied that the bulk of the outstandings stood against Government departments, Rs. 4 million being due from the Ministry of Defence alone and another Rs. 2.5 million from the PIA, the Railways and others. The Committee directed that the management should consider the system of introducing advance cash payments by the government purchasers, to obviate this situation.

Specialised Refractory Projects, Abbottabad

409. *Store shortages (Para 53, page 61—AR—CA).*—It had been pointed out that Rs. 58,327, appearing against stores and spares, was inclusive of Rs. 15,439 on account of shortages, detected as a result of stock-taking, carried out on 30-6-1980. The shortages were required to be adjusted or recovered from the person(s) at fault.

410. The department explained that the difference of Rs. 15,439 between the financial ledger balance and the Stores Ledger, at the time of physical inventory of the stores and spares, was due to wrong pricing of the inventory sheets, wrong stores requisition and wrong allocation of S. R. and R. R. and not as a result of shortages of quantity. An adjustment of the above amount was effected during 1980-81 by reconciling the financial ledger and Store Accounts Ledger. This could be verified by the Commercial Auditors on their next visit.

411. The paragraph was treated as dropped, subject to verification by Audit.

412. *Physical verification of fixed assets (Para 54, page 61—AR—CA).*—Audit had pointed out that as physical verification of fixed assets of a value of Rs. 661,063 was not carried out at 30-6-1980 their existence was in doubt. Moreover, proper records of the fixed assets were also not maintained.

413. The Committee was informed that physical verification of the fixed assets at site had been carried out at the end of 1979-80 but without pricing them and this was shown to the Auditors. Now a proper Register for such assets was being maintained and physical reconciliation carried out and these would be shown to the Auditors on their next visit.

414. The Committee decided to drop the paragraph, subject to verification by Audit.

Dir Forest Industries Complex

415. *Expenditure on the Project (Para 56, page 62—AR—CA).*—According to Audit, against the total estimated cost of Rs. 302.844 million, including a foreign exchange component of Rs. 67.615 million, capital expenditure of Rs. 132.706 million, including un-allocated expenses of Rs. 47.598 million, had been incurred on the Project up to 30-6-1980. As per the Revised PC-I, the erection of the Plant and Machinery of the Forest Exploitation Project. Sheringgal, and the Wood Industries Complex, Chakdara, were required to be completed in July, 1980 and 1981, respectively, and trial production of both was to be started in July, 1981. However, only two sky-line cranes and one rope-way, costing Rs. 2.3 million, were installed during the year 1979-80, as against the total Plant and Machinery, valuing Rs. 51.271 million received by the Project. Thus, the progress of erection and installation of machinery was very slow. The need to expedite the completion with a view to avoiding further un-necessary expenditure on overhead was stressed in the Audit report.

416. The department submitted that the erection of one Ropeway and two Skyline Cranes in Junkay Valley, Dir Kohistan had been completed, while the erection of the Plant and Machinery in the Factory Buildings at Ramora was in progress. Every possible effort was being made to complete the erection of the Plant and Equipment at the earliest possible date, for commissioning the Project.

417. A member remarked that there should have been an equity in the Project, because against direct capital expenditure of about Rs. 85 million at 30-6-1980 indirect expenditure was Rs. 58 million gross (Rs. 47 million net) including gross interest charge of Rs. 35.5 million (net Rs. 24.5 million). The Chairman added that this was high time for the PIDC to be taking about the financial restructuring of the Project, because this state of affairs had been going on for three to four years and nobody seemed concerned about it. When questioned as to whether the PIDC had incorporated the Project as a Joint Stock Company, the departmental representative replied that it would be done in the near future. Its equity would be Rs. 120 million and it will have a total investment of Rs. 302 million. Thereupon, a member remarked that, by that time, there would be an accumulation of Rs. 50 million interest on these Rs. 302 million. The interest up to 1980 at one amounted to Rs. 25 million. Both the figures will in fact be much higher by the time that production actually started. The Chairman observed that, if the intention was, ultimately, to incorporate the Project as a Joint Stock Company, the best thing would be to do so now. The Company's shares could be sold later on.

418. The Committee finally directed that the question of equity or grant for this Project should be examined without any more loss of time. They should also consider the possibility of having Government shares on which participation in profits was deferred till after other shareholders had been given a minimum predetermined dividend.

419. *Housing Colony (Para 58, page 62—AR—CA).*—It had been pointed that though the Officers' Housing Colony at Ramora was completed and taken over on 30-6-1980, the bungalows therein had not been officially allotted to the officers yet on the plea that they lacked the basic requirements of water supply and electricity. This contention of the management was not convincing as water was being taken from the over-head task and temporary power connections had been obtained from the supply lines of electricity for the Project. Due to the above-said delay in allotment, an avoidable expenditure of Rs. 266,000 had to be incurred by the project on payment of house rent allowance to the officers concerned. The matter needed looking into.

420. In their written reply the department explained that, though Civil Works on the Officers' Housing Colony were completed on 30-6-1980, some basic necessities like water and electricity, were not made available simultaneously. Water supply arrangements were made during January, 1981, and power was not provided by WAPDA before the middle of May, 1981. Power supply to the Officers' Housing Colony from the available electricity load of 80 KW in the project was not possible, as this load was insufficient to meet even the power requirements of the Mechanical Workshop, Wood Working Shop, Electrical Shop, Offices and Security, Now, after persistent requests, WAPDA had supplied about 400 KW of Electricity for the Housing Colony. The available accommodation had since been allotted to the officers.

421. A member remarked that the PIDC should have some mobile generators, but it should be ensured that they did not become a stand-by.

Tarbela Cotton and Spinning Mills

422. *Delay in completion of Project (Para 96, page 79—AR—CA).*—Audit had pointed out that the original PC-I in respect of the Tarbela Cotton and Spinning Mills, showed an estimated cost of Rs. 63.65 million including foreign exchange component of Rs. 22.67 million and was approved by the ECNEC on the 25th January, 1975. The revised PC-I, of April, 1977, estimated the capital cost to be Rs. 122.328 million, with a foreign exchange component of Rs. 35.10 million. However, up to 30-6-1980, plant, machinery and construction material, worth Rs. 64.11 millions in foreign exchange, were supplied for the project and other expenditure amounting to Rs. 50.74 million was incurred in local currency, making a total of Rs. 114.85 million. As per the revised PC-I, the Project was to be fully completed by the end of June, 1980, and production

was to be started in the same month. However, only about 90 per cent of the work was completed by the target date, and trial production was started in August, 1980 and full production in January, 1981.

423. The Committee was informed that the cost of the plant and machinery as on 30-6-1980, indicated by the auditor both in foreign exchange as well as in local currency, was correct. The delay in the completion of the project was due to civil works in the Factory Building not being completed on schedule due to shortage of cement.

424. Replying to a query, the departmental representative submitted that the amount of equity was Rs. 40 million. When questioned as to whether, after completion, the project would be a department of the Government or a Joint Stock Company, the departmental representative replied that it had been stipulated that on-going into commercial production, both these projects should be private limited companies. Thereupon, a member remarked that, by doing so, the department would be making the burden of interest more onerous.

425. The departmental representative was, finally, directed to intimate to the Committee the terms on which financing had been made available to the project, indicating whether it was to be interest-free loan or equity and as to what was shown in the PC-I application to be the ultimate organisational form of the project.

PIDC Head Office

426. *Accounting Methods (Para 101, page 80—AR—CA).*—A member had pointed out that in their notes on the PIDC Head Office Accounts, the Chartered Accountants had not commented upon the Accounting Methods or Practices of the Corporation, which was following the equity method of accounting so far as investment in subsidiary and associate companies was concerned that is to say, the dividends received were treated as income, and losses were allowed to stand in the books of the companies and projects concerned.

426-A. The total of the losses incurred by completed projects in a given year only were, however, shown as a deduction from the balance of profit and loss appropriation account on the balance sheet and similar amount was shown as an independent item at the bottom of the balance sheet, to square up the balance sheet. The entry was reversed in the Profit and Loss Account of the succeeding year. As a result of this accounting sleigh of hand the losses accumulated by companies, projects and departments of PIDC were not reflected in the balance sheet nor in the notes annexed to the balance sheet.

427. The department explained in their written reply that the practice which was being followed by the Corporation had stood the test of being verified by the Chartered Accountants and even the Government Auditors for many

years in the past and, as such, hardly needed any comments or note by the Chartered Accountants. However, the Auditor comments, " Corporation follows the method of Equity so far as investment in subsidiary associate companies is concerned *i.e.* the dividends received are treated as income and losses are allowed to stand in the books of the companies/projects concerned " needed a part of clarification as under.

428. Only the operational results of the completed projects of the PIDC had been treated in the above fashion and not the results of companies, whether or not managed by the PIDC. This was because a Joint Stock Company was a distinct legal entity and accumulated losses/profits of a Company had to be dealt with in accordance with the provisions of Company Law and they could not be taken over by the Corporation as in the case of projects. Also, dividend declared, in accordance with the provisions of the Company Law, was rightly recognised as income in the hands of the Corporation and a corresponding payment in the books of a Joint Stock Company.

429. A member invited the attention of the departmental representative to para 84 pages 234-235 of Commercial Accounts—Comparative Profit and Loss Accounts—where an amount of Rs. 19,474,163 had been shown against the item " Loss of Projects of previous years reversed " and remarked that this looked like an accounting manipulation. The member observed that the department should produce the Accounts, showing the correct position. The departmental representative was directed to furnish a self-contained note to the Committee, showing the accumulated losses and the accumulated profits of all the projects and all the Companies in which the PIDC owned a majority of shares. For example the losses of Rs. 85 million in the Bannu Sugar Mills should be duly included in the note.

430. *Accumulated losses* (*Para 103, page 80—AR—CA*).—According to Audit, the accumulated losses on four units up to the 30th June, 1979 being Rs. 142.128 million against an investment of only Rs. 95.375 million, these units were obviously running mainly on advances, amounting to Rs. 107,410 million either from the PIDC or commercial banks. The investment current account balance with the PIDC (HO) and the accumulated losses sustained by those projects up to the 30th June, 1979, are detailed below :—

(*In million Rupees*)

	Investment	Cash Development Loan	Current A/c. Balance	Accumulated Loss
Talpur Textile Mills (Proportionate) ..	2.450	—	13.683	9.821
Bannu Sugar Mill	10.188	—	62.173	85.828
Larkana Sugar Mills	72.867	—	21.246	37.524
General Refractories Ltd. (Proportionate).	9.870	4.000	10.308	8.955
	95.375	4.000	107.410	142.128

431. Practically, the entire accumulated losses of the Talpur Textile Mills, *viz.* Rs. 20.042 million, shall have to be borne by the PIDC, as their Associate Fateh Textile Mills Limited, who had an equity of Rs. 2.55 million, owed to the Project an amount of Rs. 1.075 million as trade debtors, leaving a balance of Rs. 1.475 million in equity. They were almost a sleeping partner and may not take any responsibility for the losses or the bank loan of Rs. 5.373 million, obtained by the PIDC by pledging the shares of Zeal Pak Cement Limited and the hypothecation of Stock and Works-in-progress of the project. The Stock and work-in-progress on the 30th June, 1979, totalled Rs. 202,913 only.

432. It was explained that it would be premature for the Corporation to take over the liabilities of the Talpur Textile Mills' accumulated losses on the basis of 50 : 50, as the final fate of the Mills had yet to be determined. This matter had to be considered separately in the specific background of litigation still going on with Fateh Textile Mills.

433. A member observed that the department should produce complete lists of all the loans and advances in the PIDC Accounts, so that one could get a full financial picture of the Corporation at a glance. The Corporation might be furnishing such information piece-meal, but that did not serve any purpose. The department should produce one comprehensive and complete document, which would show the true financial situation. The Committee, finally, directed that a self-contained statement, separately for companies' and projects' accounts should be furnished by the PIDC, showing the investments in each company and each project loans and advances obtained for each of them, given to each of them, accumulated profits or losses of each of them and all the other relevant financial information in regard to each of those companies and projects. Such information should be prepared as an annexure to the Annual Accounts also in the future and made available to Audit.

Talpur Textile Mills Limited

434. *Disposal of the Mills (Para 112, page 84—AR—CA).*—Audit had pointed out in their comment that the Mills had been closed down on and the production of yarn stopped therein from 12-11-1977, resulting in a net loss of Rs. 3,708,956 for the Mills during the year ending 30th June, 1979, as against a net loss of Rs. 3,032,338 during the previous year. The increase in loss during the year under review was due to maintenance expenses as also payment of heavy amounts of interest on overdraft to the bankers and on the PIDC Head Office Current Account, as under :—

	Rs.
Interest to PIDC Head Office	950,083
Interest on over draft to N.B.P. Tando Mohammad Khan ..	690,798

To avoid such heavy recurring expenditure in future, the Government must decide the fate of the Mills at the earliest date possible.

435. The department explained that the Mills had already been attached by the Income Tax authorities for non-payment of their dues and might to put to auction, as the entire arrears of Income Tax, to be paid by the Mills, had to be finally determined after the disposal of appeals filed by the Mills against its tax assessments.

436. A member remarked that it would be better if the Ministry of Production take up the matter with the CBR and explain to the latter the factual position. Replying to a question, the departmental representative submitted that the matter being *sub-judice*, liquidation of the Mills was not possible. Thereupon, the member suggested that it might be possible to get a Liquidator appointed through the Court, because Liquidation appeared to be the only remedy. The departmental representative replied that they would examine its feasibility.

437. The Committee, finally, observed that, as suggested earlier, the question of appointment of a liquidator for the Mills through the Court should be considered without any further loss of time, as the Court might take a very long time to decide, the pending case.

Dhariala Potash Fertilizer Project

438. *Operational Activities (Para 120, page 86—AR—CA).*—It had been stated that the operational activities of the Project were suspended in March, 1971, leaving the capital assets and stores and spares worth lakhs of rupees to remain idle. These assets needed to be disposed off as early as possible, to avoid further losses by deterioration and also recurring maintenance expenses, amounting to hundred of thousand of rupees every year.

439. The department had explained that all the movable assets of the Project had since been transferred to the Tarbela Cotton and Spinning Mills. A major portion of the G. I. pipes had been taken over by the Pakistan Mineral Development Corporation and the value of the pipes was under negotiation with them. The remaining pipes were being shifted to Tarbela and the Rig had also been sold to the O. G. D. C. for Rs. 3 million. Replying to a query, the departmental representative informed the Committee that some pipes had since been sold. The Committee directed that the disposal of the remaining pipes also should be expedited, as ten years had passed by without much progress.

Shahdadkot Textile Mills

440. *Stores and Stock (Para 137, page 91—AR—CA).*—According to Audit, the value of stores and stock as on the 30th September, 1979, worked out to Rs. 19,604,297 as compared to Rs. 7,682,969 in the preceding year. As

per the Revised PC-I, the Mills had to start trial and commercial production from March and July, 1980, respectively. Accumulation of such large stocks was not justified, specially when funds were being arranged through loans from Commercial Banks and Financial Institutions, carrying 14 per cent interest thereon. This avoidable increase in the liability of the Project, under erection, needed to be justified.

441. The Committee was informed that Raw Materials, valuing Rs. 7,629,156. were purchased as trial production was expected to start in early 1980. General Stores of Rs. 2,079,559 included the cost of materials for civil works also, as the factory was under construction. Machinery, tools and spares worth Rs. 9,872,106 were acquired with the purchase of new machinery and were necessary to meet he requirement during installation of the plant and also on its going into production.

442. Replying to a query, the departmental representative submitted that no decision had yet been taken whether this project should be disinvested or not. However, it was also on the list of projects, under consideration for sale. But there were still certain un-resolved problems, like the question whether they should disinvest at replacement cost or on some other basis. Replying to a question, the departmental representative stated that the authorised capital of the Project was Rs. 137 million. Since the capital outlay was high, there were not many prospective buyers, they were, however, trying to disinvest many new projects. Thereupon, the Chairman observed that, as the rate of inflation was high, once a decision to disinvest had been taken, the department should go ahead with it rather than keep on waiting indefinitely.

443. When questioned as to what raw materials were purchased, the departmental representative replied that mainly Polyester in 1977 and the person responsible for buying it was dismissed from service. However the material was sold at the current price and there was no loss on it.

National Fertilizer Corporation of Pakistan

444. *Avoidable expenditure of Rs. 129,474 on account of undue favour to suppliers (Para 41, page 52—AR—CA).*—Audit had pointed out that, in November, 1972, the Head Office of a fertilizer factory placed orders on a firm for the supply of 1,125,000 cotton bags at Rs. 181,15 per 100 bags. The firm had supplied 433,750 bags only up to 31st March, 1973 when the Head Office revised the rate from Rs. 181.15 to Rs. 211 per 100 bags in respect of the 433,750 bags, already supplied and from Rs. 181.15 per 100 bags to Rs. 225 per 100 bags in respect of the remaining 691,250 bags. The revision of rates for 433,750 bags, already supplied, resulted in an extra expenditure of Rs. 129,474. The action of the Corporation in revising the price of the supplied bags amounted to an undue favour to the suppliers.

445. In their written reply, the department explained that Audit's main objection was to the increase in the price of the already supplied 433,750 bags from Rs. 181.15 to Rs. 211. They, however, accepted the increase from Rs. 181.15 to Rs. 225 per 100 bags in respect of the 691,250 bags which remained yet to be supplied on the date of re-negotiation. The PIDC, who had processed this case as a centralised procurement agency, made out that there was a sudden increase of more than 50 per cent in the price of cotton yarn due to which the supplier demanded an immediate increase in the agreed rate. Efforts were made to make local purchases from Faisalabad, but the management of the NGFF Multan could not obtain better price from there. The demand for immediate increase in price was discussed several times by the PIDC Head Office and the management of NGFF, Multan. Besides, several high level meetings were held with the suppliers also. After all this effort, a settlement of price with Premier Corporation became inevitable in the interest of procurement of the much needed item in time and at minimum possible cost. A revision of rates under the contract, for the reasons explained above, had to be agreed to for the whole supply. The quantity of bags, supplied sometimes before or during the negotiations, could not be excluded from the application or the revised rates, which were linked with increase in the price of basic material, unless the PIDC had alternate source of supply and cancelled the balance of order. Hence the above action had to be taken in the best interest of the Corporation. Had such action not been taken, there was a likelihood of complete stoppage of fertilizer despatch, which would have cost the nation much more in loss of agricultural production.

446. Replying to the query as to the period in which there was an increase in the price of yarn, the departmental representative submitted that it was soon after the order was placed in November, 1972, when there was a sudden spurt in the price of cotton yarn. Thereupon, the Chairman said that he was wondering about the increase in rate for the 433,750 bags, which had already been delivered in March, 1973, *viz.*, within a period of four months of placing the order. The departmental representative reiterated that there was an abnormal increase of 50 per cent in the price of cotton yarn and the only option available was either to cancel the order and explore other sources or ask the supplier to continue with the supplies. The Chairman intervened to say that the current procedure was that, if there was a rise in price and the contractor could not supply the material at the stipulated rate, the department could cancel the agreement and negotiate a fresh agreement. When the goods came into the possession of the PIDC during the operation of the original contract, payment should have been made at the lower price. The departmental representative replied that the above-said supplies were made while the negotiation were underway. Since the total requirement was much larger, they thought that, if they floated

a new tender, much higher prices might be quoted therein. A member remarked that this was only a presumption. The Chairman added that, when the supplier was disinclined to make further supplies at the contracted price, the department should have cancelled the contract and have negotiated a fresh agreement.

447. The departmental representative conceded that there was an irregularity in the course of action adopted. They wanted to fix the responsibility for it and tried to get the previous papers, but these were not available. That was the real problem. The Committee felt that the irregularity should be got regularised.

448. *Loss of Rs. 7,594 due to short supply of sewing thread (Para 45, page 56—AR—CA).*—Audit had pointed out that, in January, 1973, the E. P. I. D. C. entered into a contract for the supply of 6 ply thread at Rs. 9.45 per cone, each cone containing 2,750 yards of thread, to its Natural Gas Fertilizer Factory, Multan. The Firm supplied 4,420 cones during the period January to June, 1973. It was noticed in August, 1973, that the thread in each cone was short by 500 yards. The total shortage worked out to 2,210,000 yards, valuing Rs. 7,594. No claim was lodged with the supplier to make good the loss.

449. The department explained that no material could be obtained from the project files or through deputing a senior Manager to visit the PIDC Head Office, Karachi, in February, 1981, to trace out old records there. Their comments on the audit observations, however, were that :—

(a) The short supply in question could not be detected, as visual inspection did not reveal a shortage of 500 yards out of 2,750 yards wound on a cone. An actual measurement was not practicable.

(b) The Company pointed out the shortage to the central purchase department and recovery efforts by that agency were not intimated to the project.

(c) The recovery of the loss from the firm or the persons responsible in central purchase agency was not feasible at this stage.

(d) The root cause for such lack of coordination was in having a large centralised purchase department. As a result of re-organisation in 1973-74, purchases, inspections and payment for materials was decentralized and the companies concerned were made directly responsible for these functions in the NFC group.

450. A member remarked that non-availability of records should not become a standing excuse for not attending to irregularities and losses in future. The Committee observed that Government should ensure that re-organisation,

if it was to be undertaken at all, was done properly. Subject to these remarks, the paragraph was treated as settled.

451. The Committee decided to defer to its next session consideration of the remaining Accounts of the Production Division, including Compliance in respect of the Committee's Report on the Accounts for 1975-76 to 1977-78 and the Auditor General's Performance Evaluation Reports 1981 pertaining to Projects under that Division.

452. The Committee then adjourned to meet again at 9.00 a.m. on Wednesday, the 21st October, 1981.

M. A. HAQ,
Secretary.

Islamabad, the 19th May, 1982.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 21st October, 1981.

Fifth Sitting (Ad-hoc **PAC**)

453. The *Ad-hoc* Public Accounts Committee took up the examination of the Federal Accounts for 1979-80 in the State Bank Building, Islamabad, at 9.00 a.m. The following were present :—

Ad-hoc *P.A.C.*

(1) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. — *Member. (Acting Chairman)*

(2) Mr. Abdul Qadir, former Chairman, Railway Board .. — *Member.*

(3) Mr. Yusuf Bhai Mian, Chartered Accountant .. — *Member.*

National Assembly Secretariat

(1) Mr. M. A. Haq, Secretary.

(2) Mr. M. A. Suri, Joint Secretary.

(3) Mr. Inayat Ali, Assistant Secretary.

Audit

(1) Mr. Abdul Raouf, Auditor-General of Pakistan.

(2) Mr. M. A. Muid Khan, Deputy Auditor-General (Senior).

(3) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(4) Syed Shaukat Hussain, Accountant General, Pakistan Revenues.

(5) Mr. G. H. Minhas, Director, Commercial Audit.

(6) Mr. Ziaul Haq Khan, Director of Audit, PT&T.

(7) Syed Jameel Ahmad Zaidi, Director, Audit and Accounts (Works).

(8) Mr. M. S. Amjad, Director, Foreign Audit.

(9) Mr. Zaheeruddin Jaddy, Director, Performance Evaluation Cell.

Ministry of Finance

(1) Mr. A. H. Qureshi, Deputy Secretary.

(2) Mr. H. Akhtar Niazi, F. A. (Interior, Law and S&FR).

(3) Mr. Zulfiqar Ali, D.F.A. (Interior, Law and S&FR).

454. *Accounts examined.*—The Accounts of the following Ministries etc. were examined by the Committee during the course of the day :—

(1) National Assembly Secretariat.

(2) Senate Secretariat.

(3) Ministry of Interior (including C.D.A.).

(4) Ministry of Communications.

NATIONAL ASSEMBLY SECRETARIAT

455. The Committee first took up for its examination the Appropriation Accounts etc. pertaining to the National Assembly Secretariat. The following departmental representatives were present :—

(1) Mr. M. A. Haq, Secretary.

(2) Mr. M. A. Suri, Joint Secretary.

(3) Mr. M. A. Javed, Deputy Secretary.

456. This Secretariat controlled Grant No. 99—National Assembly.

457. *Reconciliation of Accounts with Audit.*—The Committee noted, with satisfaction, that the reconciliation work was up-to-date.

APPROPRIATION ACCOUNTS

458. *Grant No. 99—National Assembly (Page 115—AA).*—There was nothing material for consideration by the Committee under this grant.

AUDIT REPORT

459. *Control over expenditure [Para 3 (iii) item No. 18, pages 1-2—AR].*—Audit had pointed out that savings had occurred in three successive years in the grant controlled by the National Assembly Secretariat. To reverse the trend this required special attention while preparing the Budget estimates. The department explained that the saving in the Grant was due to the non-revival of the National Assembly and non-induction of any new institution in its place, as Budget provision had been made on the assumption that a body like the Federal Council might be set up during the year. However, the Audit observation had been noted for guidance.

460. Replying to a query, the departmental representative informed the Committee that all the savings were surrendered on the 30th June, and not earlier, because provisions were made for the last six months only. He, however, promised that a review of the savings for the first three quarters would henceforth be made at the end of March and the clear savings would then be duly surrendered. The Auditor-General said that the department should review the expenditure every quarter, to surrender their savings.

461. *Compliance Reports on the PAC's Reports on the Accounts for 1975-76 to 1977-78.*—No material was included by Audit in their comments on the above Reports.

SENATE SECRETARIAT

462. The Committee next took up for its examination the Appropriation Accounts etc. pertaining to the Senate Secretariat. The following departmental representatives were present :—

(1) Mr. M. A. Haq, Secretary.

(2) Mr. Ashraf Ali, Joint Secretary.

463. This Secretariat controlled Grant No. 100—The Senate.

464. *Reconciliation of Accounts with Audit.*—The Committee was informed that the reconciliation work of the Secretariat was up-to-date.

APPROPRIATION ACCOUNTS

465. *Grant No. 100—The Senate (Page 116—AA).*—There was no material point worth Committee's consideration under this grant.

AUDIT REPORT

466. *Controlled over expenditure [Para 3 (iii), item No. 19, pages 1-2—AR].*—It had been pointed out by Audit that savings had occurred in three successive years in the grant controlled by the Senate Secretariat. To reverse the trend this required special attention while preparing the budget estimates.

467. The Committee was informed that the savings during the last three years were due to non-utilisation of the provisions relating to the salary, allowances and other facilities for the Members of the Senate, the Chairman, the Deputy Chairman, and the Leaders of the House and the Opposition and for vacant posts, provided for in the Budget. However, as the Senate did not come into being during these years, there were these savings. The position remained the same during 1981-82. The Senate Secretariat had been allowed only the salaries etc. of the Senators and the vacant posts for 5 and 6 months respectively.

468. The Committee expressed the view that the savings should have been surrendered in March or April, instead of the last day of the year and that the department should not henceforth wait for the 30th June to surrender its savings, which could be safely surrendered in March or April every year. Proper quarterly reviews must also be held by the department for this purpose.

469. *Compliance Reports on the PAC's Reports on the Accounts for 1975-76 to 1977-78.*—No material was included by Audit in their comments on the above Reports.

MINISTRY OF INTERIOR

470. The Committee thereafter took up the examination of the Appropriation Accounts etc. pertaining to the Ministry of Interior, including the CDA. The following departmental representatives were present :—

(1) Mr. M. Z. A. Temuri, Additional Secretary.

(2) Mr. Abdul Wahab, Joint Secretary.

(3) Mr. S. A. N. Gardezi, Chairman, C.D.A.

(4) Mr. M. A. Khadim, Director, Registration.

(5) Col. Syed Ghulam Akbar, HQ, Coast Guards.

(6) Col. Ch. Muhammad Nawaz, DIGF, Baluchistan.

(7) Mr. S. M. Zafar Jaferi, D. G., Immigration and Passports.

(8) Mr. Muhammad Ahmad Malik, D.G., Civil Defence.

471. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Islamabad	70
2.	Other Expenditure of Environment and Urban Affairs Division	71
3.	Ministry of Interior	85
4.	Passport Organisation	86
5.	Civil Armed Forces	87
6.	Registration Organisation	88
7.	Civil Defence	89
8.	Federal Investigation Agency	90
9.	Other Expenditure of Ministry of Interior	91
10.	Development Expenditure of Ministry of Interior..	155
11.	Capital Outlay on New Federal Capital	182
12.	Capital Outlay on Works of Ministry of Interior	183

472. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Ministry was not up-to-date and the position for the year 1980-81 was pretty bad. The departmental representative was directed to look into it personally and ensure that the outstanding work of reconciling the 1980-81 accounts was completed by the 31st October, 1981, because the Appropriation Accounts for the year would be finalised and sent for printing by Audit soon immediately thereafter. The departmental representative was

further directed to furnish a report to the Committee as to who had failed to get the accounts reconciled in time, as the Committee's time was wasted on examining unreconciled figures.

APPROPRIATION ACCOUNTS

473. *Grant Nos. 70 and 71 (pages 85-86—AA).*—There was nothing material for consideration in these grants.

474. *Grant No. 85—Ministry of Interior (Page 101—AA).*—According to Audit, there was an excess of Rs. 27,701 against the function head "014—Interior Division". The department claimed that the actual expenditure was Rs. 11,312,401, instead of Rs. 11,754,401, shown in the Appropriation Accounts. There was thus a saving of Rs. 414,299, which was within the permissible limit. It was further explained that the actual expenditure of Rs. 442,000, pertaining to the function head "077—Administrative Training and Research" was wrongly booked against this head. The Audit representative accepted the position and informed the Committee that this would be corrected through an errata.

475. *Function Head "228—Others" (Page 101—AA).*—Audit had claimed a saving of Rs. 817,732 against this function head. The Department contended that the actual expenditure was Rs. 849,228 and not Rs. 32,268 as shown in the Appropriation Accounts. There was hence a saving of Rs. 772 only. The difference between the departmental and Audit figures was explained as being due to non-accountal of Rs. 473,907 and Rs. 343,053 by Audit in the Lahore and Sind Circles. The Audit representative submitted that the non-adjustment of the said amounts was due to non-reconciliation of the Accounts in the Punjab and Sind. Thereupon, the Acting Chairman observed that, had the department reconciled their Accounts in time, they would have known the exact position. The Committee directed that the department should do the reconciliation for 1979-80 again, correct their figures and settle the difference with Audit

476. *Grant No. 86—Passport Organisation (Page 102—AA).*—A saving of Rs. 1,626,675 was depicted by Audit against this grant, the department contending that there was a saving of Rs. 26,486 only. The difference between the departmental and Audit figures was ascribed to short booking of Rs. 1,531,174 and Rs. 69,015 in the Karachi and the Lahore Circles respectively. The Audit representative informed the Committee that, an examination, the Audit booking at Karachi was found to be correct. The Audit figures were the reconciled ones and duly accepted by the Department. He conceded that the department's statement regarding the short booking at Lahore was correct and said that the short booking of Rs. 69,015 could not be rectified due to an oversight. This would be done now.

477. The Accounts of the Karachi Circle having been duly reconciled and accepted by the department, a member asked whether the department had shown these amounts in their reconciliation statement. The departmental representative submitted that the reconciliation statements were not readily available with them. However, they had informed the Audit that the short booked figures were not acceptable to them and they would supply the necessary details to Audit. Not being satisfied with the departmental explanation, the Committee decided to defer the consideration of this grant and directed the departmental representative to furnish a revised explanation, showing the differences to Audit. If Audit were satisfied, they would advise the Committee's Secretariat and the objection would be treated as dropped.

478. *Grant No. 87—Civil Armed Forces (Page 103—AA).*—The Committee noted that there were discrepancies between the departmental and Audit figures, mainly due to the non-reconciliation of accounts by the department. The Committee directed that reconciliation of the accounts for 1979-80 be completed by the 31st October, 1981, positively and that those found responsible for a similar omission in future would render themselves liable to disciplinary action. A member observed that action should also be taken against the persons who failed to carry out timely reconciliation of the Accounts for 1979-80.

479. *Grant Nos. 88, 89 and 90 (Pages 104, 105 and 106—AA).*—No observation was made by the Committee on these grants.

480. *Grant No. 91—Other Expenditure of Ministry of Interior (Page 107—AA).*—According to Audit, there was an excess of Rs. 337,875 against the function head "077—Administrative Training and Research". The department contested this figure and explained that the actual expenditure against this function head was Rs. 1,491,412, instead of Rs. 1,799,937 shown in the Appropriation Accounts. There was therefore, an excess of Rs. 29,350 which was stated to be due to payment of House Rent, Dearness and Conveyance Allowances at increased rates, as announced by the Finance Division on 28-6-1979. Thereupon, a member remarked that, if the increase in the allowances was announced in June, 1979, the department should have asked for a supplementary grant to cover this expenditure. The Audit representative informed the Committee that the department did get the supplementary grant and still spent more than the allocations. Thereupon, the Acting Chairman remarked that, if the department got a supplementary grant lower than what they had asked for, they should have been more careful about the extra expenditure. The acceptance of supplementary demand should not have taken for granted and it should not have been assumed that, if they did not get what they had asked for, then the responsibility for the unauthorised expenditure

would be that of the Finance Division. The departmental representative submitted that, in this particular case, they had asked for supplementary grant from the Ministry of Interior, but the Ministry informed them that they had no money. Replying to a query, the departmental representative said that the request for supplementary grant was sent to the Ministry in time *i.e.*, when the supplementary grants are submitted to the Finance Division. The excess expenditure was incurred on telephones, T.A., D.A. etc. and they could not forsee the exact amount which would be required to meet it.

481. The Auditor-General invited the attention of the Committee to the Finance Division's letter dated the 11th March, 1981 on the subject of "Revised system of Financial Control and budgeting", according to which every Ministry had been sanctioned a post of Finance and Accounts Officer, whose duties and responsibilities had been laid down in the letter. One of the duties of the F&A Officer was the proper maintenance of accounts and reconciliation of the actual expenditure with Audit. The problem has, however, been that Departments had not been getting the actuals in time in all the cases. The Acting Chairman observed that, as most of the Ministries were now located in the same complex such things could be better managed with personal effort. The Departments should also co-operate with each other in a greater measure.

482. Referring to the subject of supplementary grants raised by the departmental representative, the Audit representative stated that, on a scrutiny of the supplementary grant, it did not appear to be justified. But, perhaps allowing for certain unforeseen expenditure, a supplementary grant was sanctioned. Replying to a query, the F. A. informed the Committee that he was not associated with the preparation of the brief. Thereupon, the Auditor-General said that the Finance and Accounts Officer had a specific responsibility with regard to the P.A.C also in that he had to do all the spade work in the Ministry connected with the PAC and the Audit observation on the Appropriation Accounts and ensure compliance with the Committee's observations and recommendations.

483. *Function Head "250—Narcotics Control" (Page 107—AA).*—The excess of Rs. 3,56,506 against the above function head was explained as being due to Rs. 580,606 having been inadvertantly surrendered. The omission was regretted. The Committee observed that a senior officer in the Ministry should take interest in financial matters. These should be frequent and regular internal checks and the quarterly reconciliation with Audit should be regular.

484. *Grant Nos. 155, 182 and 183 (Pages 187, 223 and 224—AA).*—No observation was made by the Committee on these grants.

AUDIT REPORT

485. *Expenditure incurred on works in anticipation of technical sanction (Para 47, page 41—AR).*—Audit had pointed out that, up to 1979-80, an expenditure of Rs. 270 million was incurred by the Capital Development Authority on 128 works without obtaining technical sanction to their estimates in violation of the rules. Consequently, financial control over the progress of expenditure could not be exercised properly, nor could it be vouched that the works were feasible, technically sound and were executed economically.

486. The Committee was informed that technical sanctions in respect of all the works mentioned in the audit paragraph draft para had since been issued. The Committee appreciated the progress made by the department and decided to drop the paragraph, subject to verification by Audit.

487. *Irregularities detected in the accounts of the defunct F.S.F. (Para 48, pages 41-42—AR).—Embezzlement/defalcation/losses of Rs. 3.6 hundred thousand in the battalions of Federal Security Force [Para 46 (i), page 42—AR].*—The Committee was informed that all the four embezzlement cases were duly reported to Audit by the defunct Federal Security Force. Out of the four, a challan in respect of the case of Recruits Training Centres, Pahur Camp, Tarbela, for Rs. 91,439,97, was issued by the Federal Investigation Agency on 25th January, 1979. This case was still *sub-judice*. The other three cases were under investigation by the Agency.

488. A member remarked that action had so far been taken by the department only in one case and enquired the present position of the other three. The departmental reperesentative replied that final FIR was submitted in one more case, but there were some legal complications due to which it had to be referred to the Legal Adviser of the FIA. Thereupon, the member observed that it was no wonder that Ministries were complaining about delay of cases in the FIA. As the Agency was under the administrative control of the Ministry of Interior, he desired to know if the Ministry could do anything in the matter. The departmental representative submitted that there was no delay on the part of the Ministry. He added that there were four persons accused in this case, out of whom three had been apprehended and the fourth had absconded.

(*At this stage a statement was produced to the Committee*).

After scrutinising the statement, a member remarked that the Agency had written a two page reply to the Audit paragraph, but the Ministry was giving a reply in 4 to 5 lines, which was most unsatisfactory. The Ministry was directed to submit a revised explanation to the Committee in respect of each case separately, covering all the points raised in the Audit paragraph.

489. *Wasteful expenditure of Rs. 199,042 on printing of FSF Brochure [Para 48 (ii), pages 42-43—AR].*—The department had explained that the Federal Security Force Brochure was printed in consultation with the Ministry of Information. The rate of printing per unit, as originally agreed, was inclusive of all the charges asked for by the printer in his offer and came to Rs. 158,800 for 8,000 copies *i.e.* Rs. 19/85 per unit and not Rs. 25 per copy. A sum of Rs. 191,800 on account of Printing Charges, inclusive of the preliminary cost of Rs. 40,000 against the total amount of Rs. 198,980, was paid and an amount of Rs. 7,000 was deducted on account of non-printing of 4 pages in column 2 + 2. The payment was made on the basis of actuals and the place of delivery was also pre-settled, as the printer did not include freight charges in his offer. The translation charges were not a part of the contract and were separately paid for. The brochure as distributed amongst the members of parliament and the remaining copies could not be utilised, as the Force had been disbanded.

490. A member remarked that, in this case, tenders could have been obtained from three or four printers on the same day. The departmental representative submitted that, when the orders were received from the highest authority that this should be done within a week, it was difficult for the department to have advertised it in the newspapers. Thereupon, the member reiterated that the Department could have secured quotations from 4 or 5 printers by hand in one day.

491. The Committee directed that the Department should convince Audit that they had no option in the matter. Subject to satisfaction of Audit, the paragraph was treated as dropped.

492. *Loss of Rs. 48,796 due to un-economical purchase of brass band and loss of Rs. 163,000 on recruitment of band staff [Para 48 (iii), page 43—AR].*—Audit had pointed out that, in anticipation of the procurement of a Brass Band in June, 1976 for the defunct F.S.F., a bevy of 36 players had been recruited since November, 1974. An avoidable expenditure of about Rs. 163,000 was thus incurred on their salaries. Tenders were invited through the press for the procurement of Brass Band instruments and the sole offer of Rs. 130,115 was accepted on 29th May, 1976, subject to the condition that the quality would be certified by the D.S.P., Punjab Police Band. The supply was not completed by the target date of 18th June, 1976. However, out of 22 pieces produced by the supplier, 20 instrument were found defective and were rejected by the D.S.P. in August, 1976. The instruments remained stored for nearly 6 months when a purchase committee was set up on the 19th January, 1977, which examined the instruments with the help of a Subeder Major, namely, the Band Master of the Punjab Regiment, and accepted the whole lot with some rectifications.

493. Audit reported that another manufacturer had also submitted a bid. But it was rejected due to its late receipt by two hours through the registered post. The offer being lower by Rs. 48,796, the firm vehemently protested against the award to the successful bidder. The un-necessary employment of players and irregularities in the purchase of the band, namely, acceptance beyond due date, clearance of defective instruments by persons of lower status, were pointed out by Audit. The stand of the administration was that recruitment was initiated in advance as the band staff was technical and not easily available. The staff avowedly remained employed on the Pipe Band. It was added that the acceptance of the instruments was made after the Force was fully satisfied that their quality was up to the required standard. The matter, however, needed proper investigation.

494. The department explained that the tender of Hakim Din and Sons was received at noon on 29th May, 1976 or 26 hours after the time fixed for the opening of the tender. Hence, the delayed tender was not considered. Since a sufficiently long time was required to train the players, prior raising of the team was considered necessary. Only 2 players out of 9 selectees were employed from July, 1975 and the remaining did not report. Consequently, 5 more players were transferred from the existing pipe band establishment. Thus, there had been no loss to Government.

495. A member remarked that the Audit's main point from the very beginning was that another quotation, which was lower by Rs. 48,796, was received on the very date of the opening of tender. The departmental representative contended that it was received on the next day. Thereupon, the member said that as this very fact had been disputed by Audit and if the latter were corrected, the two hours' delay could have been condoned. Government departments often use their discretion in such matters in the public interest. If the tender was received through the post, then it could have been accepted. Another member remarked that the quotation might have been received in time but was simply lying in the Receipt and Issue Section. When questioned as to who dealt with the case, the departmental representative replied that this information was not on the file. The Auditor-General pointed out that it was only when the Martial Law authorities decided that there should be a special audit, then such audit was conducted. He desired to know as to what had the Ministry been doing all along, when the FSF was functioning. The Ministry could have kept a watch on the purchases.

496. The Committee finally directed that Audit should look into the record again and report back, if necessary.

497. *Extra expenditure of Rs. 351,656 due to irregular award of contract for supply of great-coat cloth* [*Para 48 (iv), page 44—AR*].—Audit reported that three manufacturers of woollen fabrics were invited to quote for the supply of 15,125 yards of great-coat cloth. One firm declined, another did not respond and the third promised to send the samples within a month, Securing of tenders through wide publicity was proposed by an officer at this juncture, but the proposal was ignored. The quotation of Rs. 63 F.O.R. received from the third firm, was turned down and a contract was finally awarded, in November, 1974, to another manufacturer, quotations from whom were obtained informally, at a negotiated rate of Rs. 75 per yard *plus* 15 per cent duty. This resulted in a loss of Rs. 351,656 to the Force.

498. The department explained that the manufacturers of great-coat cloth were asked to quote rates for the specific silver grey colour and they were required to submit their samples as well. The lowest bidder did not submit any sample, and also limited the validity of his rate to 15th November, 1974. He was asked to produce a sample for approval, but failed to do so. Therefore, the deal was finalised with Valika Woollen Mills after approval of their sample, which was in accordance with the specifications.

499. Subsequently, in some other cases, *e.g.*, of Mazri Cloth purchases were made from the above-said lowest bidder after the approval of his sample. The fact that he was a regular supplier of the Police Department did not qualify him *ipso facto* for the award of contract under the above-mentioned circumstances.

500. A member remarked that the explanation given did not seem to be a satisfactory response from the department. The departmental representative submitted that there was no option but to accept the Valika quotation. Thereupon, the member remarked that as this amounted to a confession nothing could be done thereafter. The Committee observed that, since the organisation had been disbanded and none of the concerned officers was available, the paragraph might be treated as settled.

501. *Unnecessary purchase of vehicles* [*Para 48 (v), page 44—AR*].—According to Audit, the Federal Security Force arranged, during 1976-77 the purchase of ninety-nine additional vehicles at a cost of Rs. 6.299,661, just to utilise the allocated funds of Rs. 7,500,000 without any pressing need. It was on the record that some of the vehicles could not be utilised due to shortage of drivers and twelve chassis had already been lying at Karachi for eleven months, without their bodies. The vehicles were taken out of the supplier's premises, without checking or inspection, with the result that indigenous tyres, tubes and batteries were provided in then, replacing the imported ones. The vehicles were also found damaged and the chassis had become rusty. Forty-five Toyota Pickups were also parked in the open for several months without bodies.

502. It was explained by the department that 1,058 vehicles were sanctioned in the table of Organisation and Equipment of the Force. At the time of purchase of 99 vehicles, there was a deficiency of 385 vehicles, to be made up in phases. Keeping in view the table of equipment, a sum of Rs. 7,500,000 was provided for the purchase. Indents for the stores were, accordingly, placed on the Department of I.P.&S., who procured the vehicles from the National Industrial Unit after due inspection. Thus, the purchases of vehicles were not made just to utilise the funds, but to meet the deficiencies. Drivers therefor were to be recruited on the receipt of delivery of the vehicles and after proper fabrication of their bodies. Prior recruitment of drivers would have been a waste of money.

503. The Acting Chairman enquired as to whether any departmental action had been taken against the person(s) responsible for this lapse. The departmental representative submitted that it was not possible to trace the man. Thereupon, the Auditor-General remarked that a general statement was not acceptable. The department should explain as to who was responsible for this default and why could action not be taken against him. Only then would Audit be able to deal with the individual items.

504. The Committee finally decided to defer the paragraphs concerning the FSF and directed the departmental representative to furnish detailed information to Audit. Audit would see the files and then report back with their comments.

505. *Non-recovery of repatriation charges from Pakistan Destitutes abroad (Para 49, page 45—AR).*—Audit had pointed out that an expenditure of Rs. 2,273,113 was incurred in foreign exchange and Rs. 481,550 in Pakistani Rupees by certain Pakistan Missions and by a Ministry, during the years 1965 to 1979 on the repatriation of destitute Pakistanis abroad. In accordance with the rules, this amount was required to be recovered from the persons concerned through the Department of Immigration and Passports who, in turn, would act through the district administration, if necessary. In each case, the Ministry and Missions intimated the particulars of recovery, according to the prescribed procedure but the recovery not been effected in any case as yet.

506. In their written reply, the department explained that, to ensure the recovery of such dues, the Passports (Amendment) Ordinance, 1978, was promulgated, adding a new sub-section (5) to section 8 of the Passports Act, 1974, on the following lines :—

> "Any expenditure incurred by the Federal Government on the repatriation to Pakistan of a citizen of Pakistan who gets stranded or becomes a destitute while he is in a foreign country, or for any other reason, shall be recoverable as an arrear of land revenue".

However, experience had shown that in most cases recovery could not be made even after this amendment, mainly because of incorrect and fake addresses in Pakistan furnished by the repatriates and also delayed intimation by the concerned Missions about the arrival of repatriates in Pakistan.

507. The Ministry felt that the amendment referred to above, should yield positive results. Moreover, the production of identity cards had been made a statutory pre-requisite for the grant of Passports. Henceforth, the possibility of giving fake particulars and addresses for Passports would decrease. The Ministry of Foreign Affairs had also been advised to instruct Pakistan Missions abroad to intimate, well in advance, the arrival of repatriates in Pakistan, so that such people did not slip away and could be apprehended for necessary action, immediately on their arrival.

508. Replying to a question, the departmental representative informed the Committee that annual income from Passports was about Rs. 24 crores. Thereupon, a member suggested that the department should consider off setting the expenditure against the income from Passports. The departmental representative submitted that the procedure was so lengthy that they could not recover the amount from the destitutes because the matter had first to be referred to the Police and this took time. As the Police could not take any action against the persons involved they were now advising that the destitutes should be apprehended and their guarantees ensured before they were repatriated to Pakistan. Thereupon, a member remarked that it might be possible that they might not have any relations in the country in which case this suggestion would not work. He added that once it was determined that the amount was irrecoverable, it should be considered for write off. The departmental representative submitted that the point for decision was as to who would do the writing off, the Ministry of Interior or the Ministry of Foreign Affairs.

509. The Committee finally observed that the Ministry should take, whatever steps they could, to have the recovery expedited. But, if it was found that the amounts were not recoverable, and the arrears became more than three years old, steps should be taken to consider writing them off, under intimation to Audit.

Wasteful expenditure of Rs. 1,020,963 on purchase of Steel Tubular Charpoys and Kit Boxes (Para 50--Page 45 of CAR).

Undue financial favour to a Woollen Mills resulting in a loss of Rs. 214,651 (Para 52—Page 47 of CAR).

510. The Committee deferred consideration of these paras for similar action directed in para 503/*ante*.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS THEREON.

511. *Non-accountal of stores worth Rs. 2,893,882 (Para 82, page 41—PAC Report 1976-77).*—In compliance with its directive, Audit informed the Committee that :—

(i) The department did not produce the complete records, for verifying the accountal of stores worth Rs. 3,890,994, stated to have been received, despite personal visits by an Audit Officer in November, 1980 and the issue of reminders on 16th March, 1981, 26th July, 1981 and 3rd September, 1981.

(ii) The prescribed procedure was not followed by the department. For instance, Suspense Register, meant for accountal of payments made for the procurement of foreign stores and to watch their receipt, was not maintained (Para Nos. 26, 334, 338 and 340 of CDA's Procedure Manual Part-III—Accounting Procedure refer). Moreover, M. S. Billets worth Rs. 10 million, which also included some payments in addition to those pointed out in the paragraph, were imported against a contract executed in July, 1970. It was not accounted for in the Stock Register or Ledger, in contravention of paragraph 298 of the above-mentioned Manual.

(iii) The adjustment of outstanding balance, amounting to Rs. 223,587 (not Rs. 224,903) in respect of letter of credit payments had not been made so far.

512. The departmental representative submitted that the Audit objection was that the department had not carried out the reconciliation. Now they had reconciled all the accounts except those of Rs. 217,000, for which they were in correspondence with the bank. In about 24 cases, the bank was not able to trace out the documents. As soon as the documents came in, they would be presented to Audit. A member enquired whether the department were clearing the point raised by Audit about the accumulation or allowing the continuation of the problem. The departmental representative replied that no further accumulation was being allowed and that they would be now totally commercialising their accounts. They had a number of departments and sub-divisions and it was quite a cumbersome process. It was written in their charter that they should maintain their accounts on commercial lines and the Committee had also given direction, from time to time to the same effect and he himself also felt that it was very essential to do so. The Audit representative pointed out that there

were two types of accounting system, namely, commercial and public works accounts. In certain cases, the commercial systems of Accounts was necessary. Audit had asked for some essential information from the CDA, but the same was not forthcoming. On examination, they found that a Commercial Organisation like the CDA, was not maintaining its Accounts properly.

513. The departmental representative submitted that, so far as reconciliation with the bank was concerned, it had been carried out partially. But the main difficulty, at the moment, was that of the accountal of stocks for which a double entry system was absolutely essential and this was not, presently, in vogue in the CDA. On the Auditor-General saying that the department was not maintaining even the single entry accounts properly, the departmental representative conceded the point, but made out that the purpose was any how not being served by the present accounting system. He was merely explaining that, as far as the management was concerned, it was not getting the needed assistance from the present system of Accounting. If he wanted to know the assets and liabilities of the Authority at a given time, he could not get the correct figures promptly, because he would have to go through hundreds of registers in which the requisite information was available. It was possible to get this information under the single entry system, but it was a long exercise. Replying to a query, the departmental representative informed the Committee that their charter provided for commercial accounting, but it was subject to the concurrence of the Auditor-General.

514. The Committee, finally, observed that a note on the CDA's proposal to change over to Commercial Accounting should be sent to the Auditor-General who would submit it to the Committee with his comments.

515. *Grant No. 88—Ministry of Interior (Paras 305-6, pages 94-95—PAC Report 1977-78).*—Audit had pointed out in their comments that the departmental explanation for the savings of Rs. 588,974, given during the examination of the 1977-78 Accounts, was that although the price of truck bodies had been paid sales tax was not then billed by the firm and, therefore, not paid. It was not clear whether the sales tax was claimed later by the firm or it was not claimed at all.

516. The departmental representative submitted that they had to pay sales tax, amounting to Rs. 600,000, for which a notice was received by them from the Income Tax Officer. Replying to a question, the departmental representative said that they had to pay the sales tax, because it was provided in the agreement that sales tax, if levied, would be paid for by the FSF. They had obtained the original copy of the agreement from the manufacturer and found that this provision existed there. The departmental representative was directed to report the position to audit. The paragraph was dropped, subject to satisfaction of Audit.

517. *Grant No. 90—Civil Armed Forces (Paras 308—311, pages 95-96—PAC Report 1977-78).*—As desired by the Committee Audit furnished to it a detailed note, setting out the problem of Works' accounting which, at present, was not being done properly. Replying to a question, the departmental representative informed the Committee that they had registers for assets other than buildings owned by the Ministry. Thereupon, a member remarked that the administrative Ministry must know as to how many buildings they had, where these were located, what was their original cost and what was the annual maintenance cost on each of them. The Committee, accordingly, directed that Registers of Buildings should be opened by the Ministry immediately and the Organisations under them, listing out all the Buildings under their respective control and the Registers must be kept up-to-date. Similar action should be taken by other Ministries which do not have such Registers.

518. *Grant No. 95—Group head "G—Lump provision for the establishment of National Police Academy" (Para 325, page 97—PAC Report 1977-78).*—The Committee was informed that the responsibility in this case had been fixed and the officer had been warned. Audit was requested to follow it up.

519. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation Accounts or Audit Report thereon; and (ii) in the compliance papers on the PAC's Reports for the years 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation action as might be necessary under the rules.

MINISTRY OF COMMUNICATIONS

520. The Appropriation Accounts etc. pertaining to the Ministry of Communications were the last to be taken up by the Committee for its examination on that day. The following departmental representatives were present :—

(1) Mr. F. K. Bandial, Secretary.

(2) Brig. Mansoor-ul-Haq, Joint Secretary (Comn).

(3) Rear Admiral A. Waliullah, Chairman, PQA.

(4) Rear Admiral M. I. Arshad, Chairman, KPT.

(5) Rear Admiral A. W. Bhombal, Chairman, P.N.S.C.

(6) Mian Munawwar-ud-Din, D. G., Pak. T&T.

(7) Mr. M. Khurshid, D. G., Pak. P. O.

(8) Mr. Abul Kalam, M. D. Karachi Shipyard and Engineering Works Limited.

521. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Communications	18
2.	Department of Shipping Control and Mercantile Marine	21
3.	Lighthouses and Lightships	22
4.	Other Expenditure of Ministry of Communications	23
5.	Development Expenditure of Ministry of Communications	141
6.	Capital Outlay on Ports and Shipping	171
7.	Capital Outlay on Communication Works	172
8.	Investment in Urbar Road Transport Corporation	173
	Pak. P.O. and T. & T.	
9.	Pakistan Post Office Department	19
10.	Pakistan Telegraph and Telephone Department	20
11.	Capital Outlay on Pakistan Post Office Department	169
12.	Capital Outlay on Pakistan Telegraph and Telephone Department	170

522. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of the Accounts for 1980-81 had not been completed as yet. The departmental representative was directed to ensure that the outstanding work was completed by the 31st October, 1981, because the Appropriation Accounts would be finalised and sent for printing by Audit soon thereafter.

APPROPRIATION ACCOUNTS

523. *Grant No. 18—Ministry of Communications (Page 35—AA).*—The excess expenditure of Rs. 59,341 against the function head " 581-Administration " was ascribed by the department to the following reasons :—

(i) There was unforseeable increase in the dearness, conveyance and night duty allowances : hence provision therefor could not be made in the regular budget.

(ii) Previously, telephone bills used to be paid by Book Adjustment and no cash payment was involved. It was decided by the Government in 1978-79 that cash payments would be made in respect of such bills. The Ministry received telephone bills from the T&T Department relating to the previous year and cash payment had to be made for these bills along with those for the current year.

(iii) Increase in the prices of POL.

(iv) Payment of the R&R Allowance to officers and staff in excess of the amount provided in the budget.

524. The Committee noted that the Ministry had, nevertheless, surrendered Rs. 435,464 and enquired as to why the surrender was made. The departmental representative replied that some payments relating to the previous year were made after the 30th June, and they could not anticipate them. Thereupon, the Acting Chairman observed that as it was a continuing process, the department should have known it before the 30th June. Moreover, the surrender was made by the department on the 30th June and not any earlier. The explanation did not appear to be satisfactory and it seemed to be a typical case of lack of accounting co-ordination within the Ministry. The department was directed to be more careful, in future.

525. *Grant No. 23—Other Expenditure of Ministry of Communications (Page 38—AA).*—In respect of the excess of Rs. 1,284,086, depicted against the function head " 313-Roads and Streets ", it was explained that the Frontier Works Organisation had demanded Rs. 23.679 million, in the budget estimates for 1979-80. The Finance Division (Military), after a detailed scrutiny of these estimates, proposed Rs. 19.988 million. The ADP Priority Committee discussed these estimates in its meeting on the 11th April, 1979, and recommended Rs. 18.910 million on the basis of the yard-stick laid down by the Cabinet, namely, Rs. 20,000 per ten feet lane mile for the maintenance of the Karakoram Highway from Thakot to Khunjrab. However, the Government imposed a cut and released Rs. 17.300 million only or Rs. 1.610 million short of the amount recommended by the ADP Priority Committee. On the 21st August, 1979, a

case was initiated, without any success, for an additional allocation of Rs. 644,000, to meet the expenditure on account of the following, as promised by the Budget Wing, Islamabad :—

(a) Conveyance and House Rent Allowances at enhanced rates as announced by the Ministry for Finance on the 28th June, 1979, and

(b) Dearness Allowance @ Rs. 40 p.m. announced by the President on the 27th July, 1979.

526. The yard-stick, on the basis of which the allocation was recommended by the ADP Priority Committee, was laid down by the Cabinet as early as on the 14th January, 1978. However, due to the increase in the prices of almost all items, which took place thereafter, the said yard-stick became outdated and required a revision. Making an allocation to the FWO on the basis of this yard-stick was, therefore, not justified but the actual allocation made was not even the amount recommended by the Priority Committee. In consequence, during 1979-80, there was an excess expenditure of Rs. 1,284,086 over the allocation.

527. The Committee noted that an amount of Rs. 372,000 was surrendered by the department and desired to know as to why this surrender was made when there was an excess of more than one million rupees. The departmental representative explained that the explanation was not as un-justifiable as it had been made to look. In actual fact the FWO having been given a mandate and the project, the money was placed at their disposal and they continued with the implementation of the Project without any PC-I. It was only last year that a PC-I was submitted. They had two options in this case, either to continue to feed the people or stop the work altogether. They adopted the first alternative and thus exceeded the allocation in the budget. However, from the viewpoint of financial discipline, there was no justification for exceeding the budget grant. Thereupon, a member remarked that the department should have given a proper explanation, indicating the particulars of allocations and the reasons for the excess. The departmental representative submitted that the FWO's role and performance might be viewed in the context of the purpose of its creation and the way that it had been performing. Lately, a PC-I, had been asked for it also, and now it had to submit to this discipline. Earlier, its functions were to construct roads of strategic and defence importance and the Ministry were concerned only with having appropriate levels of allocation made for it in the Budget. As regards the excess, he would seek the indulgence of the Committee to accept the situation. More correctly, the Ministry of Defence should shoulder this responsibility otherwise as rules exist for other organisations, the FWO must also follow them and stick to the allocations made for them.

528. Intervening, the Auditor-General observed that the departments representative appeared to be saying that, from now onwards, the FWO would be made to observe the rules. The question was whether full control would be exercised by the Ministry as from 1980-81 ? The departmental representative replied that there was a very loose connection between the FWO and the Ministry of Communications, so far as expenditure was concerned. A member remarked that what the Auditor-General was saying was whether the Ministry were exercising the same financial discipline on the on-going schemes as they were doing in respect of new ones, *i.e.*, whether the FWO came to the Ministry for sanction and for, justifying their expenditure and whether they were furnishing their statements of account to the Communications Ministry. The departmental representative replied that the Organisation were doing so now and were required to submit revised cost estimates for the on-going schemes.

529. The Auditor-General interjected to say that projects were seen to be going wrong in almost all the cases during execution rather than at the stages of formulation of schemes or their approval through the ECNEC|CDWP. Upon this, the departmental representative submitted that they were trying their best to exercise control. The words, ' very loose ' had been used by him, deliberately, because the FWO were really the baby of the Ministry of Defence. They were only an executing agency so far as the Ministry of Communications were concerned. However, the grant had been shown in the budget of the Ministry of Communications who released it to the FWO. The excess expenditure in question was released to the latter by the Military Accountant General.

530. A member remarked that it was still not clear as to who exercised control over the expenditure of the FWO. The Auditor-General had taken the stand that he would not give any more money than allocated in the budget and the FWO claimed to have drawn the money from the Military Accountant General. The question was as to how could the Military Accountant General make the excess payment ? Thereupon, the Auditor-General suggested that they might be permitted to find out as to what check was exercised by the Ministry of Communications to prevent the AGPR from releasing more money than provided for in the budget.

531. The Committee finally observed that it needed to be looked into as to how a sum of Rs. 1.284 million was released to the FWO in excess of the allocation for this work to the Ministry of Communications and who was supposed to exercise control on the release ? Audit was requested to go into it, in consultation with the MAG, and let the Committee know the facts.

532. *Grant No. 141—Development Expenditure of Ministry of Communications (Page 161—AA).*—Audit had shown a saving of Rs. 8,740,000 against the function head " 312-National Highways ". The department claimed that

this much amount, released to the National Logistic Cell, (NLC), had not been adjusted in the books of the A.G.P.R. The Controller of Army Accounts, G.H.Q. had also advised in his O.M. No. NLC|Exp-8|CAA-V dated 17-5-1981 that the debit of the amount was passed on to the A.G.P.R., but it was not traceable in the latter's records. Had the debit been booked there would have been no saving.

533. The Audit representative informed the Committee that the short booking of Rs. 8,740,000 was due to the C.A.A., G.H.Q., having passed on this amount as a receipt instead of an expenditure through the Exchange Account and its having been thereby returned to him. It would be booked on the receipt of corrected debits.

534. Replying to a query, the departmental representative informed the Committee that the NLC had got a large number of heavy duty trucks running on the roads. no doubt many of which had been damaged and repaired by the NLC. They were doing this job very satisfactorily. Seeing their performance, the Government of Baluchistan had even engaged the NLC to repair and maintain roads for them in certain areas in that province. When asked about the purpose for which funds to the tune of Rs. 112,116,000 were provided in the budget, the departmental representative replied that the funds were meant for the maintenance of roads. He added that, to his knowldege, NLC had been enjoying an independent status. The position was that funds to meet the requirements of NLC, were set apart by the Finance Division and these were then spread over in the budget of a few Ministries, including the Ministry of Communications who, in fact, did not exercise any control on their allocation or use. He suggested that the Committee might like to seek further information on this subject from the Finance and Planning and Development Divisions, who would be in a better position to furnish the requisite information.

535. The Committee, finally, desired that Audit might ascertain the procedure for the sanction of funds to the NLC by the Finance Division. The Planning and Development Division, who were administratively responsible for NLC might also be requested to furnish a note to the Committee about the constitution of NLC, the procedures following for sanctioning NLC's Scheme and for the allocation of funds to it, for disbursement of funds therefrom, the accounting of such funds, the accountability of NLC to the Division in which the allocation was made, the records kept of the assets acquired by NLC, etc.

536. The Committee also sought for some information about the Third Highway Project, which was made available by the departmental representative, to the satisfaction of the Committee.

537. *Grant No. 172—Capital Outlay on Communication Works (Page 206—AA).*—There was nothing material for consideration under this grant.

538. *Grant No. 173—Investment in Urban Road Transport Corporations (Page 207—AA).*—When asked as to whom was the sum of Rs. 246 million given, the departmental representative replied that they had presently two corporations under them, namely, the Karachi Transport Corporation and the Punjab Urban Transport Corporation, the latter operating in the cities of Lahore, Rawalpindi and Islamabad. He added that, so far as inter-district transport was concerned, this was a provincial subject. As for urban transport, the fleets and the personnel were the Federal Ministry's concern, but labour-management relations and financial re-structuring of fares were the responsibility of Provincial Governments. Replying to the question as to why was this entire function not given over to the Provincial Governments, the departmental representative stated that, until 1976, urban transport was being run by the Provincial Governments. Then, at the request of the Provincial Governments and in the public interest, it was decided that these Corporations be Federally financed, subsidised and operated, because it appeared to be beyond the capacity of the Provincial Governments to run them. As such, a new Corporation was formed by the name of Urban Transport Service under Federal auspices. This Corporation was expected to do better, as the Federal Government had larger resources and their fleet induction was also to be qualitatively and quantitatively much better. However, these Corporations were running into losses and had become losing propositions. Every year the Federal Government was subsidising each of them to the extent of something like Rupees three crores. This subsidy did not get reflected in the Appropriation Accounts. The Committee desired to know where it was reflected. Audit was finally requested to collect the available information from the Ministry about these Corporations and report back to the Committee.

Ports and Shipping Wing

539. *Grant No. 18—Function Head "587—Ports and Shipping" (Page 35—AA).*—Audit had shown an excess of Rs. 240,539 against the above function head. The department contended that the actual reconciled expenditure, against the final grant of Rs. 1,965,234, was Rs. 2,055,387 and not Rs. 2,205,773. There was hence an excess of Rs. 90,153 caused by the surrender of Rs. 97,316 otherwise there was saving of only Rs. 7163. The Audit representative pointed out that the correct and reconciled expenditure relating to the Karachi Circle was Rs. 2,071,097 and not Rs. 2,055,387 as an amount of Rs. 15,710 related to recovery. The remaining amount of Rs. 134,677 was booked by the CAO, Ministry of Foreign Affairs, which had been ignored by the department.

540. After some discussion, the Committee directed that the department should reconcile, with the CAO, the difference pointed out by Audit in the instant case, and should also do so in future.

541. *Grant No. 21—Function Head "077—Administrative Training and Research (Pakistan Marine Academy)" (Page 36—AA).*—Audit had claimed a saving of Rs. 401,108 against this function head. The department contended that, according to the figures of the reconciled expenditure, the net amount of savings worked out to Rs. 439,503 and not Rs. 401,108, as printed in the Appropriation Accounts and that the saving could be ascribed to vacant technical posts of Instructors in the Marine Academy not having been filled up despite repeated efforts through the FPSC and other sources.

542. The Audit representative pointed out that the contention of the department was not correct, as an expenditure of Rs. 2,643,342 was reconciled and accepted by them, resulting in a saving of Rs. 401,108. Thereupon, the Acting Chairman remarked that the department seemed to have accepted the figure at the time of reconciliation, but they were going back on it now, which was not proper. The Committee, finally, directed that the department should ensure timely reconciliation in the future.

543. *Grant No. 23—Function Head "587—Ports and Shipping Wing" (Page 38—AA).*—An excess of Rs. 487,969 was depicted against this function head. The department claimed that the final grant and actual expenditure were Rs. 19,467,900 and Rs. 19,449,752, and not Rs. 19,440,843 and Rs. 19,928,812 respectively, shown in the Appropriation Accounts, resulting in a saving of Rs. 18,148 as against the excess. The Audit representative informed the Committee that the excess was mainly due to a belated adjustment of Rs. 479,060 during the year 1979-80.

544. *Grant No. 141—Function Head "588—Lighthouses and Lightships" (Page 162—AA).*—There was nothing material for consideration in this function head.

545. *Grant No. 171—Capital Outlay on Ports and Shipping (Page 205—AA).*—The Committee noted that the actual expenditure, against the final grant of Rs. 968,790,950, was Rs. 573,624,586, leaving a huge saving of Rs. 395,166,364 which, according to the departmental representative, was surrendered on the 30th June. The Acting Chairman remarked that this was a very large amount. The department must carry out a thorough review of their accounts at least in March to see as to what expenditure had been incurred and whether what was left over could be reasonably spent or be surrendered. He observed that, during the current year, the department must take a decision about it by March and not the 30th June, because by then the exercise became meaningless.

546. The Audit representative drew attention to the department's statement in their explanation that the final grant of Rs. 939,532,300, against the function head " 587—Ports and Shipping-Bunder Qasim Project ", was reduced by the Finance Division to Rs. 707,039 million. However, though in their letter dated 30th October, the Department mentioned about the Economy Cut, no mention was made therein about any reduction in the final grant. he Committee observed that it was a serious matter and directed the departmental representative to look into it.

547. Replying to a query, the departmental representative submitted that, in the case of Port Qasim, the saving was due to foreign assistance for two on-going projects having remained unused. The work in one case could not be started in time due to negotiations in progress. The second work was undertaken, but payments therefor could not be made because a dispute arose with the contractor. A member remarked that, if the department could not spend the allocated amount by the end of May, it was unlikely that they could spend the whole of it by June. The department could have easily seen it and if not the whole amount, they could have surrendered at least 60 to 70 per cent of it. If the department themselves were not using the money, the Government could spend it somewhere else or reallocate it. The departmental representative submitted that they accepted the position and would be more vigilant in future.

548. The member further remarked that under function head 589—Others—(Reconstruction of Napier Mole Road Bridge) the original grant of Rs. 35,000,000 was reduced to Rs. 19,258,650 after the surrender of Rs. 15,741,350. Against the reduced grant, the actual expenditure was only Rs. 9,258,650, leaving still a saving of Rs. 10,000,000. The Ministry should have, therefore, initially surrendered Rs. 25 million instead of Rs. 15 million. The Auditor-General informed the Committee that, if an amount was surrendered by any Division earlier than June, the surrender order could, under the rules, be revised if needed and the amount surrendered earlier be reappropriated for other essential purposes.

549. The Committee finally observed that the Ministry should hold a periodical review of expenditure, and savings should be surrendered as soon as it became known that any funds would not be required during the year.

COMMERCIAL ACCOUNTS

Port Qasim Authority

550. *Compilation of Accounts* [*Para 3 (i), page 6—AR—CA*].—According to Audit, the Commercial Accounts of the Port Qasim Authority for 1979-80 had not been compiled as yet. The Committee was informed that the Accounts had since been compiled and necessary steps to get them audited by a firm of

Chartered Accountants were underway. The proposal for the appointment of such Auditors was with the Ministry for a decision. The previous Auditors had worked for five years and were to be replaced. The Ministry had asked for a report on the performance of the previous Auditors.

551. The Committee directed that the compilation of Accounts for 1980-81 should also be expedited. Auditors therefor could be appointed at the beginning of the year and steps should be taken to appoint the Auditors for 1981-82 as well.

Lighthouses and Lightships

552. *Compilation of Accounts* [*Para 3 (ii), page 6—AR—CA*].—Audit had pointed out that the Commercial Accounts for Lighthouses and Lightships from 1967-68 to 1979-80 had not yet been compiled. In their written reply, the department had explained that Audit having failed to intimate the figures of Pensionary Charges, Leave Salary Contribution, General Reserve Fund Investment Account, Local and Central Audit Charges, etc. the figures were worked out on the basis of records of the department, contrary to the instructions laid down in the Lighthouse Accounting Rules, and intimated to the Audit office for confirmation. All the figures had since been confirmed by Audit except those of Pensionary Charges and Leave Salary Contributions in respect of the staff. Details pertaining to these charges had also been supplied to Audit for confirmation. It was hoped that work of compilation of the Accounts would be completed by the end of October, 1981, and thereafter presented to the Deputy Director, Commercial Audit, Karachi.

553. Replying to a query, the Audit representative promised that they would expedite the matter.

Port Qasim Authority

554. *Notes on the Accounts* (*Para 240, pages 590-91—CA*).—Against the item "Port Qasim Authority Fund" and amount of Rs. 513,237,000 had been shown as Grant-in-Aid received from the Federal Government. A member remarked that, though the Government had given a lot of money as Grant-in-aid, they were charging interest on the grant received from the U.K. The departmental representative submitted that the normal practice was that the Economic Affairs Division advanced the foreign aid received at a fixed interest rate of 8 or 8.5 per cent, whether it is a grant or a loan and whether the primary tender charges interest at a rate lower than that rate. The member expressed his inability to understand the reasoning underlying the policy.

555. The question of interest charged by the Government came up again when a member inquired as to the rate of interest the Government was charging on the various credits obtained for purchase of ships by PNSC. He wanted to know if in this case also the Government was charging a higher rate of interest than that charged by the supplier of credit. The departmental representative replied that it was so. The Committee considered the position not very satisfactory as the only result of such a policy was to either increase the Corporation's losses or reduce its profits in the future.

556. After some discussion, the Committee observed that the Ministry of Communications might request the Finance and Economic Affairs Division to reconsider the whole question of rate of interest charged by the Government on loans or suppliers' credits might obtained at low rates of interest or even as grants. Similarly, the issue of charging interest from a public service organisation like the Post Office and from others on even their losses should also be taken up with the Finance Division. The charging of interest on funds used by an agency for creating the infra-structure and from local bodies like the Port Qasim Authority will only result in high prices or high tariffs for their services. Similarly, in the case of PNSC, were Government to charge interest on a high rate on credits bearing low rates of interest or on grants, it would make the Corporation's burden onerous particularly as the chances are that prices under suppliers' credit *ab-initio* include an element to cover the interest differential.

Pakistan National Shipping Corporation

557. *Working Capital Gap (Para 220, page 123—AR—CA).*—According to Audit, the working capital gap, amounting to Rs. 96,88 million at the end of the period under review, indicated that the financial position of the Corporation was far from satisfactory. Overdrafts as on 30th June, 1979, amounted to Rs. 54,951,000 and the Corporation paid interest, amounting to Rs. 3,067,000, on bank borrowings during that year. In view of their unsatisfactory financial position, all-out efforts were needed to improve the ways and means position, with a view to narrowing the liquidity gap.

558. It was explained by the Department that the down-payments by PNSC for new acquisitions were being financed from their own revenue resources, without resorting to short-term borrowings. The position was likely to improve further when all such payments were completed and the new acquisition programme finalised.

559. A member remarked that the Corporation had issued Capital and Reserve of Rs. 365 million and Long-term Liability of Rs. 511 million. On the other hand, they had fixed assets of Rs. 954 million and commitments to purchase ships of a value of Rs. 1,563 million. The question was whether the

Corporation's financial base was satisfactory for such long term investments. The departmental representative submitted that in view of the expected sizeable future operating revenues, they felt that they only needed temporary bridging. They were likely to reach a critical situation by about 1983, when the peak repayment would take place. Thereafter their liquidity would begin to improve, because they would begin to generate larger cash flow. Thereupon, the member remarked that their equity base appeared to be narrow and asked as to what would be the position when the Corporation's 19 ships arrive and the question of repayments of loans covering their purchase started. The Corporation could not go on with over-drafts only and should, therefore, think now of long-term or medium-term financing.

560. Replying to a question, the departmental representative informed the Committee that their operational costs were very high. Running a shipping Corporation was a very expensive business these days because of the inflationary pressures.

561. The Committee finally observed that—

(i) the Corporation should consider seriously of ways and means to get over their expected liquidity problem, by resorting to long term or even medium-term borrowing, if it could be arranged, and

(ii) the question of the correctness of showing advances given for purchase of ships under construction as part of "Fixed Assets" should also be taken up with the Auditors.

562. *Bills receivable (Para 222, Page 123—AR—CA).*—Audit had pointed out that the year-wise break-up of Bills Receivable and other Debtors, which stood at Rs. 51,283,000 and Rs. 31,889,000, respectively, as on the 30th June, 1979, had not been supplied to them which made it difficult for them to comment on the prospects of recovery thereof.

563. The department produced preliminary statements and promised to furnish detailed statements at a later date. A member observed that at least the old receivable pertaining to the period 1964-65 to 1967-68, if considered irrecoverable, be written off.

COMPLIANCES ON THE POINTS RAISED IN THE PAC'S REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS THEREON.

564. *Non-recovery of detention charges from a carrier—Rs. 518,931 (Para 358, page 85—PAC Report 1975-76).*—In compliance with the Committee's directives, a revised reply was submitted by the department. However, audit had pointed out that action had not been taken, as directed by the PAC, to fix

the responsibility for not recovering detention charges from the foreign company. The Committee was informed that the matter was still *sub-judice*. The Committee decided to drop the paragraph and directed the departmental representative to pursue the matter themselves.

565. *Payment of Dividend (Paras 256—59, pages 71-72—PAC Report 1976-77)*.—The Committee was informed that the PNSC had already approached the Finance Division, through the Ministry of Communications, to forego the payment of Dividend to them by the PNSC. The matter was still under consideration of the Government. Audit was requested to follow it up.

566. *Freight receiveable (Para 426, page 116—PAC Report 1977-78)*.—It had been explained that, in some cases, recoveries had been effected and reflected in their final Accounts. Write-off action was also being taken, wherever recoveries were not considered possible. Audit pointed out, in their comments, that a sum of Rs. 20,095,514 was outstanding as freight receivable on 30-6-1980. Effective steps had to be taken to recover the outstanding amounts and to write off those considered unrecoverable. The Committee decided to treat the paragraph as dropped and requested Audit to pursue on the matter.

567. *Review of fixed assets (Para 427—31, page 116—PAC Report 1977-78)*.—The department explained that, as suggested by the Acting Chairman, the lists of items available had been prepared and were being verified by the Government Auditors. The net amount of loss was also being worked out and would have, most probably, to be written off by the Board in due course. On Audit contending that the Ministry had not furnished any list of articles to them for verification, the departmental representative was directed to have the same supplied to Audit immediately. Subject to verification, the paragraphs were dropped.

APPROPRIATION ACCOUNTS (PAK. P. O.)

568. *Delay in the disposal of Inspection Reports [Chapter III-Para (a), page 21—23—AA—Pak, P. O.]*.—Audit had pointed out that, at the end of December, 1980, 261 Inspection Reports were outstanding for the years 1965-66 to 1979-80. The department explained that these 261 pending reports involved 2,940 items of audit objections. Special efforts were being made to get the pending items settled, 18 reports containing 210 items, had been settled finally since January, 1981. Intimations about the settlement of more items continued to come in from the units concerned, who had been instructed to get the outstanding items settled by personal contact with the Audit Offices concerned. It was expected that the number of unsettled items and cases would be further reduced soon.

569. The Audit representative informed the Committee that, out of 261 reports 58 had been settled up-to-date. All the outstanding inspection reports were being over-hauled for devoting greater attention to the current work. The departmental representative was directed to look into the outstanding reports and see that they did not accumulate any further with the passage of time. The Committee also observed that the reports, which were out-of-date or had become infructuous with the passage of time, should be dropped. The Audit representative submitted that they were already reviewing the position.

570. *Grant No. 19—Pakistan Post Office Department—Recovery (Pages 27-28—AA—Pak. P. O.).*—According to Audit, there was a short-recovery of Rs. 2,046,822 against the head "584-Credit to Working Expenses". The Department had explained that the sum of Rs. 50,950,000, appearing in the Budget Estimates 1979-80, had been shown in the Report, whereas the final grant stood at Rs. 60,639,000 as provided in the Revised Estimates, resulting in a short-recovery of Rs. 11,735,822, which was mainly due to short recoveries in commission charges relating to the Savings Bank and Cash Certificates (Rs. 5,279,000), cost of Non-Postal Stamps (Rs. 4,288,000), and collection of Provincial Taxes from the Sind Government (Rs. 2,211,000). In relation to the originally estimate of Rs. 50,950,000, the short recovery of Rs. 2,046,822 was mainly due to the non-payment of service charges by the Government of Sind.

571. A member observed that the Post Office Department charged interest on investment and enquired whether interest was also charged on the losses. The departmental representative suggested that, when the PAC would discuss the question of re-lending terms with the Finance Division, it might like to discuss this issue also with that Division. The member added that combining the Post Office and Telephone and Telegraph Departments now would be very difficult, as one had a highly electronic system and needed completely different type of personnel from the other which was a largely manual operation. The tendency elswhere in the world was also be have separate departments and trying to merge them would be un-realistic. Thereupon, the Auditor-General suggested that the PAC should make an observation that this matter be examined by the Government, because there was a general feeling that these Departments should be streamlined.

572. The departmental representative submitted that the PAC might like the Finance, the Economic Affairs and the Planning and Development Divisions to give a presentation or briefing to it on the question of re-lending terms, so as to bring out the other side of the picture. The Acting Chairman finally observed that the Ministry of Communications should consult the other relevant Divisions and then prepare a report for the Committee on this subject insofar as it affects this Ministry.

APPROPRIATION ACCOUNTS

(T&T DEPARTMENT)

Review of Revenue and Expenditure

573. *Revenue (Para 2, page 34—AA—T&T).*—According to Audit, the revenue for the year was Rs. 1,552,099,000 against the originally estimated Rs. 1,751,375,000 and Rs. 1,700,000,000 shown in the Revised Estimates. As compared to the revenue of the previous year, *viz*,. Rs. 1,565,382,000, the one in the year under review was thus less by Rs. 13,283,000. The decrease was due to lesser realisation of the outstanding dues. Questioned as to why was the profit less this year, the departmental representative explained that, though, Federal Government had ordered payments to be made in cash, they were not paid the full amounts in cash from the Government side. Moreover, the previous book adjustments had been carried out only up to June, 1979. The Committee, thereupon, desired to know as to what was the amount outstanding up to 1979. how much had the department received from current billing and what was the rate of Recovery? As the desired information was not available readily, the departmental representative was directed to furnish to the Committee who statements, showing in one the outstanding arrears against various users as on the 30th June, 1979, with the amounts recovered subsequently thereagainst and in the other, the amounts billed during 1979-80 and 1980-81 and the recoveries and outstandings as on 30th June, 1981 thereagainst.

574. *Grant No. 170 (Pages 61-62—AA-T&T).*—An expenditure of Rs. 112,482,595 had been incurred against "NIL" provision "On store and manufacture suspense account". The Department had explained that it took more than 18 months to procure the stores from abroad. They required stock worth Rs. 300 million as ground balance and the stores utilised in excess during 1978-79 were made up during this year. A member enquired as to why then did the Department not ask for a Supplementary Grant? The departmental representative replied that a case for supplementary grant had been duly prepared. The member remarked that the department failed to submit it to the Ministry and thus contravened the rules.

575. The Secretary Communications, submitted that they had learnt a lot through experience and one takes time to learn. He was grateful to the Auditor-General for making available to him the services of a Chief Accounts Officer who might keep to put things right. He had since issued instructions that the department should look at their Accounting system and appoint Controlling Officers so that someone might be accountable to them. As he himself was accountable to the Committee, he had started involving the Ministry more and more in it and hoped to give a better account of the Ministry in the next meeting.

AUDIT REPORT (PAK. T&T)

Financial Irregularities, Losses, etc.

576. *General remarks on defalcations or losses of public money (Para 1, page 48—AR—T&T).*—It had been pointed out that three cases of defalcations or losses of public money, involving Rs. 36,620 came to notice during the year under report. The department explained their position as under :—

(a) The DE, Wireless, Karachi, made an excess payment of Rs. 10,020 to a contractor for the repairs of roof trenches and cement concrete base wall round the Telephone Exchange Building, Karachi, due to the negligence of a building overseer. The security of the building contractor was forfeited, but the contractor filed a civil suit against the department, which was decreed in his favour. A civil suit No. 271 of 1974 was filed by the department which was dismissed by the court. A meeting on the subject was held between the AG, P. T&T and the CAO, T&T Department, in which it was decided that the amount should be written off and a no objection certificate from Audit was not required in this case. The write-off sanction had been issued *vide* No. B. 11—/71, dated the 15th October, 1980.

(b) An amount of Rs. 1,600 was paid to officials working in the field Trial Research Unit, Dacca as a cash imprest up to 15th December, 1971. The amount could not be recovered due to the fall of Dacca and was being written off as being irrecoverable.

(c) An amount of Rs. 25,000 was snatched from the Cashier of the M|W Dev. Region, Islamabad, while he was coming back from the State Bank. A case was lodged with the Police, who reported that the culprits were not traceable. A write-off sanction was, therefore, under issue.

577. The Audit representative pointed out that sanctions for the write-off were still awaited from the department. The Committee directed that copies of such sanctions be made available to Audit.

578. *Unauthorised expenditure of Rs. 972.1 million (Para 2, page 49—AR—T&T).*—Audit had pointed out that the Telegraph and Telephone Department incurred an expenditure of Rs. 972.1 million on the execution of works without sanctioned estimates and without the provision of funds in the annual budget during the years 1972-73 to 1979-80. The expenditure thus incurred was classified under the adjusting heads of "Remittances", "Advances Recoverable" and "Suspense", in contravention of the Rules, which require that such expenditure should be charged to the final heads of account in the same month in which the amount was disbursed.

579. In their written reply, the department explained that the Presidential Order for the establishment of the T&T Fund was issued on the 30th May, 1979. The T&T Department was wanted that all the balances appearing in the accounts of the T&T Department should be identified clearly. The Audit Office, thereupon, undertook to segregate the balances. As the list of outstanding items, prepared by the Audit Office, was bulky and covered a long period, it had not been possible to locate and clear all of them. However, the amount of Rs. 972.1 million. mentioned by Audit, was incorrect, the correct figure being Rs. 869 million, which was agreed to by Audit in the meetings held on 3rd November, 1980 and 4th November, 1980 at Islamabad. The break-up of this amount was as under :—

Remittances	525	million.
Unclassified	163	million.
Advances	181	million.
Total Rs.	869	million.

Out of these amounts a sum of Rs. 208 million was adjusted under the head "Remittance", Rs. 163 million was adjusted under the Unclassified head and Rs. 59 million has been recovered under the head "Advances". Efforts were being made to clear the balance amounts from the Telephone Industries of Pakistan as early as possible. The case of revision of the procedure for disbursement to the TIP had been initiated and was expected to be finalised soon.

580. The Committee directed that the department should verify if some money had also gone into suspense. The department should continue with this exercise and try to clear the accounts at the earliest possible date. It further observed that the Secretary Communications might like to ask for monthly reports on this subject.

581. *Irregular payment of Rs. 10.67 million as overtime etc.* (Para 3, *page 49—AR—T&T).*—The Committee was informed that the investigation report had been sent to Audit and their comments were awaited. The Audit representative submitted that the investigation report required an on-the-spot verification, which would be done by them. The Committee decided to defer the paragraph.

582. *Doubtful Expenditure of Rs. 337,875 on casual labour of cleaning etc. (Para 4, page 49—AR—T&T).*—According to Audit, some Engineering Division of the T&T Department paid Rs. 337,875 to casual labour on M|Rolls and Form AGG—17 during 1972-73, and 1976-77 and 1977-78. Out of this, the expenditure of Rs. 299,363 on the cleaning and maintenance of equipment, as a regular feature, was objectionable because a regular establishment

already stood sanctioned and was being paid for this purpose. The employment of casual labour was also against the instructions of the Head of the Department. The remaining amount of Rs. 38,512 was paid to coolies for removing faults, interruptions and break-downs, without keeping a record of the interruption reports, as required under the rules. The particulars of work done were not indicated while the payment pattern was uniform, *i.e.*, all payments were made against the signatures of a person in one handwriting and in the same ink. The payments were also not witnessed by any responsible out-siders. All these factors rendered the expenditure doubtful.

583. The department explained that this case was discussed in a meeting between the DG, T&T and the AG, P. T&T in July, 1978 when it was agreed that employment of regular staff on muster roll will be stopped. Instead, regular staff, to the extent justified, would be sanctioned. Necessary instructions to get regular posts sanctioned were then issued to the Regions. A scrutiny of the existing sanctioned strength was made for important regions and regular posts, in other regions, where necessary, would be sanctioned.

584. A member remarked that the department should convince the competent authority about the essentiality of the regular staff otherwise they would continue committing the irregularity as before. He added that the department should consider stopping the engagement of any staff on Muster Roll. The Audit representative suggested that people engaged on cleaning work should not be employed on Muster Roll. Thereupon, the member observed that the Committee had directed the department to abide strictly by the rules in these matters.

585. *Theft of Government Vehicle due to negligence (Para 5, page 50—AR—T&T).*—The Committee was informed that the officer responsible had since been retired from service on 1st January, 1980 and the case for regularising the loss by way of recovery from his pension or by writing off the depreciated value of the vehicle was under examination. The officer's pension had been withheld, pending the settlement of this case. Audit was requested to follow up the case.

586. *Non-recovery of cost of damaged goods from Insurance Company—Rs. 103,863 (Para 6, page 50—AR—T&T).*—According to Audit, an Engineering Division of the T&T Department imported, from Japan, 29 cases of electronic, switching equipment. Nine cases were received in broken condition, with damaged goods. According to the terms of the insurance policy, the loss in transit was to be made good by the Insurance Company, whose surveyor assessed the loss on the 20th November, 1978. The loss had not been recovered, so far.

587. The department explained that an amount of Rs. 35,067 had already been recovered *vide* cheque No. H23|1016182 dated 5th January, 1981, on the National Bank of Pakistan. The balance amount was being recovered, as the claim had been accepted. Audit was requested to keep track of the case.

588. *Loss of Rs. 14,984 due to un-economic purchase of GI Pipes (Para 8, page 51—AR—T&T).*—It had been pointed out by Audit that an Engineering Division of the T&T Department purchased 1,554 meters of GI Pipe at Rs. 90.25 per meter from a nationalised Pipe Mill during October, 1976. Subsequently, to meet their additional requirement, the said Division purchased 610 meters of GI Pipe at Rs. 114.83 per meter from a private dealer in May, 1977. The latter purchase was made at a higher rate and without the sanction of the competent authority, resulting in a loss of Rs. 14,984 to Government. The irregularity was reported to the department in December, 1979, but no reply had been received from them as yet.

589. The Committee was informed that, during the period from October, 1976, to February, 1977, GI Pipe was purchased from Karachi Pipe Mills @ Rs. 90.25 per meter. Another purchase order was placed on the same firm in May, 1977, but the latter were unable to supply the same due to political disturbances. As the work was to be completed within the stipulated period, the required GI Pipe was purchased from Muhammad Rasheed Bhatti and Company, Rawalpindi, @ Rs. 114.83 per meter, after observing all the formalities. The Audit Office had treated the difference as loss to the Government despite the fact that the market rates fluctuated according to the changed conditions.

590. The Audit representative pointed out that the sanction of competent authority *i.e.* the Director General, had not been furnished to them by the department so far. The departmental representative was directed by the Committee to furnish to requisite sanction to Audit.

591. *Overpayment of Rs. 12,108 to a contractor (Para 10, page 52—AR—T&T).*—The Committee noted that action in the matter was still in hand and directed Audit to pursue it.

592. *Delay in disposal of Inspection Reports [Chapter III, Para (a) and (b), pages 53—55—AR—T&T].*—It had been pointed out that, at the end of December, 1980, a total number of 853 inspection reports in respect of the Telecommunication Regions were outstanding for the years 1960-61 to 1979-80. In 29 cases relating to the years 1977-78 to 1979-80 even the first replies had not been received.

593. The department explained that unit-wise break-up of inspection reports had not been made available by the Audit to the Directorate General. Efforts were being made to clear all the pending reports. In some cases, replies of the Divisions were under examination in Audit. It was stated that only one out of 29 pending reports related to 1977-78 and the remaining 28 to 1979-80. The Divisions were, however, being reminded to reply to the inspection reports well in time.

594. The Committee observed that the department should try to expedite clearance of the reports. The departmental representative submitted that they had already issued instructions to the General Managers to pay special attention to this matter and they were doing so now. The departmental representative was directed to get compliance reports from the General Managers at the earliest possible date and have the reports cleared soon.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS THEREON.

595. As the departmental representative was not ready for it, consideration of compliance on the PAC Reports on the Accounts for 1975-76 to 1977-78, pertaining to the main Ministry and the Post Office and T&T Departments was deferred to the next session of the Committee.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES

Karachi Shipyard and Engineering Works, Limited

596. At the outset, a member remarked that Performance Evaluation of Public Enterprises was a new exercise which was being carried out by the Auditor-General at the instance of Government. He had carried out the evaluation of some enterprises under the Production and the Industries Ministries and the States and Frontier Regions Division. During 1980 session of PAC, in the case of KS&EW, the response from the Ministry had come a bit late and some of the issues raised by the Auditor-General in his Report were quite weighty. In his view, a lot of things could be said from both the sides, but one of the inescapable pre-requisites for any such exercise to be useful and constructive was that there should be completely objective approach by all concerned to the points raised, and any emotional involvement during the discussions be scrupulously avoided.

597. As exception had been taken to the language in certain portions of both the Evaluation Report and the replies thereto, it might help to clear the air if the Secretary, National Assembly Secretariat, were authorised to edit the material and drop such words therefrom as might be considered to be "unparliamentary" and, therefore, objectionable. The Auditor-General had also

been informed that there were a lot of things in the Report with which there could be genuine reasons for disagreement and with which one might not find oneself in agreement. Somehow, this particular report, in his opinion, appeared to be much stronger than was necessary. On certain issues, Audit had not given sufficient background information or even some of the basic calculations, for example, the calculation in respect of capital employed. Audit had also dealt cursorily with the allocation of over-heads. Thus there were matters in the Report on which there could be a genuine difference of opinion and one could argue about them at length. Besides, this was one of those industries which was unique in the country and might, therefore, have required the application of different types of standards for evaluation. This had all to be borne in mind while examining the Auditor-General's Report and the replies of the department thereto.

598. The Auditor-General said that he was very grateful to the Honourable Member for pointing out that there had to be certain codes of conduct for every forum and particularly for this highly-placed one. In his opinion, it had rightly been suggested that the Secretary, National Assembly Secretariat, might go over the material to see if there was anything in it which was not objective and, therefore, not consistent with the dignity of this Committee. Such portions or words could be omitted without any argument. As far as their approach to their new responsibility was concerned, he could assure the Committee that they had undertaken this work with great humility and full consciouness of their limitations. One point that he would like to underscore was that they had taken up this new task with great sincerity of purpose and had neither tried nor would ever try to bring anybody into diserpute, nor did they claim to be the repository of all knowledge and information. They wanted to be nothing but constructive and helpful in their approach. Their idea was that the public sector enterprises *inter alia* should, as far as possible, be cleared of uninformed criticism. The management, for whose intellectual integrity, administrative competence and technical knowledge he had the highest of regard, should be apprised of measures which, on examination, were found to be necessary for further improving the working of the enterprise. They had absolutely no pre-conceived notions and he wanted to dispel any such impression as categorically as he could. In this view of the matter, he looked forward to a very close and cordial cooperation between Audit Performance Evaluation Team and any organisation that they might visit for the purpose of evaluation. There was only one common goal, namely, to see that the performance of the public sector enterprises, evaluated by Audit, improved as a result thereof and, if it be already in a happy state, its state should be happier after such an exercise.

599. The Acting Chairman agreed with the Auditor-General and observed that the PAC also wanted to consider these reports on the same lines, namely, whether what the Auditor-General had recommended would serve the public interest and whether his evaluation was constructive and to prove helpful to the concerned organisation and management.

600. It is possible that Audit might not have noticed some points or given due importance to them. But they would have done their duty if they came out with concrete suggestions for further streamlining the processes involved for making a greater success of the concern in all respects. It was, in his opinion, with this background and viewpoint that the Committee had to consider these Reports. He would, therefore, request the Ministry, who had to consider these Reports also, to bear in mind that they were meant to be helpful rather than destructive studies. The department's response to them should also, therefore, be on the basis that, even though a few points might have been given to some of the aspects as made-out by the management, it was nothing but a friendly reappraisal of the whole situation pertaining to the enterprise in question.

601. The Auditor General intervened to say that Audit would be prepared to furnish full explanations for what had gone into the Report and the methods adopted for arriving at their conclusions. They could quote authorities for the purpose and also produce all the back-up material to support their statements. Therefore, with due deference to the observations made, they would be able to explain at the appropriate time, to the Committee's satisfaction as to how and why they proceeded in a particular manner in respect of certain points and aspects relating to the enterprise.

602. The departmental representative submitted that he fully understood that, as made quite clear by the Auditor-General and the Acting Chairman, the purpose of performance evaluation was not to criticise. He would, in fact, go a step further, to say that the department welcomed criticism, as no one could claim perfection. They would, however, be quite prepared to give answers for and to explain all the points that had been raised by Audit. He was very grateful to the Auditor-General for his kind remarks. But, since the Auditor-General had not accepted the remarks about the language used, which one of the members of the Committee had made, his submission was that the manner in which the Report was worded created an impression, even though un-intended, that the organisation had falsified the accounts. If that statement were correct, the Managing Director alone and not the Ministry, under the company law, would be liable for criminal prosecution. Hence they had given reply to the portion concerning their accounts with equal deliberateness and stood by every word of it. If the Committee even then wished to have them edited, that was its authority. But he would only request the Auditor-General to see the

Report to satisfy himself whether or not it did give the impression of deliberate falsification of accounts. The Audit Evaluation Cell had mentioned two major items, and a member of the Committee had spoken about them. He had nothing further to add to those remarks. But, since the Auditor-General, who is the highest authority in these matters, had said that they stood by every point made in the Reports, he would be prepared to discuss the same in any manner and at as great a length as Audit might wish.

603. The Acting Chairman remarked that he did not think that anybody intended to attribute a charge of deliberate falsification of accounts to the management and it might not be the correct impression. While going through the accounts, the Auditor-General often comes across irregularities and he has to ask for an explanation thereof. One of the functions of the PAC is also to go into irregularities. So, whatever was included in the Report was not a deliberate attempt on the part of Audit to discredit anybody or accuse the Management of any deliberate attempt at falsification of accounts or anything of that like. He concluded by saying that, after these preliminaries, further discussion on the main body of the Report would take place in the next session of the Committee, sometime in December, 1981.

604. *Points no discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation and Commercial Accounts or the Audit Reports thereon. These would be deemed as settled subject to such regularisation action as might be necessary under the rules.

605. The Committee then adjourned to meet again at 9.00 a.m. on Thursday, the 22nd October, 1981.

M. A. HAQ,
Secretary.

Islamabad, the 8th May, 1982.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 22nd October, **1981**

Sixth Sitting (Ad-hoc **PAC**)

606. The *Ad-hoc* Public Accounts Committee continued the examination of the Federal Accounts for 1979-80 in the State Bank Building, Islamabad, at 9.00 a.m. The following were present :—

Ad-hoc P.A.C.

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Chairman.*

(2) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. *Member.*

(3) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(4) Mr. Yusuf Bhai Mian, Chartered Accountant .. *Member.*

National Assembly Secretariat

(1) Mr. M. A. Haq, Secretary.

(2) Mr. M. A. Suri, Joint Secretary.

(3) Mr. Inayat Ali, Assistant Secretary.

Audit

(1) Mr. Abdul Raouf, Auditor-General of Pakistan.

(2) Mr. M. A. Muid Khan, Deputy Auditor-General (Senior).

(3) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(4) Syed Shaukat Hussain, Accountant General, Pakistan Revenues.

(5) Mr. G. H. Minhas, Director, Commercial Audit.

(6) Mr. Najm Hossain Syed, Director, WAPDA Audit.

(7) Syed Jameel Ahmad Zaidi, Director, Audit and Accounts (Works).

Ministry of Finance

(1) Mr. A. H. Qureshi, Deputy Secretary.

(2) Mr. H. A. Niazi, F. A. (Planning and Population).

(3) Mr. Manzur Hussain, F. A. (W & P).

607. *Accounts examined.*—The Accounts of the following Ministries and Divisions for 1979-80 were examined by the Committee during the course of the day :—

(1) Planning and Development Division.

(2) Populatior Division.

(3) Statistics Division.

(4) Ministry of Water and Power.

PLANNING AND DEVELOPMENT DIVISION

608. The Committee first took up for its examination the Appropriation Accounts etc., pertaining to the Planning and Development Division. The following departmental representatives were present :—

(1) Mr. A. U. Zafar, Additional Secretary.

(2) Mr. Ejaz Ahmad Farooqui, Joint Secretary.

(3) Lt. Col. Abdul Rashid, Assistant Director, N.L.C.

609. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Planning and Development Division	104
2.	Development Expenditure of Planning and Development Division	159

610. *Reconciliation of Accounts with Audit.*—The Committee noted that the Accounts for 1980-81 had not been fully reconciled by the Division as yet and directed that the outstanding work of reconciliation should be completed by the 31st October, 1981, as the Appropriation Accounts for the year would be finalised and sent for printing by Audit soon thereafter.

APPROPRIATION ACCOUNTS

611. *Grant No. 104—Planning and Development Division (Page 120—AA).*—Audit had depicted a saving of Rs. 163,774,159 against the function head "032—Planning". The department explained that, out of Rs. 163,774,159, Rs. 411,804 pertained to the main planning and Development Division and the balance of Rs. 163,362,355 to the National Logistic Cell. As the saving of Rs. 411,804 was less than 5 per cent of the grant, no explanation was called for. As for the saving of Rs. 163,362,355, an actual expenditure of Rs. 254,362,355 was incurred by the National Logistic Cell during 1979-80. Of this, an expenditure of Rs. 91,000,000 was net out of the budget provision of Rs. 440,000,000 made for the National Logistic Cell during 1979-80 and the remaining expenditure of Rs. 163,362,355, which was financed out of the amount recovered from the Ministry of Food and Agriculture, was not adjusted by Audit, although this was pointed out to them *vide* reconciliation statement for the year 1979-80.

612. A member said that the question of booking of expenditure had been raised before the Committee in regard to the Frontier Works Organisation also, who get funds from various Ministries and according to whom the accounting of contributions made to them was the responsibility of the Ministries concerned. The expenditure of the Logistic Cell, on the other hand, was being booked by the Planning Division in place of the Ministries who made payments to the

NLC, but did not seem to have any control over their expenditure. He desired to know the system under which the NLC operated and its expenditure was incurred and accounted for. The departmental representative replied that the NLC could enter into certain transactions directly and the income accruing thus did not have to pass through the books of the Accountant General or the State Bank. Therefore, no such receipts were reflected in the Accounts of the A.G.P.R.

613. Replying to a query, the representative of the Finance Division said that the NLC, which worked under the National Logistic Board, basically functioned as a carrier of goods, besides having other activities like building of storages, maintenance of national highways etc. The Audit representative interjected to say that the National Logistic Board virtually enjoyed the powers of the Government under a Resolution. It had been placed under the Planning Development Division for some formal purposes, like processing of the budget for the Cell. In reply to a question, the departmental representative informed the Committee that the NLC had produced the accounts for the year ending the 30th June, 1980 and a copy thereof would be passed on to the A.G.P.R.

614. The Auditor-General observed that a lot of money had been provided in the Budget for being handed over to the Cell. Audit would like to know whether this money was reflected in the Cell's Accounts. The departmental representative explained that the NLC was an autonomous organisation, like many others created under a Resolution and not by an Act or Ordinance. The Resolution, issued by the Planning and Development Division, conferred certain powers on the Cell. There was a Board of Governors for the Cell, consisting of very senior and responsible persons. The Cell had a Revenue and a Development Budget. When allocations were made to the NLC, they were meant for different sectors. The NLC accorded proper priorities and kept a proper balance in various allocations. If Rs. 100 million were allocated to the NLC for road work, these would be also shown in the Development Budget of the Communication Sector, mainly for keeping a balance in the sectoral allocation. Otherwise the Communications Division did not come into picture. Thereupon, the Chairman observed that the correct procedure would be that the Planning Division obtained all the demands for the NLC and that such funds should be accounted for by that Division.

615. The Auditor-General intervened to say that the kind of work discussed here, in fact, was analogus to that of the Pak. PWD, as money in the Development budget would be provided under the demand relating to the particular departments whose work was to be done by that agency. Similarly the Committee had found that the States and Frontier Regions Division obtained the budget allocation for certain construction works and handed it over to

the PWD, without its appearing in the PWD budget provision. As explained to the Committee a day earlier, the Ministry of Communications obtained funds in their budget for the maintenance of roads and the allocated money was placed at the disposal of the Cell for doing the required work.

616. The Chairman observed that, since the Cell drew money, it would have to render accounts and the Committee were interested in the accountal of that money. Similarly, if any money were placed at the disposal of the PWD, they should be held accountable for it. In the case of deposit works, the allocation was placed at the disposal of PWD for a particular work. At the end of the year, they had to surrender the balance and render the accounts of the amounts spent by them. Quite a different procedure of allocation and payment seemed to have been followed in the case of N.L.C.

617. The Committee decided that—

(i) The accounts prepared by the National Logistic Cell up to June, 1980, in whatever form they may be, should be furnished to Audit for purpose of audit. As the Committee was informed that the 1980-81 accounts would be in Commercial form, the Balance Sheet and Profit and Loss Account should be given to Audit as soon as they are ready.

(ii) A note should be furnished to the Committee about the National Logistic Cell, setting out its constitution, status, powers and functions; its transactions with other Ministries and Organisations; method of its operations; showing clearly whether the funds allocated to the Cell by Government were treated as loan or grant; and showing the overall financial position of the Cell and its assets and liabilities.

618. *Grant No. 159—Function Head "032—Planning" (Page 193—AA).*—Audit had claimed a saving of Rs. 61,986 against the head "Lump Provision for ISIS Resource Centre". The department explained that the Pilot Project ISIS Resource Centre was being financed by the Federal Government and the International Development Research Centre, Canada. During the financial year 1979-80, an expenditure of Rs. 83,000 was incurred (Rs. 61,986 from the IDRC grant and Rs. 21,014 from the Government Account). Since the IDRC grant of Rs. 61,986 was credited in the PLD Account "ISIS Resource Centre" directly, and was not accounted for in the EAD, it appeared as a saving to that extent.

619. The Auditor-General remarked that the question was one of principle and the amount must appear in the accounts sooner or latter. The department had not explained as to how it was going to be reflected on the expenditure side of the Accounts. On the Chairman observing that the department

should have told the Economic Affairs Division that these Advisers were there and their salaries should be booked, the departmental representative replied that, instruction had been given to the effect that, as and when intimation about the expenditure, incurred by the donor agency, was received in the Division, they should advise the EAD, who would, in turn, advise the Accountant General about it. The Auditor-General said that it were the Planning Division who were responsible for the items and the information should have been routed through them. The EAD should not have been receiving the intimation directly. He added that the Planning Division should explain to the PAC as to how this expenditure was incurred. The departmental representative promised to follow the procedure outlined by the Auditor-General.

620. *Function Head "032—Planning"—National Logistic Cell (Page 193—AA).*—The excess of Rs. 140 shown against the National Logistic Cell was explained as being due to rounding up of the figures of final grant for the year 1979-80. Questioned as to what was this money for and what was given to the National Logistic Cell, the departmental representative replied that it was for the purchase of food storage godowns and trucks. The original grant was of Rs. 15 crores. As a result of economy cut, Rs. 5 crores was surrendered immediately after the budget. Then they found that the Cell could not perform the functions for which it was established with the remaining Grant, because more trucks were needed and more godowns had to be built. So, a supplementary grant of Rs. 12 crores was obtained and given to the Cell. The entire funds were spent by them. This money was given, normally, through the Development Budget, which was reflected in the ADP and for which normal sanctions were issued. However, the grant was not given in a lump-sum, but in instalments and on different dates.

621. When questioned as to the manner in which the amount appeared in the books of the department, as loan or equity, the departmental representative submitted that they had it as an allocation from the Government. It would be explained by them in detail in the next meeting of the Committee.

622. *Compliance on the points raised in the PAC's Reports on the Accounts from 1975-76 to 1977-78.*—No comments were made by Audit on the above reports.

623. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points : (i) in the appropriation accounts or audit report thereon ; and (ii) in the Compliance papers on the PAC's Reports for 1975-76 to 1977-78. These would be deemed settled, subject to such regularisation action as may be necessary under the rules.

POPULATION DIVISION

624. The Committee next took up the examination of the Appropriation Accounts etc. pertaining to the Population Division for 1979-80. The following departmental representatives were present :—

(1) Mr. S. K. Mahmud, Additional Secretary.

(2) Mr. M. A. Marghoob, Director (B&A).

625. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Population Division	68
2.	Development Expenditure of Population Division	151

626. *Reconciliation of Accounts with Audit.*—The Committee was informed that reconciliation of Accounts for 1980-81 was in progress and was likely to be completed within the next few days. It directed the department to complete the work before the end of October, 1981.

627. *Grant Nos. 68 and 151 (Pages 83 and 182—AA).*—No observation was made by the Committee on these grants.

628. *Compliance on the points raised in the PAC's Reports for 1975-76 to 1977-78.*—No comments were made by Audit on the above reports.

629. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation Accounts or Audit Report thereon ; and (ii) in the Compliance papers on the PAC's Reports for 1975-76 to 1977-78. These would be treated as settled, subject to such regularisation action as may be necessary under the rules.

STATISTICS DIVISION

630. The examination of Appropriation Accounts etc. pertaining to the Statistics Division was taken up by the Committee thereafter. The following departmental representatives were present :—

(1) Syed Sohail Ahmad, Joint Secretary.

(2) Mr. M.R. Abbasi, Deputy Secretary.

631. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Statistics Division	105
2.	Development Expenditure of Statistics Division	160

632. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Division was not up-to-date and directed that the outstanding work must be got completed before the end of October, 1981.

APPROPRIATION ACCOUNTS

633. *Grant Nos 105 and 160 (Pages 121 and 195—AA).*—There was no material point, worth consideration by the Committee, in these grants.

634. *Compliance on the points raised in the PAC's Reports for 1975-76 to 1977-78.*—No comments were made by Audit on the above Reports.

635. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation Accounts or Audit Reports thereon, and (ii) in the Compliance papers on the PAC's Reports for 1975-76 to 1977-78. These would be treated as settled, subject to such regularisation action as may be necessary under the rules.

MINISTRY OF WATER AND POWER

636. The Appropriation Accounts etc. petaining to the Ministry of Water and Power were the last to be taken up by the Committee on that day. The following departmental representatives were present :—

(1) Mr. A. Wahab F. Shaikh, Secretary.

(2) Mr. S. M. Ayub, Member (Water), WAPDA.

(3) Mr. A. F. Sirajul Haq, Member (Finance), WAPDA.

(4) Mr. M. R. Chaudhri, G. M. (T&G).

(5) Mr. Asif Qazi, G.M. Tarbela.

(6) Mr. An. Jokhie, Executive Director, M.C.P.

(7) Mr. M. A. Mian, E. E., Mangla.

637. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Water and Power	124
2.	Other Expenditure of Ministry of Water and Power	125
3.	Development Expenditure of Ministry of Water and Power	165
4.	Capital Outlay on Irrigation and Electricity	190

838. *Reconciliation of Accounts with Audit.*—The Committee was informed that the reconciliation of accounts for June, final 1981 was in progress and was likely to be completed by the end of October, 1981. The Chairman observed that this must be effected by that time, because it was important.

APPROPRIATION ACCOUNTS

639. *Grant No. 124—Ministry of Water and Power (Page 143—AA).*— The saving of Rs. 26,187 shown against the function head " 541-Administration ", was explained as being mainly due to non-adjustment of debit of US dollars 2,515 and FF 4,235 (equivalent to Rs. 24,898 and Rs. 9,575) on account of 1980 annual membership fees of the International Commission for Irrigation and Drainage and the International Commission on large Dams, Paris. The payments for these amounts were sanctioned by the Ministry *vide* sanction letters No. W. II-7 (4)|75, dated 10-2-1980 and No. W. II-7 (4)|75, dated 25-6-1980, but the same were not accounted for by Audit in the Accounts for 1979-80.

640. The Audit representative pointed out that the contention of the Ministry was not correct, as a debit of Rs. 25,027 ($ 2,515) was adjusted [through J. E. No. 159 in 6|80 (S)] and stood included in the total of Rs. 4,718,673, as printed in the Appropriation Accounts. However, the debit against the payment of F.F. 4,235 (Rs. 10,399/10), sanctioned by Ministry on 25-6-1980, was adjusted in the Accounts for 1980-81 (9|80).

641. A member remarked that his exercise should have been carried out at the time of reconciliation. The justification given by the department for the saving was not correct.

642. *Grant No. 125—Other Expenditure of the Ministry of Water and Power (Page 144—AA).*—A saving of Rs. 296,083 had been depicted by Audit under this grant. The department had explained that the first instalment of release of funds, amounting to Rs. 296,083, sanctioned *vide* No. TA-IEP-8 (9)|79, dated 5-11-1979 and authorised by the Accountant General, Pakistan Revenues, Lahore, *vide* No. PR-III|57-Misc.|HM|13, dated 4-12-1979, had not been accounted for by that office in the accounts for the year 1979-80.

643. The Audit representative informed the Committee that the amount in question could not be accounted for by the Sub-Office, Lahore, as the Accounts were not reconciled by the department. The outstanding debit was being verified from their Lahore Office. The Committee observed that reconciliation should in this case also be duly carried out by the department soon.

644. *Grant No. 165—Development Expenditure of Ministry of Water and Power (Page 201—AA).*—The Committee noted that the difference between the departmental and Audit figures was due to non-reconciliation of accounts at the proper time.

645. *Grant No. 190—Capital Outlay on Irrigation and Electricity (Page 235—AA).*—Audit had shown an excess of Rs. 60,863,880 against the head "Expenditure against Foreign Loans Supplementary Agreement". The department explained that the actual withdrawal during 1979-80 as per the World Bank's statement of Accounts was Rs. 383,401,191. However, certain adjustments pertaining to the previous year had been carried out during 1979-80. Hence the excess.

646. Replying to a query, by a member, the departmental representative stated that their figures had been duly reconciled this year but not in the previous year. A member suggested that a check must be carried out with the World Bank of the position up-to-date and the Pakistan books agreed with the balance appearing in the books of the World Bank. Only then could be department be sure of their figures. The departmental representative submitted that

the WAPDA figures were the World Bank figures. The member suggested that in keeping their loan accounts, they should consider keeping them in foreign currencies also and the question of conversion rates should be examined. The departmental representative promised to have both these matters examined.

AUDIT REPORT (WAPDA)

647. *Extra Expenditure of Rs. 6,496,324 due to ignoring collective lowest bid (Para 1, pages 1—3—AR—WAPDA).*—After going through the department's reply and seeking some clarification, the Committee decided to drop the paragraph.

648. *Non-recovery of Rs. 4,024,614 as cost of energy from two consumers (Para 2, page 3—AR—WAPDA).*—It had been pointed out that, during the local audit of the Revenue Office, Khairpur, it was observed in May, 1979, that arrears of Rs. 4024.614 (Rs. 3,174,399 + Rs. 850,215) were outstanding against two industrial consumers, bearing Account Numbers M|72 and M|73, for the last 13 years. One connection was disconnected without making the recovery of dues and the other was not disconnected despite the non-payment of dues as above. The matter was brought to the notice of the local authorities in May, 1979. It was stated in July, 1980, that efforts were being made to devise legal ways and means to recover the outstanding electricity dues, after sorting out the accounts in collaboration with the Revenue Officer and other matters with the assistance of Martial Law Authorities at Khairpur. The outcome of these efforts was still awaited.

649. The department had explained that the consumers filed a civil suit in October, 1973, against the electricity bill for September, 1973. The court granted a temporary stay order on 23-10-1973 against possible disconnection of supply due to non-payment. During the proceedings, it was decided by the court on 6-6-1977, on mutual agreement between the parties, to refer the dispute to the Arbitrator (Electric Inspector) at Hyderabad. When the matter came before the court again on 23-10-1979, it was observed by the latter that neither party had by then deposited the fee of the Arbitrator with it. The court, therefore, dismissed the plaintiff's suit for permanent injuction in default of payment of the arbitration fee. During the currency of the suit, the consumer was allowed to make payment of the past arrears plus arreas of the current bills, by easy instalments. Since the plaintiff-consumer failed to abide by the instalment decision, the supply to his premises was disconnected on 1-7-1978. The case was now being referred to the Collector, Khairpur District, for the recovery of the outstanding dues as " Arrears of land revenue ".

650. Replying to a query, the departmental representative submitted that both the Mills were sick units and belonged to the same owners. Conditions in the beginning were not so bad. They became worse in 1973. The arrears in

1972-73 were about Rs. 1.1 million, but every month the bill was of the order of Rs. 200,000 to 300,000. A member remarked that, in 1973, the value of Rs. 1.1 million was more than Rs. 4 million of today. He desired to know as to why no action for recovery was taken at that time? The Auditor-General enquired as to when was the Collector for making WAPDA recoveries appointed? The departmental representative replied that appointment of a Collector had not been made as yet and added that, in Sind, most of the consumers were defaulters. When WAPDA resorted to cut their electricity, the civil authorities would contend that this would create a law and order problem and would order WAPDA to refrain from this step.

651. The Committee finally observed that the department should satisfy Audit that all possible steps were taken by them to recover the amount.

652. *Loss of Rs. 2,235,122 due to non-recovery of liquidated damages and payment of overhead charges (Para 3, pages 3-4—AR—WAPDA).*—The Committee was informed that the file dealing with the case had been misplaced during its movement between the Project authorities and the Branch Audit Officer. Efforts were being made to trace it with the help of the Branch Audit Officer, so that a proper explanation could be furnished. The consideration of the paragraph was hence deferred.

653. *Extra payment of Rs. 2,160,000 to a foreign firm (Para 4, pages 4-5—AR—WAPDA).*—After going through the written reply and seeking clarification regarding delay in processing the case, the Committee observed that subject to satisfaction of Audit, the para would be treated as dropped. The Auditor-General stressed that somebody from the Ministry must submit the explanation for the delay in sending the contract to Danish Government.

654. *Blocking of Funds of Rs. 2,099,874 due to Bad Planning (Para 5 page 5—AR—WAPDA).*—In reply to the query as to when the remaining 31 pumps would be utilised, the departmental representative informed the Committee that these would be utilised in the current and the next year.

655. *Non-accountal of electrical material worth Rs. 27,488,972 (Para 6, page 6—AR—WAPDA).*—Electrical and other material, drawn from the stores for use on new or maintenance works, is to be accounted for in basic records, *viz*: the Material-at-Site Registers, Electrical Measurement Books and Consumption and Maintenance Registers. It has to be supported with sanctioned estimates, consumer cases, sundry job orders, register of dismantled material, etc. During the local audit of various formation, it was noticed that materials were not properly accounted for and the chances of their unauthorised use or misappropriation could not be ruled out. The Sub-Divisional Officers, who

authorised the drawal of stores, also appeared to take little care to ensure their proper accounting and *bona fide* consumption. The action taken against the officials responsible for these irregularities and the remedial measures adopted to avoid the recurrence of such case had not been intimated to Audit. It seemed, therefore, necessary that :—

(a) accountal investigation and final action be completed by a specific date ; and

(b) procedural checks be provided to prevent the lingering on of such cases for indefinite periods.

656. The department had explained that, as soon as the irregularities came to the notice of the competent authority, disciplinary action was initiated against those responsible for non-accountal of stores and non-production of records. WAPDA had also adopted remedial measures and issued directives, to avoid the repetition of such irregularities. The Divisional Accounting Manual had also been introduced, according to which the Store-keepers now obtained the signature of the Line Superintendents on Store Requisitions after the issue of stores and the Line Superintendents entered the details of material drawn in their EMB|Material at Site Accounts|Material consumption ledger. They also recorded the relevant page number on all the copies of Store Requisitions, while drawing stores from the sub-stores. Necessary instructions to watch the implementation of the new procedure had also been issued. He added that they had asked Audit to verify it, because they had got the records.

657. A member remarked that paragraphs 6 (1) to (8) were really for Audit to proceed with. The Chairman added that Audit should come back to the Committee only if the disciplinary action taken by the department, in any case, was found to be inadequate.

658. *Loss of Rs. 1,491,390 (DM 320,000) on account of interest allowed on delayed payment in Foreign element (Para 7, pages 9-10—AR—WAPDA).*— According to Audit, an interest of DM 320,000 (Rs. 1,491,390) was paid on the withheld payments to a foreign contractor in the Gas Turbine Power Station, Faisalabad. The payments were rightly withheld under the agreement, as the contractor was not removing, promptly, all the technical defects and deficiencies in the plant and machinery, in spite of the fact that these had been pointed out on various occasions. Interest on the withheld payments was, therefore, not justified.

659. The Department had *inter alia* explained that as a result of negotiations an agreement was concluded in full settlement of the claims of both WAPDA and A.E.G. in foreign currency, according to which out of total claims of DM 2,242,212 of WAPDA, A.E.G accepted claims of DM 1,240,000

and against A.E.G.'s claims of DM 2,322,673 WAPDA accepted claim of DM 390,000. The positive and brighter aspects of this agreement were that some long outstanding disputes between the WAPDA and A.E.G. came to an end and the way was paved for better relations between the purchaser and the seller in future, as WAPDA would always be needing close cooperation and technical assistance of A.E.G, in the years to come, for trouble-free operation of the turbo-generators.

660. The departmental representative was directed to check whether interest was charged on the gross amount claimed or that the amount of WAPDA's admitted claim was deducted therefrom before calculating interest. The paragraph was deferred.

661. *Non-billing of the electricity consumers resulting in non-recovery of minimum charges (Rs. 1,093,389) and energy charges (not assessed) [Para 8(1) to (3), page 10—AR—WAPDA]*.—The Audit representative informed the Committee that they would verify the facts in the light of the departmental reply and report back, if necessary. The Committee decided to drop the paragraph, subject to the satisfaction of Audit.

662. *Loss of Rs. 988,400 due to burning of transformers (Para 9, page 11—AR—WAPDA)*.—Audit had pointed out that transformers worth Rs. 988.400 were damaged or burnt during 1976—78 in the Narowal Electricity Operation Division. Standing instructions of WAPDA required each case of damaged/burnt transformer to be investigated and a damage report prepared. The responsibility for the loss was also to be fixed. In these cases, this was not done and the loss was not recovered or regularised. The irregularity was brought to the notice of the concerned formation in December, 1979, and of the Authority in November, 1980, but no reply was received, despite repeated reminders. The loss of Rs. 988,400 needed to be made good or regularised after fixing responsibility.

663. The department explained that only 64 and not 71 transformers were involved and their cost worked out to Rs. 753.800 and not Rs. 988,400. Of these, two were not actually damaged, 49 developed minor defects and were repaired by the M&T Sub-Division at site only 13 transformers were burnt due to lightning and were being carried on the stock of M&T Sub-Division, Sialkot. No official could be held responsible for this damage. Records were available the XEN (E), Narowal, for verification by Audit.

664. The departmental representative added that there were some old instructions for the maintenance of transformers but, in 1973, WAPDA changed the design of the transformers. Now, they were getting sealed units. and there would be no protection on L. T. transformer but it should be on H. T. transformers. If any defect was now found in a transformer, it would be due to

defect in design. Since there were more complaints now, WAPDA were considering a change in design. They were of the view that, instead of fuses, there should be breakers. But the cost of a breaker was the same as that of a transformer and they were also of the same size. Thereupon, a member pointed out that the main Audit requirement was that there should be an inquiry in each case. What had been explained could be said to be correct insofar the design was concerned, but if the requisite maintenance was not there, then someone must be at fault. The Audit representative pointed out that they had asked for copies of certain papers like damaged reports and investigation reports which had not been supplied to them so far. On the departmental representative informing the Committee that they would produce the requisite documents to Audit, the Audit representative said that they would verify the records and report back, if necessary.

665. *Infructuous expenditure of transportation of Equipment—Rs. 749,450 (Para 10, pages 11-12—AR—WAPDA).*—Audit pointed out that there was lack of proper care. The Committee, however, held that there was nothing *mala fide* in it.

666. *Loss of Rs. 748,932 due to damage of transformer (Para 11, page 12—AR—WAPDA).*—According to Audit, a 10|13 MVA transformer, erected at the 66 KV Grid Station, Shorkot was energised in May, 1976 in the Sub-Station and Transmission Division, Faisalabad. While energising it oil leakages from the main valve and oil sampling valves were observed. Some serious fault had also developed inside the transformer, which was found inoperative in July, 1976, resulting in a loss of Rs. 748,932. As the transformer was damaged immediately after its energisation the loss should have been made good by the suppliers or insurer.

667. The Committee was informed that the transformer was tested at the Shalamar Repair Bay, Lahore, and was found healthy with minor defects which Escort Ltd., Lahore would remove during dehydration. Since the defects were to be removed by the firm themselves, the department did not have to incur any expenditure on this account.

668. Replying to a query about the removal of defects, the departmental representative confirmed that the same were removed in 1980. The reason for the delay was that some parts had to come from Bulgari and the Insurance Corporation of Pakistan took two years to get the damage surveyed. The Audit representative informed the Committee that the would have to check the facts with the Insurance Corporation of Pakistan.

669. The Committee requested Audit to see from the records as to when the Department took up the matter with the Insurance Corporation. The departmental representative was directed to make the full details available to Audit, who would look into it. The para was deferred.

670. *Shortage of Stores worth Rs. 592,134 [Para 12 (1) to (6), pages 12—15—AR—WAPDA]*.—The Committee asked Audit to follow up the action in these cases. Referring to paragraph 12 (6), the departmental representative said that inquiry in the matter had since been completed and departmental action was now underway. Replying to a query, the departmental representative submitted that, when a case goes to the Police, departmental action is generally held up, waiting for the result of investigations and the records. Thereupon, the Chairman observed that this should not prevent the department from taking action against those at fault. In case the Inquiry Officer found someone to be guilty, the department did not have to wait to start criminal proceedings. The departmental representative replied that the Director (Inquiry Officer) passed on his report to the CLA. He should have sent it to the department and it should have been dealt with departmentally. A member remarked that the department could take action in the matter even now.

671. The Committee requested Audit to pursue the case and report back. The departmental representative was also directed to follow it up vigorously.

672. *Loss due to theft and damage of electrical material, jeep and motor pump etc. worth Rs 3,086,225 [Para 13 (1) to (5), pages 15—18—AR—WAPDA]*.—Audit was requested to follow up action in all these cases and report back, if necessary.

673. *Payment of compensation for house not existing at time of award—Rs. 450,487 (Para 14, page 18—AR—WAPDA)*.—According to Audit, land for the Khanpur Dam Project was acquire by making different awards on different dates during 1966—73. There was no mention in the awards of houses existing on the acquired land. The land-owners also accepted the payments without any dispute, as they had neither lodged any objection at the time of announcement of the awards nor filed any claims in the court under section 18 of the Land Acquisition Act, 1894. The said awards, therefore, became final and conclusive under section 12 of the Act. After a lapse of from 3 to 10 years, the Project authorities issued certificates in May, 1976 regarding the existence of 26 houses on the land already acquired but those possession had not been taken. On the basis of these certificates, the Land Acquisition Collector made supplementary awards, allowing compensation amounting to Rs. 450,487 for these houses. This action was not covered by any section of the Act.

674. In their written reply, the department explained that, at the time of the award, the Land Acquisition Collector had omitted to mention the existence of built-up properly on the acquired land. However, after the announcement of the award, a number of the affected parties submitted applications to the effect that they did not receive any payment for the houses on the land acquired by WAPDA. WAPDA, therefore, had these houses valued and duly sanctioned by the competent authority and certificates to the effect that the claimed houses existed at the time of publication under section 4, were given by the concerned Executive Engineer. Built-up property registers were being duly maintained in his office. The said houses had been entered in the register and had not, so far, been demolished. Audit had also been requested to check the physical existence of the houses at site.

675. A member remarked that the question was whether these buildings existed before the acquisition or had been constructed later. The Audit representative said that this had yet to be decided, as there were no buildings in the "Khasra". The departmental representative maintained that small hutments were very much there but they were not entered in the Khasra. Questioned if anyone from Audit went there personally to see the buildings, the Audit representative replied in the negative. Thereupon, the Committee requested Audit to depute an official to find out on the spot whether these claimed buildings (old or new) existed there at all or not. Consideration of the paragraph was deferred.

676. *Non-recovery of capital cost from agricultural consumers—Rs. 184,160* [*Para 15 (1) to (3), pages 19-20—AR—WAPDA*].—The Committee decided to drop this paragraph subject to satisfaction of Audit.

677. *Loss of Rs. 180,000 on manufacturing truck bodies* (*Para 16, pages 20-21—AR—WAPDA*).—It had been pointed out that, in the Transmission Line Construction Circle, Multan, a Superintending Engineer invited quotations from pre-qualified firms and placed a work order, in January, 1978, on the lowest bidder for manufacturing all steel bodies of 9 trucks @ Rs. 40,000 each. An inland letter of credit was established at the expense of the firm, but without obtaining the approval of the Authority, thus by-passing the agreed procedure of getting such payments pre-audited. The irregularity was pointed out to the concerned Chief Engineer in February, 1978 and consequently an additional condition of verification of bills of the firm by the next higher authority was inserted in the letter of credit. Even this condition was, however, not allowed when the bank made full payment to the firm in April, 1978. While reviewing this case, the Chief Engineer observed that the rate for each truck body, allowed to the firm, was exorbitant, involving a loss of public funds. The case was reported to the Project authorities in October, 1978, for fixing responsibility.

678. The Committee was informed that an inquiry into the case had since been completed and the concerned person had been punished by bringing him down to the lowest stage of his pay scale and stopping his increment. Thereupon, a member remarked that, in his view, the punishment was inadequate. In the face of such a large loss (Rs. 180,000), he should have been sacked. The Committee directed that this matter should be considered afresh.

679. *Wasteful expenditure of Rs. 177,887 on an abandoned line for Tube-well Electrification (Para 17, pages 21-22—AR—WAPDA).*—The departmental representative stated that the sample taken did not prove to be correct. The Water was brackish and was diverted to the distributory. Rest of the samples were so bad that these would not be diverted to the distributory even. After some discussion the para was dropped.

680. *Avoidable expenditure of Rs. 177,740 (Para 18, pages 22-23—AR—WAPDA).*—According to the contract work was to commence within six weeks of the receipt of Engineer's order to start it. Had the Engineer not issued order to commence work till establishment of letter of credit, the payment made to the contractor for his idle labour could have been avoided. The departmental representative stated that recovery could not be made from the Consultant who was held responsible for the expenses. A member remarked that action must be taken against him.

681. *Non-recovery of Rs. 101,139 as double payment of land compensation (Para 19, page 23—AR—WAPDA).*—Recovery of compensation shown to have been paid in respect of "Shamlat Deh" to certain individuals whose identify and entitlement was doubtful, was outstanding.

682. The department had explained that in the light of the findings and recommendations of the Director complaints and Investigations WAPDA, Lahore, the case had been referred to the Assistant Director, F.I.A., for registering a case and taking further necessary action in the matter.

683. *Infructuous expenditure of Rs. 90,000 on payment of bonus (Para 20, pages 23-24—AR—WAPDA).*—It was remarked that there was nothing in it. Better planning should, however, be done in future.

684. *Extra expenditure of Rs. 84,663, on transportation of over dimensioned packages by road instead of by rail (Para 21, page 24—AR—WAPDA).*—The Committee was informed that the matter had been referred by the General Manager (Generation) in his letter dated 18th October, 1980 to the Ministry of Water and Power. When the packages were received the department held discussions with the supplier and it was decided that the difference between the charges on the transportation of the 2 over dimensioned packages by road and

rail should be borne by WAPDA, as this was in item which could not be split up. Questioned if the department had instructed the supplier in advance that the packages should not exceed the maximum dimensions for transportation by rail, the departmental representative replied that they had promised that there would be seven packages, but they turned out to be nine. It was a case of oversight by the manufacturers. The Committee observed that the department should satisfy Audit. The paragraph was deemed as dropped, subject to the satisfaction of Audit.

685. *Non-recovery of electricity charges—Rs. 70,087 (Para 22, pages 24-25—AR—WAPDA).*—Audit had pointed out that, according to the schedule of tariffs, an industrial consumer taking supply at the same point for his factory and residence should instal separate circuits for measuring energy used for the two. In default, 10 per cent of the total consumption was to be charged under commercial tariff. In a Flour and General Mills, neither separate circuits were installed nor the 10 per cent, extra charged at commercial rates. Later, the account was looked into and bills amounting to Rs. 118,231 for the period July, 1965, to May, 1971, were sent to the consumer in November, 1971. The consumer filed a civil suit and obtained a stay order. On the advice of WAPDA's counsel and Legal Adviser, the under-charges relating to the period beyond three years and amounting to Rs. 70,087 were withdrawn, being time-barred, and the balance was to be recovered. The omission to charge the consumer at the correct tariff rate, thus, resulted in a loss of Rs. 70,087 to the Authority.

686. The department had explained that under-charges for said para worked out to be Rs. 213.45 and billed in November, 1971. The consumer filed a civil suit and obtained a stay order. The amount of Rs. 70,087 being time-barred was withdrawn, but Rs. 48,144.53 for the period from March, 1969 to May, 1971 was debited in March, 1972. The consumer did not make the payment and the Court also decided the case against WAPDA on 13th June, 1977, who filed an appeal against the decision in the Court of District Judge, Sahiwal.

687. The departmental representative conceded that Audit had rightly objected to no separate circuit being provided to the colony attached with the industry and, in default thereof to the non-levy of 10 per cent of the total consumption being charged at commercial rates. Because it was an old case, it remained in protracted correspondence with the headquarters. Replying to a query, the departmental representative submitted that, at that time, there used to be 10,000 to 12,000 consumers and industries were also small ones. From 1976-77, when large industries with a consumption of more than 5,000 KWS, were set up only the Revenue Officer was authorised to take the reading and he too was required to communicate it immediately to the Head Office.

688. Audit was directed to follow up the case.

689. *Less recovery of Rs. 25,216 due to billing to seasonal connection on regular basis (Para 23, page 25—AR—WAPDA).*—The department had explained that consumer file was not traceable. As a result of side verification amount of Rs. 25,216.44 had been debited to the Seasonal Consumer *vide* R.O. Jhelum Adjustment Note No. 6, dated 3rd September, 1981. Audit was asked to follow up the case.

690. *Wasteful expenditure of Rs. 20,328 on un-necessary retention of hired building (Para 24, pages 25-26—AR—WAPDA).*—It was considered to be a matter of 2-3 months for which period of accommodation was vacated, it could hardly be obtained.

691. *Non-recovery of standard rent and electricity charges—Rs. 19,314 (Para 25, pages 26-27—AR—WAPDA).*—It had been pointed out that a bungalow in the WAPDA Colony, attached to the Naushero Feroze Project, was allotted from April, 1976 to four Government Officers, not working with WAPDA. House rent at 5 to 7.5 per cent of their pay was recovered from them, instead of the standard rent of the building. As per the rules, house rent at 5 to 7.5 per cent of pay was recoverable from only WAPDA employees residing and working at project site. Standard rent was recoverable from all others occupying WAPDA accommodation. House rent, amounting to Rs. 19,314, was thus short-recovered up to August, 1979.

692. The department explained that, on the request of the Deputy Commissioner, Nawabshah a bungalow B-9 in the WAPDA Colony, was allotted to the Assistant Commissioner, Naushero Feroze. The standard rent of the bungalow and other charges from 12th April, 1976 to November, 1979 amounted to Rs. 21,140.37. During this period Rs. 1,716,03 was deposited with the project by the occupants, leaving a balance of Rs. 19,424.34. The Project Director, SCARP, North Rohri, wrote to the Deputy Commissioner, Nawabshah a letter No. PD|SNR|G—19|1052, dated 10th June, 1976. to direct the Assistant Commissioner, Naushero Feroze, to pay the standard rent of the bungalow. But there being no response from the D.C. the Commissioner, Sukkur Division. was requested by the Chief Engineer (Water), Sukkur, to instruct the Deputy Commissioner to deposit the standard rent at the rate of Rs. 414 per month with the Project Director. However, the Assistant Commissioner continued to deposit rent of 5 to 7.5 per cent of his pay.

693. The matter was then taken up by the Member (Finance) WAPDA in his letter No. DPS|514|SNR|3081-82, dated 19th June, 1978 with the Chief Secretary, Government of Sind. This also did not produce any result. The case was, finally, referred to the Federal Government Adjuster and had not been finalised as yet.

694. The Committee directed that the department should follow up this case themselves.

Non-recovery of fixed line charges—Rs. 18,418 (Para 26, page 27—AR—WAPDA).

Non-recovery of Rs. 14,834 from Insurance Corporation (Para 27, pages 27-28—AR—WAPDA).

695. No observation was made by the Committee on these paras.

696. *Short recovery of Rs. 8,713 for Billets supplied to a firm (Para 29, page 29—AR—WAPDA).*—Audit had pointed out that 5,704,5 metric tons of imported billets, costing Rs. 3,632,420, were supplied to PECO in August 1966, and a cost recovery of Rs. 3,623,707 was effected in October, 1966, leaving a balance of Rs. 8,713, for which a claim had been lodged with the Insurance Company. Audit was requested to follow up the case.

697. *Un-recovered lease money of Rs. 7,728 (Para 30, pages 29-30—AR—WAPDA).*—According to Audit, some land was leased to cultivators in a Research and Test Laboratory of WAPDA. In two cases, lease money of Rs. 7,728 for the period July, 1972, to September, 1975, was not recovered. The fact of non-recovery was brought to the notice of the local authorities in December, 1975. Information was received in March, 1976, that one case involving Rs. 3,776 was being pursued with the tenant and the other for Rs. 3,952 was *sub-judice*. The matter was reported to the Authority in March, 1979, and the Liaison Officer in April, 1980, but, despite six demi-official reminders to the General Manager (D), final reply was awaited for more than four years.

698. The department had explained that Rs. 7,728 consisted of two items, one of Rs. 3,776.44 against which Rs. 1,916.25 had been recovered and the remaining amount written off by the Chief Engineer. In the other case, the sum of Rs. 3,951.56 could not be recovered from the tenant, as he died during the hearing of the case in the court. The case was withdrawn on the advice of the Legal Adviser (WAPDA) and the amount was also finally written off in the light of the inquiry report.

699. The Audit representative informed the Committee that recovery of Rs. 1,916 would be verified. He added that copies of the write-off sanctions for Rs. 1,860.19 and Rs. 3,951.56, the advice of the Legal Adviser and the inquiry report were awaited from the department. The Committee directed that Audit should follow it up.

700. *Outstanding Audit Inspection Reports (Para 31, page 30—AR—WAPDA).*—The Committee was informed that Peripatetic Inspections of all the Distribution Regions, except the Quetta and Multan Regions, had been completed and reply to the outstanding Inspection Reports furnished to the Director, WAPDA Audit. Further efforts were being made, in collaboration with him to clear the outstanding inspection reports, in line with the arrangements agreed on 15th January, 1980.

701. The Audit representative pointed out that it was jointly verified, with a representative of Chief Auditor, WAPDA, in September|October, 1981 that even the first replies to 608 inspection reports (42 Water and 566 Power) had not been received. An overhaul of the old inspection reports was in progress and, by now (October, 1981), 415 of them had been finally closed. The departmental representative submitted that the number of such reports had been considerably reduced as compared to the previous year. During their visit, the audit party also reviewed all the reports and cleared the bulk of them. So far as the other reports were concerned, special committees were already working on them and they would continue to pursue the matter vigorously. The Committee directed that steps be taken to clear these reports as early as possible.

Comments on the Balance Sheet of Water Wing as on 30th June, 1980

702. *Unconfirmed balance of loans and grants [Para 32 (1), page 30—AR—WAPDA].*—Audit had pointed out that the schedules 'J' and 'K', attached to the Balance Sheet, depicted the balances of loans and grants, received by the Water Co-ordination Wing up to the 30th June, 1980. Confirmations from the Federal and Provincial Governments and the Accountant General concerned in respect of the following figures had, however, not been produced to Audit for verification :—

	As on 30-6-1979	Received during 1979-80
	Rs.	*Rs.*
Federal Government Loans	4,598,015,171	—
Provincial Government Loans	853,906,251	49,621,000

703. The Committee was informed that :—

Federal Government Loans.—Out of Rs. 4,598,015,171 a sum of Rs. 2,816,601,000 pertaining to the years 1974-75 to 1978-79 had since been reconciled and confirmed by the A.G.P.R. Efforts were being made to reconcile the balance.

Provincial Government loans.—Out of Rs. 903,527,251 (853,960,251 + 49,621,000) a sum of Rs. 224,069,313 had since been reconciled and confirmed by the concerned Accountant General. Efforts were being made for the reconciliation of the balance.

704. The Audit representative submitted that, so far as the Federal Government Loans were concerned, the reconciliation of Rs. 2,816.6 million had been verified by them. The balance amount of Loans *viz.* Rs. 1,781.04 million, awaited reconciliation. As for loan of the Provincial Government, the reconciliation for the remaining amount of Rs. 679.45 million was awaited. A member remarked that these were the Federal and Provincial balances and Audit should confirm them. The Audit representative submitted that advances or loans to WAPDA were Province-wise and for the purpose of apportionment, the A.Gs should be advised and for if there should be more co-ordination between the AGPR and the Ministry. The member, nevertheless, felt that Audit should reconcile the accounts. During the reconciliation, they would find a lot of things which were lying in adjustment or suspense account. These were the major transactions. Audit should, therefore, devote more time to these reconciliations and complete them quickly. It should also be checked as to how many of the WAPDA projects were Provincial and the provision made for each of them, both for each Province and each project.

705. The Committee further directed that the Finance Division might also go into the decision of Inter-Provincial Apportionment Committee about allocation of funds for WAPDA, to help them finalise their Accounts by effecting reconciliation in regard to the pre-1971 and post-1971 periods.

706. *Non-transfer of value of completed projects* [*Para 32 (4) (a), pages 31-32—AR—WAPDA*].—According to Audit, ten projects, shown as completed in the Schedule 'B' attached to the Balance Sheet, had been handed over to the Provincial Governments, but their capital costs were still appearing in the books of the Authority. Besides, fourteen projects had been shown in the same Schedule as completed, but had not been handed over to the Provincial Governments so far.

707. The department had explained that the issue of transfer of cost of some of the completed Projects had since been taken up with the concerned Provincial Governments and the matter was being pursued with them with a view to transfer the costs to them. They had not received any reply, so far, from the Government of Sind. The Chairman remarked that, in his opinion, the basic issue whether capital costs would be debited to the Provincial Government had not been decided upon by the Federal Government as yet. The departmental representative replied that capital costs would be fully debited to the Provincial Governments.

708. The Committee directed that completion reports of twenty-four completed Projects should be expedited and a copy each of these Reports also sent to the Committee, along with the up-to-date position of pending Reports.

709. *Non-clearance of dues to and from other Wings—Rs. 215,339,451 and 65,522,244* [*Para 32 (5), page 32—AR—WAPDA*].—Audit had pointed out that it was seen from Schedule 'L' attached to the Balance Sheet, that liabilities amounting to Rs. 215,339,451 were lying uncleared under the head "Due to other Wings". A similar observation was made in the Audit Report for 1977-78, but no effective steps had been taken to discharge the said liabilities.

710. After hearing the reply by the department, the Committee directed that they should pursue the matter vigorously.

711. *Certificates not recorded on the balance sheet* [*Para 32 (8), page 34—AR—WAPDA*].—Audit had pointed out that certain certificates were not recorded on the Balance Sheet. It was explained by the department that the requisite certificates had been recorded by most of the offices on their Trial Balances and that most of the field offices were headed by Project Directors of the level of S.Es., who were primarily responsible for all the activities of the Projects.

712. The departmental representative further stated that, from 1980-81, instructions had been given for recording the certificates. The Chairman observed that this should continue to be done.

Comments on Balance Sheet of Power Wing as on 30th June, 1980

713. *Excess Expenditure of Handling charges of Rs. 63,784* [*Para 33 (1), page 35—AR—WAPDA*] *Over-head Charges.*—Over-head charges, as seen from the balance sheet, appeared to be on the high side. The Committee directed that these should be reviewed.

714. *Confirmation of figures of loan received during 1979-80* [*Para 33 (2), page 35—AR—WAPDA*].—According to Audit, the Schedules 'G' and 'H', attached with the Balance Sheet, exhibited the receipt of following loans, confirmation of which could not be obtained from the respective Accountants General. This omission needed to be justified :—

	Rs.
(i) Loans received through the Government	463 360,268
(ii) Loans received directly by WAPDA	35,598,978

715. The department had explained that only the rupee loans were required to be reconciled with the respective Accountants General. The figures of the loan indicated in the para related to foreign Aid and foreign Loans for Power Projects, for which no reconciliation was necessary with the Accountant General.

716. The Audit representative pointed out that foreign loans received through the Government, required confirmation from Economic Affairs Division and those, received directly by WAPDA, from the loan giving agencies. The Committee was of the view that in either case as the figures were to be recorded by the Audit in Government books also, there should be reconciliation and subsequent agreement between WAPDA's figures and those of the Audit. To achieve this end, the Committee directed that a statement be furnished to it, giving therein the cost of the various Projects individually and the loans received against each of them shown both in currencies and their rupee equivalents.

717. *Discrepancies between the figures of Balance Sheet and Trial Balance* [*Para 33 (7), pages 37-38—AR—WAPDA*].—It had been observed by Audit that the figures of "Head Office Current Accounts", shown in the schedule of Project Control Account attached to the trial balance of the Head Office, did not agree with those appearing in the trial balances as mentioned below :—

Sl. No.	Name of Project	Figures as per Project Control Account	Figures as per Trial Balance	Difference
1.	Transmission and Distribution—TAD ..	2,690,458	2,690,310	148
2.	Guddu Thermal Power Station—GPS ..	1,419,547,155	418,737,117	810,038
3.	Lyallpur—Terbela Transmission Line—LTT.	7,382,827	7,321,978	60,849
4.	Chitral Hydel Project—CHP	775,293	(17,331,458)	18,106,751
5.	Secondary Transmission Grid—STG ..	704,452,307	704,074,699	377,608
6.	Diesel Generating Sets Quetta—DGQ ..	123,767,744	118,701,054	5,066,690

718. The department explained the position as below in respect of each project :—

TAD : The difference had been rectified in the trial balance of 30th June, 1980.

GPS : A Debit Advice for Rs. 810,038 was issued by the Head Office in June, 1980, but was not accounted for by the project. This debit advice had been adjusted by the project during the year 1980-81.

LTT : The difference of Rs. 81614 consists of the items amounting to Rs. 60,849 and Rs. 20,765. The position of these items is given below :—

Rs. 60,849.—LTT issued debit advice for this amount on SZT which was not booked by the Head Office and was accounted for in the books of LTT. The debit was accepted by the Head Office in 1980-81.

Rs. 20,765.—It represents the difference between the balance of the revolving funds in the balance sheet and the trial balance. This difference has since been reconciled.

CHP : A debit advice for Rs. 18,106,751 on account of cost of the completed project was adjusted in the Head Office in the account current for June, 1980 final but was not adjusted by the project. Adjustment was, however, made by the project subsequently.

STG : The difference was due to the non-adjustment of two advices by the project in the trial balance, which were subsequently adjusted in the trial balance for June, 1980 final.

DGQ : An amount of Rs. 5,066,680, on account of superscribed cheques, had been shown separately by the project authorities in the trial balance but this figure has been included in the account in the Head Office.

719. The Committee directed Audit to verify the position, as stated by the department, and report back, if necessary.

Comments on the balance sheet of Electricity Operation Branch as on 30th June, 1980.

720. *Heavy suspense balances under Miscellaneous advances* [*Para 34 (1), page 42—AR—WAPDA*].—Audit had pointed out that the Schedules 'A' and 'B', attached to the Balance Sheet, showed a balance of Rs. 158,935,695 under Miscellaneous Advances as detailed below :—

	Rs.
Miscellaneous advances DOP :	
Distribution	150,186,174
Adjustment	(—) 87,649,924
	62,536,250
Miscellaneous advances G and T :	
Distribution	2,197,318
T & G	6,552,203
GNO Adjustment	87,649,924
	96,399,445
	158,935,695

These advances had not been analysed properly and shown separately for the pre-WAPDA period. Concerted efforts needed to be made for early clearance of the balances.

721. The position in regard to the above was explained by the department as under :—

1. *Miscellaneous Advances DOP.*—Out of a total balance of Rs. 150.2 million, Rs. 62.2 million relating to advance payments to the T.C.P. had been recovered through bills and Rs. 45 million related to the pre-WAPDA period, for which details were not available but its final adjustment was under consideration. The balance amount of Rs. 43 million related to various Divisional Offices, which had been asked to furnish the necessary information.

2. *Miscellaneous Advances T&G and GNO.*—Rs. 87,649,924 was *contra* to the figure under Miscellaneous Advance DOP regarding the balance under T&G and GNO Divisional Offices had been directed to clear the balances.

722. Replying to a query, the departmental representative said that they imported aluminium worth several crores of rupees which was given to conductor manufacturers. A member asked as to why it was not taken on stock in the first instance, and when shown issued as material released for conversion. He thought that, it not being a suspense item, the department should have had a separate sub-head for it under stock. When released, it could have been shown as releases to the manufacturers and, when received back from them, it could form a part of the regular stock. The departmental representative submitted that they will discuss this with Audit and would settle upon a revised procedure soon.

Indus Basin Projects

723. *Loss of Rs. 2,422,903 due to liberal extensions* (*Para 35, page 45—AR—WAPDA).*—The explanation given by the department was accepted and the para was dropped.

724. *Over-payment of Rs. 324,024 as escalation in Rail Freight due to misclassification of articles* (*Para 36, pages 46-47—AR—WAPDA*).—Audit had pointed out that the main Tarbela Dam contract provided that, if inland rail freight rates paid by the contractor differed from the basic inland rail freight rates specified in the contract, the net increase or decrease in cost would be added to or deducted from the contract price. The basic inland rail freight rates were defined as the rate given in the Schedule of Tariff Rates in force in the

Pakistan Railway on the 30th November, 1967. The rates as well as the classification given in that Schedule had undergone numerous charges. A scrutiny of the railway receipts of freight, shipping documents, etc., revealed that, in certain cases, the contractor's description of the material, while booking the goods, was different from that given in the shipping documents and thus excessive freight was paid to the Railways. In other cases, the original rates had been worked out on the basis of incorrect classification resulting in an overpayment of Rs. 324,024, which was included in the total escalation of Rs. 10,885,425, paid to the contractor from July, 1969 to March, 1975. A further escalation of Rs. 3,174,515 was also paid to the contractor from August, 1973 to February, 1977, but its record was not produced, and its correctness, therefore, could not be verified.

725. The departmental representative submitted that the large-sized consignments, received in each shipment, were converted by them into smaller consignments. But, as the contractor had no arrangements to open such consignments, a declaration was obtained from them to the effect that these contained the articles specified by them. Thereafter, on-the-spot checking was carried out and the Railways determined their classification and charged @ Re. 1 per maund. This paragraph had been under discussion since 1972 regularly at the monthly meetings. Thus, the total escalation during six years came to Rs. 10 million but records pertaining to only Rs. 7 million had been verified by Audit thoroughly. However, the records pertaining to the remaining Rs. 3 million did not help to find the complete classification. Due to this, there was an excess payment of Rs. 3.24 lakhs.

726. When questioned whether the agreement required the contractor to take any action necessary to pay the correct freight the departmental representative replied that there was a general provision that the contractor shall be diligent in incurring all expenditure, so that the employer was caused no extra cost.

727. The Auditor-General said that the position stated by the departmental representative was not agreed and audit would submit a detailed note. After some discussion, the Committee decided to defer the consideration of the paragraph and requested Audit to look into it again and report back.

728. *Extra expenditure of Rs. 215,032 due to termination of a contract and non-enforcement of risk and cost clause against the contract* (*Para 37, pages 47-48—AR—WAPDA*).—The departmental representative explained that too much escalation took place in those days (1973-74). The contractor's demand for escalation was not accepted and his contract was finalised. The left over work was got executed after two years. After hearing this explanation the para was dropped.

729. *Loss of material worth Rs. 126,672 (Para 38, page 48—AR—WAPDA).*—It had been pointed out by Audit, that, during the 1965 war, two ships carrying material for a project were seized by a foreign country. Subsequently, though the material was released, one consignment worth Rs. 126,672 reported to have been landed, did not reach the Project.

730. After explaining the background of the case, the department, submitted that Audit had desired in February, 1971 that the matter of shortages be investigated. Accordingly, an Inquiry Officer was appointed in February, 1973 with the following terms of reference—

(1) To determine whether the loss had occurred in enemy territory or after the consignment had reached Pakistan ?

(2) To fix responsibility for the loss, if any.

731. The report of the Inquiry Officer indicated that, since the contractor had left the site in early 1968 and the Engineer had also closed his office by that time, the relevant records were neither available nor traceable. Accordingly, it could not be established whether the loss had occurred in enemy territory or in Pakistan. Consequently, the question of fixing responsibility for the loss of material worth Rs. 126,672.04 did not arise and it should be written off by the competent authority. The case for write-off was under action and Audit would be kept informed.

732. The Committee directed that sanction for the write off should be expedited and a copy of the Inquiry Report made available to Audit.

Comments on the Balance Sheet of Indus Basin Project as on 30-6-1980

733. *Double payment (Rs. 10,930) on maintenance of portable field offices (Para 39, pages 48—50—AR—WAPDA).*—The para was settled.

734. *Drawal of funds from Federal Government in excess of non-reimburseable expenditure [Para 40 (2), page 50—AR—WAPDA].*—According to Audit, the Balance Sheet showed that funds to the extent of Rs. 2,384,352,377 were received from the Federal Government up to 30-6-1980 whereas non-reimburseable expenditure incurred on the Indus Basin Projects up to that date amounted to Rs. 2,341,118,984, including stock and stores. The detailed position was as under :—

	Rs.
Non-reimburseable expenditure	2,324,164,662
Stock and Store	16,954,322
	2,341,118,984
Grant received from Federal Government	2,384,352,377
Amount of Grant in excess of expenditure	43,233,393

The excess drawing needs to be justified.

735. The position was explained by the department as under :

		Rs.
(i)	Grant received from Federal Government ..	2,384,352,377
	Un-spent balance refunded during 1980-81 ..	6,093,429
	Net receipt	2,378,258,948
(ii)	Expenditure as per balance sheet	2,341,118,984
	Tarbela Resettlement Suspense adjusted against receipts but not charged to final Head of Account ..	47,423,259
		2,388,542,243

Thus, the grant received was not in excess of the expenditure and Audit had been requested to verify this.

736. The Audit representative pointed out that the position of the Accounts now given indicated that expenditure had exceeded the net receipts from the Federal Government by Rs. 10.28 million, and this was required to be justified. A member remarked that Audit had raised two objections, namely, the suspense account should be cleared and, secondly, that against the grant of Rs. 2,378,258,948 expenditure amounted to Rs. 2,388,542,243, or excess of Rs. 10.28 million. The Committee observed that Audit should verify the position and that if it was found correct they should see to it that it was charged to the proper head of account.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORTS ON THE ACCOUNTS FROM 1975-76 TO 1977-78 WITH AUDIT COMMENTS

Ministry of Water and Power

737. *Grant No. 190 (Paras 1003—05, pages 222-23—PAC Report 1977-78).*—The department had explained that the Economic Affairs Division had been asked to verify the adjustment of foreign loan disbursement, made during 1977-78 against the budget provision of Rs. 173,300,000, and inform the Ministry of the dates of such adjustments. Debits of foreign loans disbursements were being received by the Accountant General, Pakistan Revenues, through the Economic Affairs Division (Accounts) and no authority, in such cases, was being issued by the Director, Audit and Accounts (Works), Lahore. In compliance with the Committee's directive, the matter of adjustment of foreign loans disbursements was looked into by the Ministry and a Comprehensive Note on the subject was prepared, in consultation with WAPDA, EAD, Finance Division and the Accountant General, Pakistan Revenues, with a view to streamlining the

procedure. (It was sent to the Auditor-General *vide* No. 1 (149) F&A/79-Vol. II, dated 30-3-1981). Adjustment of debits on this account was now being made regularly and a close contact was being kept by the Ministry with the Economic Affairs Division (Accounts) for this purpose.

738. Audit had pointed out, in their comments that on the receipt of the above-said Note by the Ministry, Finance Division had advised them in March, 1981, to obtain the actuals for 1976-77 and 1977-78 from the agency incurring the expenditure (WAPDA) and then obtain a technical supplementary grant for the recording of this expenditure and its recovery in the 1980-81 accounts. No further developments could be known to Audit. The departmental representative submitted that the adjustment for the two years would be made later on.

(WAPDA)

739. *Outstanding recoveries—Rs. 1,731,665 pertaining to 1975-76 and 1976-77.*—Audit had pointed out that the Authority had, so far, not effected recoveries in 11 cases, pertaining to the period from 1975-76 and 1976-77. The Committee directed that the department should explain to Audit their difficulties in effecting these recoveries.

740. *Payments of extra compensation of Rs. 1,499,440 to the land-owners of a village (Paras 94-95, page 37—PAC Report 1975-76).*—The department had explained that the Land Acquisition Collector (LAC) was dealing with the Audit observations directly because most of the observations questioned the legality of payment. After the discussions between Audit and the LAC important points were taken up by Audit with the Project Director through advance Paragraphs. In this particular case, the payment made by the LAC at an enhanced rate, in contravention of the standing instructions of WAPDA, remained undetected till April, 1977, when Audit framed a draft paragraph. Simultaneously with the issuance of recovery notices for payment made in excess, the defiance of WAPDA's standing instructions by the LAC was reported to the NWFP Government in April, 1978, who appointed the Assistant Commissioner, Haripur, as Inquiry Officer. In his report dated 28-11-1979, the later absolved the LAC of any responsibility *vis-a-vis* the over-payment on the plea that he had acted upon the directions of the Court. Thus there had been no inordinated delay in initiating disciplinary action against the LAC.

741. Audit had pointed out in their comments that the Authority's statement that the LAC was dealing with the Audit observations directly was not correct. In this case, payment of compensation at enhanced rates had been reported to the Project Director in March, 1976. As such, the plea that the observation did not come to the notice of the Authority till April, 1977, was

contrary to the factual position. There was a delay of two years in initiating action against the LAC. A copy of the report of the Assistant Commissioner, Haripur, dated 28-11-1979, in which the LAC was absolved of the responsibility, had also not been supplied to Audit. WAPDA had filed a recovery suit in the court of the Additional District and Sessions Judge, Haripur on 9-1-1880 The final fate of recoveries, amounting to Rs. 1.5 million from the beneficiaries would have to be awaited.

742. Replying to a query, the departmental representative informed the Committee that a copy of the Assistant Commissioner's Report had since been supplied to Audit. The Chairman concluded that some action had been taken by WAPDA as stated above and one could only hope for the best.

743. *Bogus payment of compensation of over Rs. 1 million plus 8 per cent compound interest thereon as a result of tampering with the record (Para 96, page 37—PAC Report 1975-76).*—The Committee was informed that the FIA had now undertaken to return the records. Further action in the matter would be taken soon after the records were received.

744. *Over-payment of Rs. 176,303 due to non-adjustment of* ex-gratia *payment (Para 97, page 38—PAC Report 1975-76).*—It was explained that there was an *ex-gratia* payment of Rs. 257,000 in 35 court cases. Cheques for Rs. 242,000 in 27 cases were cancelled and entries written back in the Cash Book. The balance of Rs. 15,000 in 8 cases was being scrutinised. Details of the write back have been furnished to Audit for verification.

745. Audit had pointed out in their comments that the recovery of Rs. 242,000 related to only one case and not 27 cases as stated by WAPDA now. The relevant records, in respect of the cancelled cheques of Rs. 242,000 in this one case, were required for verification, but had not been produced.

746. The Authority had neither worked out the amount of over-payment in respect of the 35 other court decisions relating to village Pind Khan Khel nor had they exercised checks in respect of other villages. The directive of the Committee for preparing a statement of recoveries, to be made in all the other cases, had also not been compiled with.

747. The departmental representative submitted that the necessary material had since been supplied to Audit and was under their scrutiny. Audit was requested to follow up the case.

748. *Improper/incomplete maintenance of land acquisition payments account record (Para 108, page 39—PAC Report 1975-76).*—The Committee was informed earlier that 90 per cent of the arrear work of posting Form

A&AA had been completed and the remaining work would be completed by January, 1981. Cash books were also being written up and reconciled with bank statements, to verify the authority of figures, appearing in Form A&AA. The work was to be completed by June, 1981.

749. Audit had pointed out that the posting of Form A&AA was to be, initially, completed by the end of April, 1980. However, in their reply dated December, 1980, the department had promised that it would be completed by January, 1981. Despite this, advice of final completion of the records was still awaited. The exact position of overpayment of compensations had also to be yet arrived at. Replying to a query, the departmental representative submitted that they did report the matter to the Provincial Government, but the latter exonerated the persons concerned. It was also stated by the departmental representative that there were many cases of frauds and 69 such cases involving Rs. 46 lac had so far been registered with F.I.A. A monthly report had been prescribed for submission to the Authority. The Auditor-General desired copies of such reports be supplied to Audit as well.

750. The Committee desired that they be kept informed of the progress in the matter. A further report should be given by the department at the next session.

751. *Non-maintenance of proper accounts record in respect of land compensation enhanced by courts (Para 109, page 39—PAC Report 1975-76).*— In this case, the departmental representative had promised that the preparation of Form 'B' would be completed by April, 1980. The department explained that Form 'B' was the Land Acquisition Collector's record and its writing up was dependent upon the completion of Form A&AA and the court decisions. Considerable progress had been made in completing Form 'B' but, keeping in view the work-load, the work would be completed by June, 1981.

752. On being pointed out by Audit that intimation about the completion of Form 'B' was till awaited, the departmental representative informed the Committee that this work would be completed by December, 1981. The Committee desired that they be informed of the progress of the work at the next session.

753. *Excess payment of Rs. 588,377 to a contractor due to non-reduction in overheads (Para 111, page 40—PAC Report 1975-76).*—The Committee was informed that further comments made by Audit were being scrutinised and a reply would be furnished in due course. The Committee decided to defer this paragraph.

754. *Loss of Rs. 179,636 on account of excessive issue of electrical equipment (Para 120, page 41—PAC Report 1975-76).*—Earlier in this case, Audit had been requested to go into the matter and report back, if necessary. The department informed the Committee that, after the Committee meeting, Audit had made the following observations :—

(a) The excess issue of 6 Air Conditioners, 9 space heaters and one refrigerator had been sought to be justified by stating that these were utilised in the Rest House, but the agreement with IDA did not contain any such provision.

(b) As no incumbancy register had been provided, it could not be ascertained if the equipment was properly utilised.

(c) Idle equipment should have been disposed of with the concurrence of IDA.

(d) The facts of the case need to be verified.

755. The department offered their comments on the above points as under :—

(a) Section VI (d) of Schedule 'C' of the agreement required these items to be provided in the houses of consultants. Its provision in the Rest House occupied by the consultants was a logical extension of such requirement.

(b) As stated in paragraph 6 of their reply, discussed by the PAC on 13-10-1979, it had been clearly indicated that the Audit objection was not supported with any documentary evidence to show that the equipment was misused or used by unauthorised persons. Audit, however, called for the Incumbancy Register of the colony in December, 1977 and, by that time, there had been a number of organisational changes and shifting of records. As such, the register could not be produced.

(c) As stated in paragraphs 2 to 4 of the reply referred to above the consultants were provided the facilities according to the stipulated scale and the equipment, when returned by them, were transferred or issued or disposed of.

(d) The verification report had not been furnished by Audit.

756. Audit now pointed out that the disposal of 51 air-conditioners, 58 space heaters and 23 Refrigerators had been verified. However, 24 air-conditioners, 20 space heaters and one refrigerator, stated to have been transferred to

SCARP, Khairpur Project, were not received by that Project and might have been misappropriated. The loss on this account had to be made good or regularised, after fixing the responsibility.

757. The Authority did not arrange a timely disposal of the articles which became surplus due to decrease in the number of Consultants. IDA was never approach for their consent, which was the only pre-requisite for their disposal.

758. In view of the position explained by the departmental representative Audit was required to go into this question of loss and disposal and report back. The para was deferred.

759. *Irregular and wasteful expenditure of Rs. 625,548 on removal of silt (Paras 172—174, pages 58—PAC Report 1976-77).*—The Committee was informed that Government had approved the PC-I Proforma for the Project. The alleged over-payment, as worked out by Audit amounted to Rs. 550,031, which was not admitted, as it was contended that the payment made was in order.

760. Audit pointed out that the over-payment of Rs. 550,031 had been worked out by them from the report of the Inquiry Officer, who had adjudged that the quantity of earth removed from the drains was 2 million and not 2.5 million cubic feet, for which payment was made, and that the rate allowed should have been Rs. 120 per 1,000 cubic feet instead of Rs. 150. WAPDA had refuted this over-payment without any argument.

761. The departmental representative submitted that, instead of verifying the disputed work, the Inquiry Officer had determined arbitrarily the amount of work involved. But the payment was made on the basis of actual measurement, duly checked by senior officers. The Chairman observed that, in any case, the department had to get the Government orders. The Committee, therefore, decided to defer consideration of the paragraph.

762. *Shortages/surplus of Stores valuing Rs. 182,226 and Rs. 24,015 (Para 183, page 59—PAC Report 1976-77).*—The Department explained that, after the Magistrate announced his decision in favour of the MCP, the opposing party had gone in appeal in the Court of the Commissioner, who gave his verdict against the MCP. An appeal against the orders of the Commissioner had been filed in the Sind High Court and was still *sub-judice.* A photo-stat of the stay order had already been supplied to the Director, WAPDA Audit, Lahore, *vide* their letter No. Aud (D) 583-357|3076, dated 30th July, 1981. A better print would also be furnished, after its receipt from the office concerned. A copy of the enquiry report had also been attached, for verification.

763. The Chairman observed that, since litigation was going on, the Committee would have to wait. The consideration of paragraph was deferred.

764. *Shortage of T&P articles worth Rs. 68,634 (Para 184, page 59—PAC Report 1976-77).*—Audit pointed out in its comments that intimation about the recovery of balance amount of Rs. 1,671 and final position of the two pickups worth Rs. 50,000 was awaited.

765. The departmental representative stated that one pick up had been found but the second could not be traced for which recovery would be made from the line superintendent.

766. Audit was requested to verify and report back, if necessary.

767. *Infructuous expenditure of Rs. 82,500 on drilling a test bore hole (Para 186, page 60—PAC Report 1976-77).*—The department explained that the versions of Drilling Superintendent, WAPDA, and the U.N. Superintendent, Mr. R.P. Moreno, were justified, because, even if the hole was filled up with mud, it could collapse due to loose subsurface formation. Investigations have, in the initial stages, to be carried out to ascertaining the feasibility of any scheme. In case of positive results, the scheme was further processed for execution, but if the results were negative, it had to be abandoned. Therefore, negative results were also of almost equal importance for evaluating the over-all development of ground water possibilities, because the spots were identified where ground water development was not feasible and installation therein of tubewells, which could subsequently prove unsuccessful, was straight away avoided, obviating a lot of unfruitful expenditure. In view of this position, it would not be appropriate to try to fix the responsibility for negative results on anyone.

768. The department's explanation was accepted by the Committee and the paragraph was dropped.

769. *Irregular payment of Rs. 657,348 as demurrage charges (Para 201, page 61—PAC Report 1976-77).*—Audit had explained that, before referring the case to the Law Division, they had considered it to be advisable to obtain the opinion of the Legal Adviser, WAPDA, which was requested for on February, 1980, but had not been received as yet. The departmental representative informed the Committee that a copy of the opinion of the Legal Adviser, WAPDA, had since been made available to Audit. Audit was requested to follow up the case.

770. A reference was made to page 55 of the Finance Accounts for the year 1979-80 where expenditure incurred to 30th June, 1980 on Indus Basin Project was shown as Rs. 2,681+Rs. 5,836 + Rs. 2,626—Rs. 3 million or a total of Rs. 11,140 million. A member desired to know whether the figures had been agreed with those shown in the IBP books maintained by WAPDA

and as to whether the grants given by various countries to the Indus Basin Fund administered by the World Bank and the disbursements therefrom had been recorded in the books of the Federal Government. Both the department and the Audit were asked to advise to Committee of the actual position. The Committee also desired that a copy of the latest accounts of the Fund, received from the World Bank as administrators, be produced to the Committee.

771. *Shortages of Stores and T & P articles worth Rs. 124,789 (Paras 1061—63, page 232—PAC Report 1977-78).*—The department had stated that Audit had been requested on 26th May, 1981 to depute their representative to Nandipur to verify the adjustments already made. Out of the remaining amount of Rs. 26,752, a further adjustment of Rs. 2,052 had been made, which could not also be verified by Audit. Action to regularise the clearance of the balance amount had been initiated. A copy of the enquiry report had also been supplied to Audit.

772. Audit pointed out in its comments that Authority was informed in July, 1980 that adjustments carried out through JV's for material worth Rs. 98,038 were not admitted because of non-production of supporting record. The inquiry officer in its report of 1st September, 1970 remarked that important record documents like stock Register, monthly accounts of receipt and issue of stores, the indent books and invoices etc., were not available and in view of this position one could not reach any definite conclusion.

773. When questioned as to what was the present position, the departmental representative replied that some recoveries had been verified and some remained to be traced. The departmental representative was directed to settle it with Audit, who might report back, if necessary.

774. *Un-justified payment of Rs. 300,000 for the removal of a Coffer dam (Paras 1065—69, page 233—PAC Report 1977-78).*—It was explained by the department that a comprehensive case had been prepared and was being referred to the Ministry, as directed by the PAC. Audit stated that they understood that a case had been sent by WAPDA to the Ministry on the 27th July, 1981, though copy thereof had not been made available to Audit, despite a request. As it was Law Division had opined that "Coffer dam" and its "removal" were not considered to be legal terms and they were required to be interpreted, according to the usage in the trade. As for technical opinion, the Chief Engineering Adviser had advised that the contractor would be deemed to have fulfilled his obligation when he removed enough material from the Coffer dam fill to cause its removal by water current, and this was the extent to which removal was required. If removal of any more material was needed, it would be the contractor's risk, as he would have to do it for the quoted amount.

775. Audit had brought out in the original paragraph that the contractor did not remove any material, because the Coffer dam was breached to floods. Since the contractor did not even partially remove the dam, the payment of Rs. 300,000, made for its removal, was not justified and should be recovered. The Committee's query whether the measurement clause also applied to the 'removal of material of Coffer dam' had not been replied to by WAPDA.

776. The Secretary Water and Power, informed the Committee that he had himself examined the whole case. It was decided at the time of the removal of this dam that some blanket should be left and it should not be removed wholly but given a breach up-stream, so that silt from the river came in such a way to the blanket that it was deposited there. Therefore, the removal of the Coffer dam was undertaken as required. In his view, the contract of Rs. 20 million for building the Dam and of Rs. 300,000 for its removal was correct and according to the plans. Thereupon, the Committee decided to drop the paragraph. The departmental representative was, however, directed to supply a copy of the decision to Audit who would come back, if necessary.

777. *Avoidable expenditure of Rs. 153,001 on the procurement of 34 Air-Conditioners (Paras 1070—74, pages 233-34—PAC Report 1977-78).*— Audit pointed out in its comments that a joint verification, conducted by the Branch Audit Officer, Mangla, and the MDO, on 19th July, 1981 showed that 92 and 52 air-conditioners were available in working condition in April, 1972, and October, 1976, respectively. As such, the stand of the WAPDA that air-conditioners in working conditions were not available at Mangla was not correct. The departmental representative stated that some air-conditioners, though in a serviceable condition, were not mentioned but these were either already installed or placed in the site workshop for periodical maintenance. Questioned as to what was the period for depreciatory of an air-conditioner, the departmental representative replied that it was six years, and the air-conditions had already completed their life.

778. The Committee decided to drop the paragraph subject to verification by Audit.

779. *Balance shown in Schedule 'D' (Paras 1088—91, page 237—PAC Report 1977-78).*—The Committee was informed that complete accounts were not maintained by the Revenue Staff attached to the Tarbela Resettlement Organisation nor did they render proper accounts of the compensation payments made by them. These accounts, which mainly consisted of Forms A&AA and B and Cash Books, were being rewritten and bank reconciliations were being prepared. Quite a lengthy job in itself, it had been rendered all the more difficult by the non-availability of some basic payment records and by the seizure

of records by the FIA. Adjustments could not be carried out so far because of these reasons nor could a report be submitted to Audit by 31st March, 1981. Adjustments could also be made only after the completion of records, for which efforts were being made in full earnest.

780. Audit pointed out that the Authority did neither draw up the report showing the up-dated position of settlement of debits in respect of Temporary Advances amounting to Rs. 26,193,108 as desired by the Committee, nor submit it by the 31st March, 1981. It had also not been indicated as to how long would they take to complete the records, after which adjustments could be made. Names of the Projects, in the books of which the amount of Rs. 4,707,385.58 had been adjusted had also not been intimated nor was the adjustment produced to them for verification. The action taken in respect of the remaining amount of Rs. 829,881 had also not been indicated.

781. The departmental representative informed the Committee that, as submitted earlier, the records of resettlement projects would be cleared by March, 1982. Audit was requested to keep track of it.

782. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points (i) in the Appropriation Accounts, Audit Reports (Civil and WAPDA) thereon ; and (ii) the Compliance papers on the PAC Reports for 1975-76 to 1977-78. These would be deemed settled, subject to such regularisation action as may be necessary under the rules.

783. The Committee then adjourned *sine-die.*

M. A. HAQ,
Secretary.

Islamabad, the 19th May, 1982.

FEDERAL COUNCIL SECRETARIAT

PROCEEDINGS OF THE MEETINGS OF THE PUBLIC ACCOUNTS COMMITTEE

Monday, the 24th January, 1983

First Sitting (PAC)

784. The first meeting of the Public Accounts Committee, set up by the Finance Division under their notification of August 25, 1982, was held at 9.30 A.M. on the 24th January, 1983 in the Committee Room No. 4, State Bank Building, Islamabad, to examine the Appropriation and other Accounts for 1979-80 and the Reports of the Auditor-General thereon, pertaining to the Ministries and Divisions, whose Accounts could not be examined earlier. The following were present :—

P.A.C.

(1) Mr. Ghulam Ishaq Khan, Minister for Finance, Commerce and Coordination. — *Chairman.*

(2) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. — *Vice-Chairman.*

(3) Mian Zaka-ur-Rehman, Member, Federal Council .. — *Member.*

(4) Syed Saieed Hasan, Member, Federal Council .. — *Member.*

(5) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. — *Member.*

(6) Mr. Abdul Qadir, former Chairman, Railway Board .. — *Member.*

(7) Mr. Yusuf Bhai Mian, Chartered Accountant .. — *Member.*

(Nawabzada Azmat Ali Khan and Mir Jam. Ghulam Qadir Khan, Members, Federal Council and of the PAC, did not attend).

Federal Council Secretariat

(1) Mr. M. A. Haq, Secretary.

(2) Mr. I. H. Siddiqi, Deputy Secretary.

(3) Mr. S. M. Ahmad. Assistant Secretary.

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(3) Mr. M. A. Lodhi, Accountant General Pakistan Revenues.

(4) Mr. A. S. Ansari, Director General, Commercial Audit.

(5) Mr. Zahir-ud-Din Jeddy, Director General, PEC.

Ministry of Finance

(1) Mr. H. J. Beg, Secretary.

(2) Mr. Javed Talat, Joint Secretary.

785. The following business for the session was laid down for the Committee :—

(i) Examination of Appropriation, Finance, Commercial Accounts etc., and Reports of the Auditor-General thereon in respect of the Federal Accounts for 1979-80.

(ii) Consideration of Audit Comments regarding compliance by Ministries|Divisions etc., on the PAC's Reports for 1975-76 to 1977-78.

(iii) Consideration of Performance Evaluation Reports, 1981 submitted by the Auditor-General on some Public Sector Enterprises under the Ministries of Production and Communications.

(iv) Consideration of any other matter, brought up before the Committee with the permission of the Chair.

786. Welcoming the members of the newly constituted Public Accounts Committee, the Chairman expressed the hope that they would find this opportunity to serve the country most satisfying and their experience of work as Members of this Committee most rewarding. Lauding the commendable effort of the Members of the former *Ad hoc* PAC, he recounted that, when set up on the 25th March, 1978, the Committee was faced with a huge backlog of Accounts *i.e.* since 1970-71. It went to its credit that, within a span of about 3 years, that Committee processed and cleared all the arrears and brought the examination of Accounts fully up-to date.

787. Continuing the Chairman said that, in accordance with Article 8 (3) of the Federal Council (Majlis-e-Shura) Order, 1981, the existing PAC was constituted on August 25, 1982 with adequate representation from the Federal Council Members. The Committee's mandate is to enforce, on behalf of the taxpayers, financial accountability in Government organisations. This mandate, which is of great importance for ensuring financial discipline and rectitude, implies certain pre-requisites for its effective discharge. Firstly, there is the technical aspect of the work which, in his opinion, the Committee is fully qualified to handle. Secondly, there is the time factor. The propriety of financial transactions has to be judged within a short time-frame, to make the exercise meaningful. If too much time elapses between such transactions and their evaluation, breaches of financial discipline cannot be brought home to the individuals responsible for them. Inordinate delay in the examination of Government accounts

may defeat the very purpose for which the system of public accountability has been devised. Hence, Government expect the Committee to meet regularly, to be up-to-date with the examination of accounts and to take cognizance of the lapses, if any, in time.

788. The Chairman further observed that he was fully aware that the performance of the PAC would, in a large measure, depend on the quality of work and its timely submission by the Auditor-General. It must be acknowledged that the Auditor-General, like the *Ad hoc* PAC, had done a good job during the last few years, in finalising speedily the arrears of Accounts and bringing them up-to-date. He hoped that the Auditor-General will be able to maintain this tempo and continue to submit the Federal Accounts to the PAC, for the subsequent years also, in the shortest possible time.

789. The Chairman stressed that, for any system to be progressive its rules and procedures must remain constantly under review. That alone could ensure that the system remained attuned to the changing needs of time. Therefore, as the Committee commences its work of examining the Federal Accounts, the Government would very much like it, with the vast knowledge and experience that its members possess, to make recommendations about specific improvements that can be brought about in the procedures and rules, governing the existing financial system of Government.

790. Concluding, the Chairman said that, although it was his earnest desire to participate in the normal deliberations of the Committee, it may not be possible for him, due to his pre-occupation with other work, to attend its scheduled meetings regularly. He shall, however, be available whenever the Committee felt that his presence would be of help to it. Meanwhile he would be leaving the Committee in the competent and experienced hands of its Vice-Chairman, Mr. A. G. N. Kazi. He assured the Committee that he would be following the work done by it with keen interest.

791. After the above remarks, the Chairman invited the Members to being up any point, if they wanted to, before the Committee took up the items of the Agenda. The following points were then raised by the Members and discussed :—

(1) Level of representation of Ministries before the PAC

792. It was pointed out that the level of representation from the Ministries at the PAC meetings was, at times, much below the required one. Occasionally, even Deputy Secretaries would come to represent the Ministry before the Committee. The Chairman informed the Committee that necessary instructions had

been issued to the Principal Accounting Officers to the effect that, except in unavoidable circumstances, they must represent their Ministries before the Committee. As for departmental representation from the Ministry of Finance during the Committee's session, the Finance Secretary will be normally present in as many meetings of the Committee as possible. A directive had also been issued that at least a Joint Secretary of the Ministry must be present at every meeting of the Committee.

(2) **Stage of preparation of Accounts for 1980-81**

793. The Auditor-General informed the Committee that the Accounts for 1980-81 and his Reports thereon had already been submitted to the Finance Division in May, 1982, earlier than the prescribed date, and the same had been circulated to Ministries. As such, his organisation was fully up-to-date. This was appreciated by the Committee.

(3) **Follow-up action on the recommendations of the Public Accounts Committee**

794. The question of follow-up action on the approved recommendations of the Committee was raised by a Member. Apprising the Committee of the procedure that was being followed in this behalf, the Secretary, Federal Council Secretariat explained that, soon after their approval by the President, the Committee's recommendations are sent to the concerned Divisions, with request to furnish their reports of compliance to the Federal Council Secretariat as well as the Auditor-General. These compliance reports are placed before the PAC, along with Audit comments, if any, for further direction or recommendation.

795. The Chairman, thereupon, observed that the Ministries concerned must comply strictly with all the specific or general directions given by the Committee. He added that he had asked the Finance Division to set up a Cell for following-up the implementation of the general recommendations made by the Committee and to bring to his notice the defects in the system, if any, pointed out by the Committee, along with recommendations made by it for removing the same.

(4) **Foreign currency Loan Accounting System**

796. Discussing the foreign currency loans accounting system, a member remarked that, for years, the *Ad hoc* PAC had been trying their best to find a solution to the problem of proper and timely accounting of foreign loans and aids. But this did not become possible, because the administrative Divisions, responsible for a project, argued that keeping the accounts of foreign loans/aid for such projects was the concern of Economic Affairs Division. This Division complained of lack of cooperation from adminstrative Divisions. The problem

was that, while the instructions, laid down in the booklet on the subject, were not being followed, the booklet itself was ambiguous at places in defining the exact responsibility for the maintenance of these accounts. This ambiguity needed to be removed.

797. After some discussion, the Chairman agreed that a Committee, consisting of the representatives of the Economic Affairs Division, Finance Division and the Auditor-General be set up by the Economic Affairs Division immediately, to go over the problem of Foreign Aid|Loans Accounting with the object, *inter alia,* of streamlining it by removing ambiguities, if any. Mr. Yusuf Bhai Mian, a Member of the Public Accounts Committee may, as needed, be associated with the deliberations of this Committee and the assistance of Joint Secretary (External Finance) should also be secured to sort out the exchange rate accounting. The report of the Committee should be submitted to the PAC by the end of March, 1983.

(5) **Simplification of Accounts**

798. A member expressed the view that the existing classifications and sub-classifications of Accounts were not conductive to good accounting and there was need for improvement in the accounting system. The Auditor-General informed the Committee that they had decided to bring about a change in the system and were switching over the computerisation of accounts, as that seemed to be the only plausible solution for improving the efficiency of Accounts Organisation. Since the Auditor-General is primarily responsible for prescribing the form in which the accounts of the Federal Government should be maintained, the Committee decided that he should examine as to how the Accounts should be simplified and improved upon further. The various classifications and sub-classifications of accounts should also be reviewed by him, to eliminate any unnecessary sub-classifications.

(6) **Suspense Account**

799. While discussing general improvement in according, a member referred to the debit of Rupees 199 crores, raised by the State Bank of Pakistan, which had not yet been accounted for by the Accountant General, Pakistan Revenues. Instead, it was appearing under suspense account in his books and remained uncleared. The Chairman agreed that adequate efforts were not being made in the Accounts Offices concerned to clear the suspense heads, with the result that they continued to multiply. The Auditor-General, thereupon, ascribed this state of affairs to, mainly the dearth of qualified and willing hands. He stressed that they have growingly to depend on a clearing house arrangement, already instituted for the liquidation of suspense accumulations. The Committee decided that they Auditor-General should prepare a self-contained note on

the subject and come out with his recommendations, if any, about writing off suspense accounts or making suitable adjustments therein. This paper should be submitted to the PAC by March, 1983.

(7) Provident Fund Accounts

800. The subject of streamlining the system of deductions for and maintenance of government provident fund accounts was brought up by a Member. It was made out that considerable difficulty was being experienced by the subscribers due to misposting|non-posting of subscriptions, deducted from their salaries. This was causing undue hardship at the time of final payment. The Committee was informed by the Auditor-General that a lot of improvement had been effected in this matter in recent years. It was decided that the Auditor-General should prepare a paper about the present position of such Accounts and the difficulties being experienced by the subscribers in getting the missing credits posted etc. This paper should be submitted to the Committee by March, 1983, after which it will consider whether representatives of any Ministry need be called to spell out the specific difficulties being experienced by their employees in this behalf and how could the same be resolved.

(8) Improving the availability of Accountants

801. Re-counting the difficulties being faced by the Auditor and Accounts Offices in maintaining accounts, the shortage of qualified and trained hands was high-lighted by the Auditor-General. Replying to the Chairman's query as to why did they not try to recruit them, the Auditor-General submitted that it was not possible to get qualified|trained hands from the market, because Government could not afford to pay the price. Much better remuneration offered by the private sector attract them. If we set out standards high, we can not expect qualified hands to accept low rewards.

802. A member strongly opposed the idea of lowering down the standards and destroying the institution of Accountants for the sake of making qualified hands, with low standards, becoming available to Government organisations. He insisted that there should be no leniency in this matter. The Auditor-General could train candidates in courses to be run by him, in order to produce a large number of accountants for Government offices. Thereupon, the Finance Secretary observed that the level of standards, that the general community required, formed the basis on which the standard of examination for the Chartered Accountants had been evolved. It was therefore, not desirable to lower it for the purpose in view. A Member endorsed this view and said that, like the Short Service Commission, separate training programmes should be organised by the Auditor-General for the prospective accountants, but the present standard for Chartered Accountants should not in any case be lowered.

803. Appreciating that the availability of duly qualified and experienced accountants was a pre-requisite to a proper preparation and keeping of accounts, the Committee decided that a paper on the subject should be prepared by the Auditor-General, in consultation with the Ministry of Finance etc., and submitted to the Committee as soon as possible.

(9) **Audit of incorporated Bodies**

804. A Member invited the attention of the Chairman to para 2 of the Notification dated the 25th August, 1982, which defines the functions of the Public Accounts Committee, and pointed out that, since there was no mention of 'companies' therein, the Ministries may not recognise the jurisdiction of the Auditor-General over the accounts of companies working under them. Recalling the speech of the Secretary General-in-Chief on the 2nd September, 1977 the Auditor-General submitted that it had been then announced that, to enforce public accountability, Government would like the performance of public sector enterprises to be evaluated by the Auditor-General and his Reports thereon submitted to the PAC also.

805. The Auditor-General added that, in compliance with the directive, a Performance Evaluation Cell was set up in his organisation. In the discharge of its duties, the Cell was faced with a lot of mental reservation on the part of many a public sector enterprise as to the evaluation of their performance being conducted by Audit. To overcome this difficulty, and on the suggestion of the Auditor-General, the Ministry of Finance had, at one stage, agreed, in principle, to make the performance evaluation of public sector enterprises the statutory responsibility of the Auditor-General. However, the question of how best this should be done is still under the consideration of Government. The Auditor-General added that he proposed to hold, shortly, discussions with the Law Division in this context.

806. A member remarked that, PAC being a constitutional body, the accounts pertaining to public enterprises should be presented to the Legislature and should, therefore, be referred to the PAC, for examination. The Chairman, thereupon, expressed the view that, where Government had an interest of only 10 or 20 pr cent in an enterprise, the Legislature could at best expect to know whether the Government were getting a proper return on investment. However, the Government had already taken a decision that all thse bodies should be subjected to commercial audit.

807. Discussing this issue further, the Auditor-General cited the example of U.K., Japan and India and said that even a Committee of the British Parliament had recommended that the Comptroller and Auditor-General of U.K.,

should have access to the records of all the taken-over industries. India had provided that the Auditor-General may either give directions about the conduct of their audit by commercial auditors or himself audit the accounts of the companies, in which the Government held a majority share. Generally speaking, both the developed and developing countries had, in one way or the other, brought in the statutory Audit.

808. The Chairman interjected to say that, where the Parliament or the Legislature decided to create an autonomous body and intended that its accounts be audited by the Auditor-General, they clearly so provided it in the statute itself. Secretary Finance added that the examples of Europe, Canada and other countries, cited by the Auditor-General, were exceptional to those countries, because about half of the entire staff of the Auditor-General, engaged in evaluating public sector enterprises there, came from the concerned professions. They were experts and specialists in their own lines, having the ability to evaluate. The Auditor-General stated that they, too, used the services of technically qualified or specially trained hands to undertake the task of evaluation. Moreover, they had offers of assistance from some other organisations in the specialities in which they themselves were deficient. To wait until Audit have developed full capability of their own, would perhaps not be advisable.

809. A member asked as to why should the Auditor-General not have authority to audit the industries, wholly owned by the Government, such as the Security Printing Corporation. The Finance Secretary replied that the Ministry of Law had changed its opinion several times on this issue.

810. The Auditor-General, thereupon, pointed out that it had already been laid down in the Audit and Accounts Order that it shall be the duty of the Auditor-General to audit the accounts of all the organisations, set up by the Government.

811. The Secretary Finance observed that the problem was fairly complex. The accounting system of such organisations may have to be changed. It has to be seen as to what was the necessity and intention of creating these organisations. For example, the genesis behind the setting up of the KPT etc., as autonomous body was to take them out of the clutches of Government rules and regulations etc. Their commercial activities were so complex that they could not be brought easily within the frame-work of Government rules and regulations. These matters had, therefore, to be decided upon after a careful thought.

812. Clarifying the position further, the Chairman observed that, as a share holder, the Government was always entitled to ask for the balance sheet, Profit and Loss Account and the Auditor's Report thereon. Where the Government owned a majority of shares, it could put its own auditors to audit the

accounts of such units. However, sounding a note of caution, he said that, though there must be accountability for autonomous bodies, it should be enforced in manner so as not to jeopardise their normal functioning. The Legislature had, of course, an all-embracing jurisdiction and, with due regard to the performance of a public sector enterprise, could always decide upon disinvestment from any unit.

813. After further discussion, it was decided that the Auditor-General should prepare a paper on the accountability of autonomous bodies and public sector enterprises and the proposed role of Government Audit therein and bring up the same before the Committee, as soon as possible.

(10) Defence Audit Report

814. A member said that the Defence Audit Reports did not furnish any material information about the objects on which stupendous expenditure may have been incurred. Besides, excess expenditure and supplementary grants were a normal feature of the Defence Budget, for which cogent details were not always forthcoming. The Committee requested the Chairman to consider whether time had come when more details about the Defence Budget and expenditure could become available to it.

(11) Transfer of completed projects

815. A member drew the attention of the Chairman to the fact that, in many cases, completed projects, which had to be transferred to other organisations, were not being so transferred promptly. It was agreed that all the Ministries and Divisions should be requested to ensure prompt transfer of completed projects to the organisations for which they were being constructed.

(12) Attendance of Junior Officials at PAC Meetings

816. The Committee noted that a very large number of officials accompanied the representative of Ministries to the PAC meetings, when the Ministry's accounts were being examined. It did not favour this practice because, apart from avoidable expenditure and loss of man-hours, it were mainly the Principal Accounting Officers who were answerable to the Committee for the irregularities reported upon in the accounts of their Ministries. The Committee, therefore, observed that only the officials, considered most essential for the occasion, need accompany the Principal Accounting Officers to assist them in the Public Accounts Committee meetings.

MINISTRY OF HEALTH AND SOCIAL WELFARE

817. After the welcoming remarks of the Chairman and the discussion that followed, the Committee took up, as per the Agenda, the examination of Appropriation Accounts etc., pertaining to the Ministry of Health and Social Welfare. The following departmental representatives were present :—

(1) Mr. A. Sami Qureshi, Secretary.

(2) Maj. Gen. M. I. Burney, Executive Director, N.I.H.

(3) Mr. Abdul Qadir Butt, Deputy Secretary.

(4) Dr. B. A. Qureshi, Director, JPMC.

(5) Dr. Mohsin Ali, Director, Central Health Establishments.

818. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Health and Social Welfare Division	64
2.	Medical Services	65
3.	Public Health	66
4.	Other expenditure of Health and Social Welfare Division	67
5.	Development expenditure of Health and Social Welfare Division	150

819. *Reconciliation of accounts with Audit.*—The Committee noted that the reconciliation of the 1981-82 Accounts, with the exception of only one item, *viz.*, assistance for Medical Research from agencies abroad—had been completed. The Departmental representative was asked to have the reconciliation of the outstanding item also carried out speedily.

AUDIT REPORT

820. *Irregularities in the expenditure from Grants-in-Aid* [*Para—78, Page 59, Sl. No. (14,—AR*].—Audit had pointed out that the expenditure of the Grant-in-aid, amounting to Rs. 479,100 and given to the National Council of Social Welfare, suffered from the following irregularities :—

(i) expenditure was incurred without sanction ;

(ii) service conditions of employees were not regulated by any rules in some cases ;

(iii) tenders were not called for to ascertain the lowest market rates ;

(iv) un-utilized grants were not surrendered at the close of the financial year ;

(v) grants were not utilised for their sanctioned purposes ;

(vi) separate accounts of grants-in-aid were not maintained ; and

(vii) lavish expenditure had been incurred on personal entertainments, journeys, repairs etc.

821. The department had explained in their written reply that the Grant-in-aid (Development Budget) 1977-78 for the Council was Rs. 2,000,000 and not Rs. 479,100, as stated by Audit. Of this, Rs. 1,883,570 was released by the F.A. Wing for National Agencies, Rs. 1,750,000 for the Provincial|Local Agencies, Rs. 50,000 as the Discretionary grant of the President of the Council and Rs. 3,570 for the publication of ' Al-Flah ' magazine and all this expenditure was incurred with the sanction of the competent authority.

822. Commenting on the departmental explanation, a Member observed that it was not clear as to what was the budget for the Council's normal operations. He added that this Grant was meant for a specific purpose, which did not cover the publication of a Magazine.

823. After hearing the departmental representative, the Committee was satisfied that the Ministry had taken action where it was due and agreed with the Auditor-General that the para need not be pursued further.

824. As to the Audit's observation about the non-surrender of un-utilised Grant at the close of the financial year, the department explained that the amount of grant-in-aid for the year 1977-78 was released by the Health and Social Welfare Division (Social Welfare Wing) through the DFA (H) *vide* their No. SRO-2-34|77 dated 24th June, 1978 and the AGPR issued the necessary authority to the State Bank of Pakistan, for crediting the same direct into the Council's National Bank Account, on the 28th June, 1978. Copy of the AGPR's authority letter was received by the Council on 1st July, 1978. It was, therefore, impossible for them to utilise the funds, before the close of the financial year.

825. *The Committee finally directed that, in further, the Budget allocation for the Council of Social Welfare must be sanctioned by the Ministry early in the financial year, so that they may be able to utilise the same in time.*

APPROPRIATION ACCOUNTS (1979-80)

826. *Grant No. 64—Health and Social Welfare Division (Page 79—AA).*— According to Audit, a saving of Rs. 1,734,131 had occurred under this Grant. But, as explained by the Ministry, this was a gross saving, which included the economy cut and surrenders of Rs. 1,641,600. The actual saving was this of

the order of Rs. 92,531 only. Audit, however, held that the supplementary grant of Rs. 597,000, obtained by the Ministry, proved to be wholly un-necessary and should not have been obtained.

827. Explaining the position, the departmental representative stated that they had to make assessments for the remaining months on the basis of data available with them. Sometimes, it did not become possible to make accurate assessments about surrenders or requirements of additional funds. The Chairman, thereupon, pointed out that another difficulty, faced by the departments, was that the figures of actual expenditure from the AGPR did not become available to them in time. If figures for the first six months did not become so available, it could be difficult to exercise a tight control over expenditure, assess correctly the need for additional funds or surrender the savings in time.

828. Clarifying the position of his department, the Auditor-General said that, under the instructions of the Ministry of Finance, his department had been furnishing information with regard to the required figures even before the prescribed dates. They had now also been submitting monthly accounts of expenditure a day earlier than the prescribed date, *i.e.*, 15th of the second following month. The Chairman, thereupon, observed that it was the responsibility of the Principal Accounting Officers to go through the accounts of their Ministries in detail, before asking for any Supplementary Grant.

829. The Committee then decided as follows :—

(1) *Certificate by PAO about requirement of Supplementary Grant.*— Whenever any Ministry asked for a supplementary grant, they should be required to furnish a certificate of the Principal Accounting Officer to the effect that he had satisfied himself about the inescapable necessity for the said supplementary grant.

(2) Whenever a post-budget economy cut be imposed on any sanctioned allocation during a financial year, and the need for an additional fund arises and is also agreed upon by the Ministry of Finance, the additional fund should be provided by the Finance Division through restoration of the economy cut to that extent and not through a separate supplementary grant, as was being done hitherto.

830. *Grant No. 65—Medical Services* (*Page—80—AA*).—Wide variation between the printed and revised figures of expenditure (Rs. 102,859,534) and departmental figures (Rs. 99,466,395) under detailed function 422—General Hospitals and Clinics, as furnished in the Audit Comments, were noted by the Committee. The Finance Secretary observed that reconciliation did not appear to have taken place properly. After some discussion, the Committee directed

that, *in so far AGPR is concerned, disciplinary action should be taken against any employee found responsible for it in the office of AGPR. Similarly, those concerned with such accounts in the supervisory levels should also be dealt with suitably.*

831. The revised audit figures of expenditure amounting to Rs. 102,859,534, under the sub-head 422—General Hospital and Clinics, were stated to include the belated adjustment of Rs. 3,333,532, relating to Grant No. 150 for 1978-79, the lump sum provision for Drugs and medicines of Rs. 57,668 and the expenditure on the Central Government Hospital, Rawalpindi amounting to Rs. 1,939. The Committee directed that, *in future, Audit should explain in footnotes to the Appropriation Accounts the dates of advice and adjustments of belated expenditure.*

832. While the Committee were discussing Audit Comments on this Grant, made available to only the Members, the Health Secretary suggested that the said comments should have been supplied to them also in advance, so that they could have come prepared for reply on the points raised therein. Agreeing with the suggestion, the Committee directed that Audit comments regarding the replies, furnished by Ministries on the Accounts and Reports of the Auditor-General, should also be made available to the Ministries|Divisions concerned at least one day before their Accounts are to be examined, so that they could come prepared to answer the points, if any, raised in such comments.

833. *Detailed function 429—Other Health Research—Recovery (Page—80—AA).*—The short booking of Rs. 1,061,186 under this function was accepted by Audit as an omission. They, however, stated that this was not pointed out to them when the Skeleton Appropriation Accounts were sent to the Ministry on 7th April, 1981. The Committee was informed that the omission was being rectified in the 1981-82 accounts.

C.M.L.A.'S DISPENSARY, RAWALPINDI

834. A member desired to know the actual grant for the said Dispensary in Rawalpindi, against which the expenditure had been incurred. The departmental representative replied that, in the 1979-80 Budget, it was Rs. 73,600.

835. *Grant No. 66—Public Health (Page—81—AA).*—According to Audit, the difference of Rs. 2,066 between the Audit and departmental figures about the expenditure of the Directorate of Malaria Control, Rawalpindi was booked subsequently in the accounts for 1982-83. The Committee deemed the difference to be minor.

635. *Grant No. 67—Other Expenditure of Health and Social Welfare (Page—82—AA).*—The position, explained by the department in their written reply, was accepted by Audit, who confirmed that the details of short-booked expenditure of Rs. 23,750 had since been located by Audit and were being included in the 1982-83 accounts. The Committee did not make any further observation on this grant.

837. *Grant No. 150—Development expenditure of Health and Social Welfare Division (Page—178—AA).*—Out of the original Grant of Rs. 30 million, under function 422—Islamabad Hospital, an amount of Rs. 7.5 million was surrendered by the Ministry, as the necessary advice for the purchase of equipment for the Islamabad Hospital, was not received from the Supply Department in time. Against the final appropriation of Rs. 16,500,000, the reconciled figure of expenditure amounted to Rs. 15,535,824. The saving was ascribed mainly to the fact that an indent for the procurement of equipment for the Islamabad Hospital was placed with the Department of Supplies against a foreign exchange allocation of Rs. 5.00 million under the Hungarian Barter. A|T was issued for $ 401,860 (Rs. 4,028,600) on 29th August, 1980. As the A|T was received back in the Health Division after the close of the year, the saving could not be surrendered.

838. The Committee directed the departmental representative to furnish full details of the expenditure, as the explanation did not state clearly whether the expenditure was incurred on the purchase of equipment or the construction of the Islamabad Hospital. The departmental representative noted the direction and promised to furnish the full details of expenditure. Audit was also requested to look into the bread-down, furnished by the Ministry.

Procedure for purchases abroad

839. *The Committee also came to the conclusion that the procedure in regard to allocations for purchases from abroad needed to be reviewed.*

COMMERCIAL ACCOUNTS

840. *Fair Price Drug Stores (Page 7—ARCA).*—14 Fair Price Drug Stores were set up by the Government in 1972-73 and 1973-74. These stores were closed down in 1976. The Committee observed that the monthly accounts statements of the above drug stores did not reflect the losses that the said establishments had sustained. The Departmental representative explained that the stores accounts could not be prepared due to non-availability of the necessary records and the persons responsible for the maintenance of those records had since dis-appeared. Cases had been filed by the FIA against them but, according to the FIA, they were not traceable.

841. Thereupon, the Chairman remarked that somebody should be held responsible for it. It should be stated by the Department as to how much loss was inherited, how much of it had been realised and what amounts remained as outstanding.

842. *The Committee finally directed that a self-contained note should be submitted to the Committee about Fair Price Drug Stores, their working and financial position etc. by the end of March, 1983.*

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEES REPORTS FOR 1975-76 TO 1977-78

843. *Grant No. 98—Group Head 'C'—Grants for Medical purposes (Para 464-65, Page 107, PAC Report, 1976-77).*—The Committee had noted earlier that the grant-in-aid to the Fatima Jinnah Medical College, Lahore could not be released in 1976-77 owing to misunderstanding by the Department about its release. The departmental reply stated that an investigation in the matter was made and action was taken against the defaulting official. Action to arrange the payment of lapsed grant was in process. The Committee directed the departmental representative also to look into the bottlenecks in procedure, if any, to avoid such on occurrance in future.

844. It was pointed out by Audit that the Ministry had asked the J.P.M.C., Karachi (to whom the excess expenditure related) for necessary action against the officer responsible. A final reply had not been given since August, 1980 when the PAC had given this directive.

845. The Committee expressed its dissatisfaction on it and directed the Ministry to give further explanation of this excess against the J.P.M.C., Karachi.

846. *Infructuous expenditure on the purchase of a plant [Rs. 23,555 (Page 15—Interim AR)—Paras 326 to 328—Page 76 PAC Report 1970-71].*— Audit had commented on these paras as under :—

> "In their 'Brief' for 1975-76, the Ministry had given an interim reply that negotiations for disposal|installation of the Plant were in progress. Now on the 17th December, 1981, it had been intimated that :—
>
> (i) Action to regularise the expenditure of Rs. 23,555 was being taken up with the Ministry of Finance.
>
> (ii) M|s. Siemens were carrying out inspection to instal the X-Ray Plant.

(iii) The Plant was lying in the X-Ray Department of the Rawalpindi General Hospital, protected from sun and humidity.

This reply was of an interim nature. Despite the lapse of nine years, the infructuous expenditure of Rs. 23,555 on its installation of the plant had not been regularised and the rate of the Unit, costing Rs. 4.85 lac, remained yet to be decided. Action was, therefore, needed to end this long blockade of funds, deprivation of deserving patients from the benefits of the equipment and incurring of expense on its storage and care".

847. Since the Ministry had not furnished any reply, the Departmental Representative was asked to submit their reply early.

Points not discussed to be treated as settled

848. The Committee did not make any observation on other paras|points concerning the (i) Appropriation|Commercial Accounts for 1979-80 pertaining to the Ministry and the Audit Report thereon ; and (ii) audit comments regarding compliances with the PAC's recommendations in their Reports for 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation actions as may be necessary under the rules.

849. The examination of left over accounts and the Performance Evaluation Report in respect of projects under the Ministry of Production was postponed to the following day.

850. The Committee then adjourned to meet at 9.00 A.M. on Tuesday, the 25th January, 1983.

M. A. HAQ,
Secretary.

Islamabad, the 20th April, 1983.

FEDERAL COUNCIL SECRETARIAT

Tuesday, the 25th January, 1983.

Second Sitting. (PAC)

851. The Public Accounts Committee resumed the examination of the Federal Accounts for 1979-80, in the State Bank Building, Islamabad on the 25th January, 1983 at 9.00 A.M. The following were present :—

P.A.C.

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice Chairman.*

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member.*

(3) Syed Saieed Hasan, Member, Federal Council .. .. *Member.*

(4) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. .. *Member.*

(5) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(6) Mr. Yusuf Bhai Mian, Chartered Accountant .. .. *Member.*

Federal Council Secretariat

(1) Mr. M. A. Haq, Secretary.

(2) Mr. I. H. Siddiqi, Deputy Secretary.

(3) Mr. S. M. Ahmad, Assistant Secretary.

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(3) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.

(4) Mr. A. S. Ansari, Director General, Commercial Audit.

(5) Mr. Zahir-ud-Din Jeddy, Director General, PEC.

(6) Mr. Jalaluddin Qureshi, Deputy Director, Commercial Audit.

(7) Mr. Shoaib Ansari, Director, PEC.

Ministry of Finance

Mr. Javed Talat, Joint Secretary (Budget).

852. *Accounts examined.*—The Accounts pertaining to the Ministry of Production were examined by the Committee during the course of the day.

MINISTRY OF PRODUCTION

853. In its meeting held on the 20th October, 1981, the former *Ad hoc* Public Accounts Committee had examined the Appropriation Accounts and part of the Commercial Accounts of the Ministry of Production for 1979-80. The existing PAC, therefore, took up for examination the remaining Commercial Accounts of the above Ministry when the following departmental representatives were present :—

(1) Mr. Hasan Zaheer, Secretary.

(2) Mr. M. A. C. M. Akhtar, Chairman, PIDC.

(3) Mirza Naeem Ahmed, G.M. (Fin.) PIDC.

(4) Mr. Salim Akhtar, G. M. Bannu Sugar Mills.

(5) Mr. Saadat Khan, M. D., Ravi Rayon.

(6) Mr. K. M. Khatian, M. D., QSW, Limited.

(7) Mr. A. R. Syed, G. M. Coordination, QSW, Ltd.

(8) Mr. Masud Beg, M. D. Kar. Pipe Mills Ltd.

(9) Mr. M. Anwar Khan, G.M. State Engg., Corporation.

(10) Mr. Mobashar A. Malik, M. D., Gharibwal Cement Limited.

(11) Mr. Mohammad Hanif, G. M. (Finance) State Cement Corporation.

(12) Mr. Mushtaq Hussain, Sr. Member (Finance).

(13) Mr. Ainuddin Siddiqi, G. M. (Finance), PERAC.

(14) Mr. M.M.A. Usmani, G. M. (Finance), PERAC.

(15) Qazi Wajeehuddin, G. M. (Finance), NPC Ltd.

(16) Mr. M. A. Mian, Acting M. D. N. R. Ltd.

EXCHANGE OF AUDIT REPORTS

854. At the outset, the Auditor-General raised the point that he had been receiving Reports of Auditors-General from various countries on reciprocal arrangement. He sought the advice of the Committee if he might also send his Reports on the Federal Accounts to such countries, soon after they had been seen by the President, but before their examination by the Public Accounts Committee. One member pointed out that the Audit Report became a public document after it was sent by the President to the legislature and it could be released within or outside the country. The Vice-Chairman remarked that this matter should be brought to the notice of the Chairman.

COMMERCIAL ACCOUNTS

Federal Chemical and Ceramic Corporation Ltd. [Para 3(xiii), Page 6-ARCA]

855. The Corporation explained in their written reply that Audit had been requested to take up the audit of the Federal Chemical and Ceramics Corporation Limited from October, 1981. Audit confirmed that the accounts for 1979-80 had been printed in the Commercial Accounts 1980-81 and those for 1980-81 had been audited and would be printed in the Commercial Accounts 1981-82.

Pakistan-PVC Limited, Karachi. [Para 3(xiv) Page 6-ARCA]

856. According to Audit, the Accounts of the Pakistan PVC Ltd. had not been produced to them. The delay was ascribed by the Department to the late appointment of statutory Auditors, to carry out the audit of the firm for the year ending the 30th June, 1980, as the Annual General meeting of the Company was held on the 21st June, 1981. A Member suggested that the accounts for 1981-82 should be got prepared expeditiously and submitted to Audit early. The departmental representative promised to have this done by the middle of the next month.

Antibiotics (Private) Limited, ~~Islamabad~~ ISKANDARABAD. (Para—69 Page 63—ARCA)

857. *Working results.*—It was pointed out by Audit that, though the production of Penicillin from the factory in bulk had increased to 11,614.970 mega units during 1979-80, as compared to 8,691,569 mega units in 1978,79, the full capacity of the plant remained un-utilised. Explaining the reasons for under-utilisation of the capacity, the departmental representative stated that the factory remained closed for about 2-1/2 months due to scheduled shut-down, non-availability of imported raw-materials, defects in the plant, excessive heat and high humidity. Despite the above factors, the production of bulk Penicillin was 34% higher and it helped reduce the net loss by 40% as compared to the previous year. He further added that the plant had produced 15,433,900 mega units of bulk Penicillin during 1980-81 which was a record during its entire history.

858. The Committee was surprised to note that, despite the utilisation of 93% rated capacity, this enterprise had incurred a loss of Rs. 3,519,322. This could apparently be due to incorrect pricing by the Government or the Factory being non-competitive the cost of production being higher than international prices. This called for a reconsideration by the Ministry of Health of the pricing policy, which should not be arbitrary but realistic, aiming at the prices of the life-saving drugs being within the reach of the common-man.

859. According to the departmental representative, the two possible remedial measures could be to operate the plant on no-profit-no-loss basis or to distribute

one half of the annua product of the unit, free of charge, to Government Hospitals and the remaining one-half to the public. Being the only pharmaceutical unit engaged in producing this raw material, the Vice-Chairman observed that the correct course would be to give the company a choice to close down the factory or run it on a no-profit-no-loss basis, with the accumulated losses taken care of by financial restructuring, provided the cost of production could be kept in line with international prices.

860. The Committee was informed that this unit was included in the portfolio of units being looked into by the sick Units Committee, set up by the Government. Noting that cheaper penicillin was available from abroad, the Committee desired to know the justification for keeping this Unit in production, even when it continued to incur heavy losses.

861. The departmental representative submitted that there were many factors, both for and against continuing in production. One of the favourable factors was that only a minor foreign exchange component was involved in production. One way of reducing losses would be a reconsideration of pricing policy for penicillin by the Government. Asked about the up-to-date cumulative total losses, the Committee was informed that it amounted to about Rupees four crores. Replying to a question as to why the Company could not enter the competitive market and have a profit like any other commercial unit, the departmental representative said that it was really a question of competing with the multi-nationals and, in a country like Pakistan, this was not feasible. Asked about the stock in hand on the 30th June, 1982 and the formula applied for lifting the finished product, it was stated that the finished goods on the 30th June, 1982 were valued at Rs. 1,000,000. The country's total demand of penicillin was of the order of 30 mega tons. The formula applied for lifting the finished product was that every dealer has to buy 75% of his demand from this unit and could import upto a maximum of 25 per cent of the requirement from abroad.

862. Questioned about the extent of implementation of the 1956—Agreement between the UNICEF and the Government, the Committee was given to understand that it was not being implemented literally. Thereupon, a member observed that the Unit should insist that Government honour their commitment under the Agreement according to which they were expected to buy the product at cost price basis. The Committee felt that the present situation was far from satisfactory and called for immediate decisions on the following points :—

(1) Financial re-structuring the unit to make the unit viable ; and

(2) running the unit on no-profit, no-loss basis and fixing the price on that basis

863. The Committee finally concluded that *the Government had a choice either to shut down the Factory or to fix a reasonable price for its products and consider a financial re-constructuring of the company, to take care of the past losses. To expedite decision a committee consisting of the Secretary Production, Secretary Health and a representative of Finance should go into the matter without delay and obtain Government orders.*

Kurram Chemical Co. Limited. (Para 63—Page 64—ARCA)

864. According to working results, the Company sustained a net loss of Rs. 2.18 million during the year 1979-80, as compered to Rs. 1.89 million during the previous year, mainly due to under-utilization of its capacity for various products, ranging between the utilisation of 4% to 10% during 1979-80, as compared to 10% to 30% during 1978-79. An amount of Rs. 0.48 million on account of non-productive salaries and wages during 1979-80 was capitalised. Had it been charged to the Profit and Loss Account, the actual losses would have been Rs. 2.66 million instead of the presently shown Rs. 2.18 million.

865. The low utilisation of capacity during the year under review was mainly ascribed to a declining export market for the main product and heavy and unhealthy competition in the pharmaceutical field. In view of losing market for the main product, efforts were made to diversify the product line. Consequently, some Research and Development work was undertaken to develop a couple of products, based on local raw materials. As such the cost of non-productive work force, engaged on this Research and Development, was capitalised and amounted to Rs. 0.48 million.

866. Explaining the working results further, it was stated that the cost of sales, though reduced during 1979-80 but not proportionately so because of the costs of raw materials, electricity and labour had gone up. This affected the gross profits and operating expenses during the year. In 1980-81, there was a small profit of Rs. 2.58 lacs. A member enquird as to what was the investment in the plant. The departmental representative replied that it was a joint plant and they were converting it into that for Dyes. Asked about the cost of the present turn-over, the Committee was informed that it was nearly Rs. 60 per K.G. The Vice-Chairman observed that the performance had shown an improvement during the previous year.

867. Audit commented that, in view of the decreasing demand for the product, the future of the factory needed a careful re-planning by the Administrative Ministry. *The Committee finally desired that, there should be an outright Grant by the Federal Chemical Corporation for Research and Development work.*

868. When questioned as to what were the losses or profits since 1978-79, the Committee was informed that there was a loss of Rs. 9.759 million in 1978-79, Rs. 8.75 million in 1980-81 and Rs. 6.5 million in 1981-82 and in 1982-83 it will be reduced still further. The losses being incurred were mainly due to the operation of the pharmaceutical Section and, there being no prospect of change in the near future for Santonin, the Pharmaceutical Section was closed down in June, 1980 under, the Board's directive. Later on, efforts were made to procure some contractual work from M/s. May and Baker to utilise the machinery in the Pharmaceutical Section and the idle man-power. At the same time, efforts were made to commercialise one of the research products, namely Diosgenin. The product has a great export potential and, now in the current financial year, an order of 5000 kgs. has been procured from West Germany, valuing Rs. 1.1 million.

869. *The Committee directed that latest accounts of the Factory may be Circulated to the Public Accounts Committee members.*

Pakdyes and Chemical Ltd. Iskandarabad (Para 69—Page 66—ARCA)

870. The Committee did not make any observation on the accounts of this concern.

Ittehad Pesticides, Kala Shah Kaku (Para 143, Page 94—ARCA)

871. The working results of this Project for 1978-79 showed a net profit of Rs. 1,649,124, as compared to Rs. 8,757,248 during the preceding year 1977-78. The percentage of net profit to sales was 3.46% during 1978-79 as against 15.22% in 1977-78. As reported by Audit, the average cost of production per metric ton of BHC (Tech) and (DDT) Tech increased from Rs. 7,623.26 and Rs. 18,792.53 in 1977-78 to Rs. 7,867.57 and Rs. 21,218.07 respectively during the year under review. This increase was attributed to increased cost of raw materials, salaries and wages and also under-utilisation of capacity for DDT-Tech. at only 29% of the rated capacity.

872. The percentage of gross/net profit to sales was reduced to 15.21 and 3.46 during the year under review, as against 24.73 and 15.22 in 1977-78. This decline was ascribed to the Malaria Control Department, the only consumer, not lifting pesticides during 1978-79, because mosquitos had developed an immunity against DDT and BHC. As a result, finished stocks of pesticides with the Factory grew substantially in volume. The departmental representative further stated that, since the off-take of the finished stock of pesticides was very low, the plant had to be shut down. Strenuous efforts were being made to improve sales by diversifying production. A new product, namely Sodium Hypo Chloride, was brought into the market from April, 1980, and Rs. 16 million worth of this product had been sold out upto September, 1981. The Unit had gone a step

further and developed Bleaching Powder, for the bleaching of vegetable oil by the Ghee Corporation of Pakistan. The working result of the project, however, presented dismal picture, reflecting a blockade of funds to the tune of Rs. 33,137,750 in finished stocks, trade-debtors etc., with liability to re-pay loans and borrowing amounting to Rs. 36,703,252 and interest thereon. The departmental representative maintained that they had been able to recover Rs. 12,652,514 out of it upto the 30th June, 1980. Blockade of funds in finished stock was inevitable, as volatile items like Benzene, would have been lost by evaporation due to long storage, had they not been converted into finished product.

873. The departmental representative admitted that, during 1979-80 and 1980-81, the off-take remained unsatisfactory due to the availability of subsidised pesticides in the market. He was, however, hopeful that the situation would improve substantially in the future. Pesticides worth Rs. 6.234 million were sold out during the 1st quarter of 1981-82 as against Rs. 4.320 million during the whole of the year 1980-81. Since both the factories *i.e.* Ittehad Pesticides and Ittehad Chemicals, were situated in the same premises, *the Committee desired that the possibility of merging the Ittehad Chemicals and the Ittehad Pesticides be explored, as they used to be sister-concerns before becoming public sector enterprises.*

Ittehad Chemicals (Para 140—Page 92—ARCA)

874. *Working results.*—Production from this factory during the year under review was 85.5% of the rated capacity as against 85.9% during the preceding year. There was a shortfall of 1091 *metric tons* in the sale of Caustic Soda, which was stated to be due to lesser production. The reasons advanced for increase in the cost of production as compared to 1977-78, were :—

—"50% increase in electricity tariff, announced by the Government on the 29th June, 1978.

—33% increase in the price of Rock Salt announced by the P.M.D.C. on 25th July, 1978.

—Periodic incremental effect of salaries and wages and increased prices of other inputs due to over-all inflation.

—Increase in freight and transportation costs and other overheads due to frequent revision of oil prices.

875. The selling price of Caustic Soda was also higher than that for the preceding year. This increase was stated to be beyond the control of the management, as the selling price thereof is fixed by the Controller General of Prices and Supplies.

876. Discussing the Profit and loss Account, it was explained that the gross profits fell from Rs. 6,110,497 during 1977-78 to Rs. 1,355,753 during the year under review. In fact, a net loss of Rs. 5.586 million was sustained as against a net profit of Rs. 7.064 million during the previous year. This financial result was ascribed to increased cost of production and inadequate price compensation, allowed by the Controller General of Prices and Supplies.

877. Commenting upon the overall working of the Company, which was discouraging during the year under review, the Committee was informed that efforts were being continuously made to attain the rated capacity though the utilisation of capacity was 95% and 92% in 1979-80 and 1980-81 respectively. Since, however, the plant had outlived its life (15 years old) by now, extensive repairs and renovation were required in it for achieving 100% utilisation of capacity. The management were fully alive to the situation and making the maximum possible efforts to control the cost, but factors like rise in electricity charges, labour cost and quality of salt etc., lay beyond its control. The Committee wanted to know-how did the internal consumption went upto 1,526 MT in 1978-79 as compared to 1,005 MT in 1977-78. The departmental representative promised to furnish the information.

878. The Sundry Debtors amounted to Rs. 12.47 million on 30-6-1979 but had come down to Rs. 5.75 million on 30-6-1981. Deducting the major outstandings against the sister concerns and Government Departments, which worked out to Rs. 5,356,142 detailed below, only Rs. 4 lakhs remained recoverable from other debtors, which should be deemed to be a nominal amount, keeping in view the fact that the annual turn-over of the project amounted to Rs. 150 million :—

	Rs.
Ravi Rayon Limited	2,631,076
DDT Factory Nowshera	1,888,173
D.G. Defence Purchase	836,893
Total-Rs. ..	5,356,142

879. The Committee observed that, generally, the debtors in the case of Government set-up undertakings, were sister Government Organisations. It should not be much difficult to settle these debts, if a Cell were created to function as an Accounts-Clearing House for these bodies. The Ministry assured the Committee that all possible efforts were being made to recover these debts. Asked about the total amount due from the debtors, the departmental representative replied that it was about Rs 83 lakhs. *The Committee observed that, as the company was a division of FCCL, this should have been shown through the Corporation accounts, so that there was only one debtor.* The departmental representative agreed to this suggestion.

880. Lastly, *the Committee directed the* departmental representative to submit an year-wise *breakdown of the debt of Rs. 1.88 million in respect of the DDT Factory, Nowshera.* The departmental representative undertook to furnish the same.

Ravi Engineering Limited (Para 145-148-Pages 95—97—ARCA)

881. The overall position of the Company during the year was discouraging. It sustained a loss of Rs. 3,526,408 during the year 1978-79 as compared to Rs. 4,202,557 during the previous year. As such, the accumulated losses of the company, as on 30-6-1979, had gone up to Rs. 8,699,421. The major factor contributing to these losses was the heavy incidence of interest, as the paid-up capital was restricted only to Rs. 0.5 million as against the Authorised Capital of 10 million. It could not, therefore, be hoped that the Company would ever be able to earn any profit. The departmental representative stated that Rs. 8 million loan from the Ravi Rayon Limited had already been converted into equity. In addition, a proposal for the financial re-structuring of the company was also under the consideration of the E.C.C.

882. Audit had pin-pointed that an amount of Rs. 4.6 million was locked up in the shape of stores and materials and machines had become surplus and redundant due to the cancellation of some contracts, while interest was being paid on the loans and overdrafts, obtained to meet the cash requirements for these purchases. The departmental representative explained that the Army had placed two contracts for P-10 and 1/1-2 ton trailers on the company, prior to its nationalisation. The stores and materials, referred to by the Audit, had been purchased for the execution of these contracts, which were later cancelled, without any financial repurcussion, as a result of decision in a meeting held on 21-8-1975 under the chairmanship of the then Minister for Production. By that time, the Company had already imported most of the materials and stores, which thus became surplus. The Company were making effort to explore the possibility of utilisation of this raw material. In January, 1981, the Directorate of Procurement (Army) confirmed the requirement for these trailers.

883. Similarly, the company were awarded two contracts of Rs. 5,579,260 and Rs. 403,000 by the Pakistan Air Force. The company completed the major contract for the supply of components of Pen Gates and payments were also received except for the retention money, which was held back. Work on the other contract, for the installation of the above components was in progress when it was cancelled with penalty amounting to Rs. 2,070,530. The company had filed civil suit in Peshawar, which was subjudice. They had also initiated a claim of Rs. 4,918,000 since for the enhancement of the contract price.

884. The representative of the Ministry of Finance informed the Committee that there were many other cases, like the one under consideration, where suits had been filed. The departmental representative stated that they were making efforts to sort out these cases with the PAF and had started negotiations all over again. They were hopeful about an acceptable solution. Thereupon, *the Chairman observed that some machinery should be set up to speed up decisions in such cases. Delay in obtaining judicial decision was creating unnecessary complication in these cases. Therefore, every possible effort should be made to finalise and arrive at settlements in all these pending cases, as early as possible.*

885. A member suggested that it would be in the interest of the Company to dispose of the surplus stores, materials and machines, purchased for the Fabrication of trailers, and pay off the loans and overdraft, to save the huge amount of interest that had to be paid by them on this account.

886. Regarding trade and sundry debtors, it was pointed out that it stood at Rs. 4,964,004 on 30-6-1979. The departmental representative stated that the old outstanding debts, pertaining to the 1972-73 and earlier years, amounting to Rs. 1,679,591, included an amount of Rs. 1,517,106 due from the *ex*-associate Companies. This amount had now been debited to M/s. Ittehad Pesticides under the directive of the Ministry dated 20-4-1981.

887. Replying to an observation of Audit about the Company undertaking jobs at rates below the selling cost, and resulting in a total loss of Rs. 1,024,901 upto the 30th June, 1979, it was stated that the estimates/quotations for these jobs had been prepared on the basis of prices prevailing at that time. But due to world wide inflation, prices of raw materials and increased appreciably, resulting in losses to the Company. The Audit representative commented that, inflation being a normal factor, its effect should have been included in the job estimates. The Committee did not make any observation further in the matter.

Swat China Clay Project (Pages 1—31/Eval. Perf. Report Vol-I)

888. A scheme entitled "Development and utilisation of Swat china clay" was submitted by the West Pakistan Industrial Development Corporation (WPIDC) to the Government in April, 1967. The scheme was based on a feasibility survey for china clay, carried out by the Japan Consulting Institute. The project, due to be completed in April 1973, was actually completed in May 1974, at a cost of Rs. 10.14 million, as against Rs. 7.83 million provided for in the revised PC-I. form.

889. *Production capacity and production.*—The production capacity of the plant is 4800 tons of china clay per annum. During its first five years ending June 30, 1979, the plant operated at a capacity ranging between 20% to 59%. The production during 1979-80, however, touched the rated capacity.

890. The PC-I Form for the project had assumed that 2200 tons of its product would be consumed annually by the Swat Ceramics Complex, Saidu, a sister unit. It had also assumed that the project "will be based entirely on local raw material". These assumptions were based on :

—the report of feasibility survey for the development of Swat china clay, prepared by the Japan Consulting Institute, which stated that "first grade clay, to be produced from Swat china clay, was as good in quality as the world's first grade china clay" ;

—tests and detailed analysis done by the WPIDC, Geological Survey of Pakistan, PCSIR and Japan consulting Institute, which "proved beyond doubt that the deposits held a very good promise and, on benefication, could be used for all purposes for which this mineral is required".

Contrary to the stipulations in its PC-I, the Swat Ceramics Complex had not used the local-china clay during the past five years of its operation. This had caused a serious setback to the Swat Clay Project.

891. The year 1979-80, however, witnessed a change for the better, when production reached the capacity level. Sales exceeded 4000 tons and the unit, for the first time, earned a profit of Rs. 3,22,000 (un-audited figure). The market for the product also seemed to have picked up. One reason for the increased consumption of local china clay may be the high differential between the price of imported china clay and that of the local product. Imported china clay, which was previously available at Rs. 3000 to 3500 per ton, presently cost over Rs. 5000 per ton. Against this, the local china clay costs only Rs. 1600 per ton.

892. The Management conceded that the biggest area needing the Maximum possible attention was low sale of the product. It was stated that, while preparing the feasibility report, it was projected that 2200 tons of China Clay would be consumed by the Swat Ceramics Company, one of the sister Projects manufacturing Sanitary-wares, Tiles etc. But, after the Project started the manufacture of its products, various tests and experiments proved that the main product of the Factory, namely China Clay, could not be used in the manufacture of Sanitarywares in the Swat Ceramics Company Ltd., mainly due to its higher calcium content. This China Clay created problems in the slip casing for the said Sanitary ware. Hence the projected sale of 2200 tons to Swat Ceramics Co. Ltd. remained un-realised. The above Company purchased only 70 tons of China Clay for Swat Clay, which was negligible as compared to the projected figures.

893. Due to the above set-back, the Project had to diversify its activities and has been successfully utilising its capacity to the extent of 80%, by rechannelising it for other customers and other uses in the open market, including the manufacture of ultramarine, ceramics, tableware, insulatory paints, rubber

etc. Audit observed that proposals for sales promotion through the diversification of customers, if pursued competently, had a bright chance of increasing the company's sales. It was also mentioned that, as sales promotion policy, it had been proposed to introduce an Advisory Service for those, who wished to enter into this industry on a small scale. The Small Industries Development Boards in all the Provinces had been accordingly approached with request for financial assistance and support to new ceramics Units. It was encouraging that some investors had come forward, established their units and started placing orders for the China Clay, produced by this Unit.

894. It was also stated that, in addition to China Clay, this project was engaged in producing Fine Slip for the manufacture of Wall Tiles, which was fetching Rs. 500 per tons in the open market, and a gradual increase in its sale is most likely. This product was also now being sold to the sister Project, *viz.* Swat Ceramics Co. Ltd. The rates for the Swat Ceramics Company, were however, quite concessional, as they were being charged only Rs. 150 per ton. This incentive was being given to the Swat Ceramics Company by way of sales promotion policy. Since a product only upto the standard was required by them, the Swat Ceramics Company Ltd. were approached to fix the price at a more realistic level. The price of fine slip had since been raised to Rs. 250 per ton, which is still a discounted rate. However, because of this re-fixation, the Project is expected to receive additional revenues, making for an improvement in the viability of the Unit.

895. Regarding the Debt position, it was explained that the balance of overdraft from the National Bank of Pakistan, as on 30-6-1980, was Rs. 9.83 million and it went up to Rs. 11.3 million on 30-6-1981, with an interest component of Rs. 7.96 million. The Management was fully alive to this burden and with the generation of additional revenues from improved sales, a schedule of repayment had been devised to liquidate the huge debt. A repayment of the loan at Rs. 0.2 million per month was being made according to this schedule. It has been possible for the company to repay Rs. 0.6 million in 3 months. It was hoped to keep up with this rate, to bring down the level of debt as soon as possible.

896. *Recoverable balance from PMDC Units.*—It was confirmed that the principal amount, recoverable from the Salt Mines, and since been recovered, while the interest balance of Rs. 3,21,622, as on 30-6-1981, was still outstanding against them. The Commercial Office of the Unit at Karachi was pursuing the recovery and it was hoped that the interest amount might also be recovered soon.

897. *Quality control.*—As regards complaints about Quality Control, the Committee was informed that arrangements had been made to check the moisture content of the product, meant for despatches, along with improved weighing arrangements.

898. Discussing the staffing position in the Factory, it was stated that, due to increase in demand, an increase in production from 4800 to 6000 tons was being planned. With this level of production (100% capacity), the problem of under-utilisation of the personnel would be overcome to a great extent. It had also been planned not to fill in any post falling vacant due to the retirement, and termination or dismissal from service of any workman.

899. *After further deliberations, the Committee took the following decision* :—

(i) An inquiry should be held as to what went wrong with the original report of the consultants about the suitability of Swat Clay for the ceramics complex. Either the Japanese consultants were not fully qualified or the samples provided to them were not correct. A detailed report on this, stating, *inter-alia*, the action taken against those departmentally responsible, should be submitted to the public, Accounts Committee.

(ii) A financial restructuring of the Factory should be considered, in view of their losses, and a self-contained paper should be furnished to the PAC, setting out the full financial picture of the project, including the detail of the amount outstandings against PIDC, as stated verabally by the deprtmental representative and the reasons therefor.

(iii) Steps should be taken to deal effectively with the problem of over-staffing in the Factory.

Nowshera DDT Factory (Pages 32—62/Per. Eval. Report, Part-I)

900. *Some Salient features of the Project.*—As reported by the Auditor-General in his performance Evaluation Report, the factory was installed by the PIDC in 1954 for the manufacture and formulation of Technical DDT. The full rated production capacity of the Factory, detailed below, was never utilised :—

Main Products

Technical DDT 600 Metric Tons. 75% DDT Wettable Power 800 Metric Tons.

By-Products

Hydrochloric Acid	600 Metric Tons.
Weak Sulphuric Acid	900 Metric Tons.

901. The Unit stopped the production of DDT in April, 1979. Because of closure of the Factory and, as assessed by Audit, over 70% of "other receiveables", totalling Rs. 2.49 millions, are apparently un-realiseable. The operations of the factory were conducted on a no-profit-no-loss basis till 1974. Thereafter, the FCCCL assumed responsibility for operating it on a commercial basis.

902. A working capital of Rs. 3.3 million was provided to the unit by the Ministry of Production on the transfer of its control to that Ministry in January, 1975. The unit had 198 employees on its rolls, as on February 29, 1980. The Capacity of DDT production in it is :—

DDT, technical grade	600 tons per annum
DDT, 75% wettable powder	800 tons per annum

The plant did not operate at full capacity at any time due to limited demand for its products. However, its by-products are :

—hydrochloric acid.

—weak sulphuric acid.

903. *Overall assessment and Diversification.*—As for its overall assessment, the unit stopped the production of DDT in April, 1979. Government formally decided in January, 1980 to discontinue the use of DDT in the Malaria Control Programme (MCP), as the insecticide was reported to have lost its effectiveness. Consequently diversification of its activity became a life and death issue for the factory. A PC-I for the formation on " Nowshera PVC Company (Private) Ltd. " was then submitted and has been approved by the Government. The salient features of the new project are :—

—a new plant is proposed to be imported and installed for the manufacture of PVC corrugated-perforated pipes of 4", 6" and 8" dia. The plant will use PVC resin as raw material. This resin is produced by the Pakistan PVC Ltd., a unit of the PCCCL, located at Karachi ;

—the capital cost of the new project is estimated at Rs. 14 million, which includes a foreign exchange component of Rs. 9 million ;

—the new plant will be located within the premises of the Nowshera DDT Factory. It will have a production capacity of 1,000 tons of pipes per annum. The production for the first year has, however, been planned for 850 tons ;

—land, buildings, residential colony and other facilities like water, power, gas etc. and 55, out of the present total of 200 idle employees of the Nowshera DDT factory, will be utilised by the new project ;

—the new project was planned to go into production in July 1981 ;

—WAPDA is considered to be the only potential customer for PVC corrugated perforated pipes, which are used in some water-logging and salinity control programmes. The PC-I assumes that the Mardan SCARP Project, where such pipes will be required, will consume the entire production of 2,800 tons of PVC pipes during 1981—84.

—The production of corrugated-perforated pipes at Nowshera will :

ensure their cheaper supply to WAPDA's Mardan project, because of saving in the cost of transportation ; absorb 55 idle employees of the idle DDT factory.

The operational period of the Nowshera plant, at its full capacity is, however, presently estimated at only three years, since the only approved SCARP project at present is the one at Mardan. An Investment of over Rs. 14 million in a project of possibly such a short duration may not justify itself.

904. *Profitability.*—The profit-oriented commercial operations of the factory commenced in January, 1975, when its control was transferred to the Ministry of Production. The first year of commercial operations yielded a net profit of Rs. 3.82 million. There was a steep decrease in the operating profit thereafter. The range of yearly decrease during 1975—79 was 85% to 140%. The factory sustained an operating loss of over Rs. 1.5 million during 1978-79. While sales fell by 12% to 64% over the period 1975—79, the profits and profit margin fell by 85—140% and 83—213% respectively. The main causative factors were high costs of production and low sales.

905. The department had explained, in their written reply, that strong prejudices against the use of DDT had developed in advanced countries of the world, causing a decline in the demand of DDT. However, the countries in the neighbourhood of Pakistan, namely India, Bangladesh, Indonesia, Malaysia and Sri Lanka are still using DDT as an anti-malaria insecticide. Besides the diminishing demand of DDT, the cost of its production had gone up very high due to the high costs of indigenous, as well as imported, raw materials. The effort to export DDT to India and Bangladesh was seriously handicapped by the refusal of the Ministry of Commerce to grant any export rebate.

906. In pursuance of the directive of ECNEC in January, 1980, to discontinue the use of DDT in the Malaria Control Programme, the demand for DDT came to be almost nil. Accordingly, further production of DDT and its various formulations had to be stopped. A total of 200 employees on the rolls of the DDT factory were rendered idle and fixed expenses of Rs. 2,90,000 per month continued to be incurred on them. The available stocks of DDT, *viz* 435 M. tons valuing Rs. 9.1 millions, was being held on the shelf and unsold yet, despite strenuous efforts. While the price of DDT in the International market is US $ 1600—1650 per ton, the cost of its production in Pakistan is about US $ 2700 per M. tons. Unless, therefore, the deficit on this account is made up by a supporting Export Rebate, sale of DDT to India/Bangladesh is likely to cause a total trade loss to the extent of Rs. 2,500,000. The Ministry of Commerce had already expressed

its inability to help the Factory on two previous occasions. However, it is essential that, despite loss, the stocks of 435 M. ton of DDT be disposed of at the prevalent International price, to obviate its total wastage, to which it is exposed now."

907. *Malathion.*—The Nowshera DDT Factory is one of the three units in the world, who have successfully formulated Malathion 50% Wettable powder, free from isomer formation. Mr. Sanderskov of M/s. Cheminova Ltd., of Denmark, visited Pakistan and felicitated the Chairman, Federal Chemical & Ceramics Corporation on this rare achievement. In the wake of this happy development, Messrs. Cheminova Ltd., of Denmark, Manufacturers of Malathion, were also good enough to confer on the Nowshera DDT Factory the proprietory right for the sale of Malathion formulations to the Agriculture Sector also. On his visit to the Nowshera DDT Factory in April last, the Minister for Industries, NWFP was pleased to know that the Nowshera DDT Factory possessed this capability and was pleased to call upon the Federal Health Ministry to purchase Malathion 50% WDP from the Nowshera DDT Factory for use in the Malaria Control Programme. The fact is that the Malathion, formulated at Nowshera, will be cheaper by about Rs. 1000 per M. ton.

908. The departmental representative agreed with the Auditor-General that, for the purposes of sale of 25% E.C. DDT to the Agriculture Sector, the earlier decision of restricting the sale of this formulation to M/s. Ittehad Pesticides, may be revised. Accordingly, with the approval of the Federal Chemical and Ceramics Corporation Limited, a request has been made to the Director, Plant Protection Department, Malir Halt, Karachi for the registration of DDT and its formulations.

909. Disagreeing with the Audit's findings and recommendations, the departmental representative stated that the syndrome, arising out of the diminishing use of DDT by the Malaria Control Programme since 1972, was tackled by evolving schemes for diversification, modernizing and balancing, from time to time. These schemes were, however, found to be set by peculiar problems of their own. For instance, Nowshera, situated in the outlying north-west of the country, presented problems of transportation of raw materials from and haulage of finished goods to distant market. After a careful consideration of the financial aspects and market conditions, it was conceived that the best possible utilization of the existing infra-structure, resources and capacity of the existing DDT Unit could be secured through the production of Malathion WDP 50%, and however, the proposal did not succeed as no buyers came forward for the product. Secondly, the PVC Project was approved for the manufacture of PVC pipes. In addition to these two schemes, work was done on the following schemes also :—

(1) *Detergents*—nearly 6 M. tons of detergents have been produced in the factory and an assessment of viability for its marketing was being made.

(2) *Allum.*—of good quality (Iron free) for supply to paper and allied industries is in hand.

(3) *Nitric Acid.*—preparation of commercial grade Nitric Acid was being experimented with.

(4) *Ammonium chloride and Ammunium Sulphate.*—are under experimental production.

(5) It was proposed to manufacture Nito cellulose for its use in laquer lining/paints on industrial scale.

(6) *Kelthane.*—Manufacture of this pesticide was mooted by the Committee, appointed by the Health Minister, which projected the maximum utilisation of the DDT Plant and the DDT itself.

910. While Scheme Nos. 5 and 6 had to be dropped, for one reason or the other, the Management of the Nowshera DDT Factory was fully alive to the need for diversification etc., and all-out efforts were being made by them during the past 11/12 years to devise ways and means of alternative utilization of the Plant and personnel etc.

911. The management did not agree with the assertion that that plant and machinery, valuing Rs. 960,000, (depreciated) had become redundant. Instead, it was averred that, with some necessary modifications and additions, the present plant and machinery, valued at about Rs. 10.00 million, was being utilised for the manufacture of Detergents, Allum, Nitric Acid etc., as stated above. The management also differed with the suggestion that over 70% of other receivables, amounting to Rs. 2.49 million , were unrealisable. In the case of Sales Tax and Customs duty claims, the CBR had already refunded a sum of Rs. 40,652 as a result of the management's persistent efforts. In other cases, such as insurance and miscellaneous debts, there is a reasonable expectation of making recoveries.

912. At the conclusion of the discussion, the Committee remarked that, now that only Allum was being produced by this Factory, *a paper should be submitted about what was being planned regarding this Factory now and about the proposed PVC project and whether the stocks will be disposed of.*

State Petroleum Refining and Petro-Chemical Corporation Limited. [Para 3 (xxvii), Page 7—ARCA].

913. The Committee did not make any observation on this project.

ENAR Petrotech Services Limited (Para 71-Page 67—ARCA)

914. Audit had commented that the system of accounting, adopted by the Company, was on " Cash Basis ". The accounts of accrued Income and Expenditure were, therefore, not taken into account. To depict a true financial picture,

the Company should adopt the "accrual basis" of accounting. It was explained in reply that, under the Company and Income Tax Laws, there was no restriction on companies to follow any particular system of accounting. It had been left to the companies to select the accounting system, most suited to their type of business, so as to correctly reflect their state of affairs. However, the only legal requirement was that the basis of accounting, once adopted, should be consistently maintained. Any subsequent change in the basis accounting should have a valid justification and should be got approved from the income Tax Authorities.

915. ENAR Petrotech Services Limited were a service organisation, which carried out consultancy jobs for or on behalf of their clients. Service and consultancy organisations mostly maintained their accounts on Cash Basis, since it was most suited to their nature of business. This was due to the fact that, in such a type of business, the actual income realised was usually less than the accrued income due to non-realisation of certain bills and/or subsequent reduction in charges by the clients, for services rendered by the Company. Under these cirumstances, if accounts were maintained on an accrual basis, the company would either be paying income tax on unrealized income, or if their income was subsequently reduced due to non-realization of certain accrued income, they would have problems justifying these adjustments to the Income Tax Authorities.

916. Due to the above reasons, ENAR Petrotech Services adopted the Cash Basis of Accounting and had been consistently following it. The Cash Basis of Accounting, followed by ENAR, had been approved by its Board of Directors, the Company Auditors and the Income Tax Adviser. Nevertheless, for the purposes of internal management, ENAR prepared their funds flow, cash flow and receivables statements on accrual basis also.

917. In reply to a question, the departmental representative stated that the balance-sheet was being prepared on an accrual basis, reflecting the correct position of the accounts. He also confirmed that they had consulted their lawyers, who had advised that they could keep their accounts on either basis. However to be more precise and correct, the Corporate Law authorities would now be consulted. The Chairman observed that such consultation with the concerned authorities was necessary, as it would be a guide-line not only in this case but for other future cases as well.

918. *In conclusion, the Committee directed that the accounts of this project should be maintained on an accrual basis from 1982-83. A paper should also be furnished to the Committee, showing as to how were the figures arrived at.*

National Refinery Limited. (Paras—89—92, Page 76—ARCA)

919. The National Refinery Limited was established as a Public Limited Company on the 19th August, 1963. The Government of Pakistan took over

the management of the Refinery under the Economic Reforms Order on the 16th January, 1972. Its overall managerial functions were entrusted to the Board of Industrial Management, through the State Petroleum Refining and Petrochemical Corporation Limited (PERAC). The Working results of the Company for the year 1979-80, as compared to those of 1978-79, indicated that increase in the gross profit was not commensurate with increase in sales. This was due to the increased cost of production, mainly because of increase in the cost of crude oil from $ 18 per barrel on the *1st July, 1979 to $ 28 per barrel towards the end of the year* under review.

920. *Working Capital.*—The Company had a working capital gap of Rs. 90 million on the 30th June, 1980 as against Rs. 47 million at the end of the previous year. Increase in the Working Capital requirements during 1979-80 was, amongst others, due to debt servicing liability during the year, which was Rs. 88.2 million against Rs. 57.5 million available through depreciation. Consequently, the shortfall of Rs. 30.7 million had to be financed through additional short-term borrowings. The impact of higher debt servicing on the Working Capital from 1976 to 1980 was Rs. 105 million.

921. Several representations in regard to pricing policy or for retaining profits, to meet the requirements of increase in the Working Capital, were made to the Government, as a result of which, a Pricing Committee was set up by the Government in October, 1980 to examine the profitability and liquidity problems of NRL. This recommendations of this Committee had not been made known so far.

922. *Noting the above position, the Committee directed that—*

(1) *the details of debt servicing should be explained fully in the future ; and*

(2) a paper may be submitted to the PAC, explaining the Rs. 105 million debt servicing problem and how was it proposed to resolve it.

Zeal Pak Cement Factory Limited (Hyderabad) (Para 80, Page 72—ARCA)

923. Though the working results of the Zeal-Pak Cement Factory Ltd. Hyderabad for 1979-80, were a shade better than those of 1978-79, the cost of sales per ton increased from Rs. 247.69 in 1978-79 to Rs. 278.96 per ton during 1979-80. In the Maple Leaf factory, it was only Rs. 213.14 in 1978-79 and Rs. 230.62 in 1979-80. The administrative, selling and distribution expenses also substantially increased over the year. These comparative figures established that there was a scope for economy in Zeal Pak. The Committee did not make any observation on this project.

924. *Avoidable extra-expenditure of Rs. 43,980 on un-economical purchase (Para-43, Page 54—ARCA).*—It was pointed out by Audit that the PIDC entered into contracts with two firms on the 15th June, 1973 for the purchase of paper

bags for a factory managed by them. However, two difierent rates *viz* $ 143.20 (Rs. 1,417.68) per 1,000 bags and £ 51 (Rs. 1,461.66) per 1000 bags. C&F Karachi with similar specification were allowed, to the firms for the supply of 1,500,000 and 100,000 paper bags respectively. On principle, there should have been no variation in the rates when the specifications, date of contract and the delivery period were the same. The order placed at Rs. 1461.66 per 1,000 bags thus resulted in an avoidable expenditure of Rs. 43,980.

925. Explaining, the departmental representative produced the letter No. ZP (MD-5) P-I dated 30th May, 1973 from the General Manager, Zeal-Pak Cement Factory and a copy of the General Manager (Finance), Director (Cement) and Chairman, PIDC, showing that the party, quoting at £ 51 per 1000 bags (M/s. Alvi Sons), was the lowest. But they had offered only 3 million bags, while the requirement of the PIDC Cement Factories (Zeal-Pak & Maple Leaf) was 12.5 million. The Corporation had no alternative but to go to the next lowest for the balance 9.5 million bags. Hence the variation in rates. The Committee was satisfied with the explanation and the para was treated as settled.

Mustehkam Cement Limited (Para 72—74, Page 68—ARCA)

926. The Pakistan Cement Industries, Hatter was nationalised under the Government of Pakistan's Economic Reforms Order, 1972. Subsequently, the name of the Company was changed to Mustehkam Cement Ltd. and, in pursuance of the Economic Reforms (Acquisition and Compensation) Rules, 1973 1,471,265 shares of the major share-holders, valuing Rs. 14,712,650, were nationalised.

927. Out of the profits for the year under review, the Board of Directors of the Company declared dividend a @ 15% for all the share-holders, except the State Cement Corporation of Pakistan Ltd., who had foregone their share of the dividend amounting to Rs. 11,821,427. Audit observe that this decision of the Corporation was not in the Government's interest.

928. The departmental representative explained that the profits for 1979-80 were not enough to pay a dividend of 15% to all the share-holders, including the State Cement Corporation, who held about 82% shares in the paid-up capital of the Company. The State Cement Corporation were requested by the Company to forego their share of the dividend so that the private share-holders could be paid a 15% dividend. This was approved by the Board of Directors of the SCCP and was in line with the general policy of the Government that creating a good investment climate be created in the country and conditions made more lively on the stock market.

929. The Committee then considered the above decision of the Corporation. After some discussion it agreed that, having the power to do so, the Managements judgement on this could not be questioned. The objection was then dropped.

PERFORMANCE EVALUATION OF PUBLIC SECTOR ENTERPRISES

Mustehkam Cement Limited, Rawalpindi

930. The 52-page Evaluation Report of the Auditor General on the above Factory was gone through by the Committee in the light of comments offered by the State Cement Corporation. According to Audit, the Mustehkam Cement Limited (MCL) was incorporated as a public limited company under the name of Pakistan Cement Industries Limited in 1954. Its installed capacity was 360,000 tons per annum, about 10% of the total installed Cement capacity in the country. The Factory started production in July, 1966. Another recently installed plant in it, with an annual production capacity of 300,000 tons per annum, was to go into operation by the end of June, 1981. The Company employed 896 persons and had an authorised capital of Rs. 180 million at the time of take-over by the Government on January 2, 1972. The fully paid-up capital on that date was Rs. 23.1 million.

931. The Company's performance, since the take-over, has been quite satisfactory in that full production capacity was being realised and the Company earned a net profit of Rs. 27.13 million during that period. Liberal dividend policy, and other compulsory withdrawals by the Government and the SCCP, however, did not allow sufficient capital formation, which was badly needed for future renovations and replacement of the plant, which has been constantly in use for 16 years.

932. The Company's administrative control is vested in the SCCP. An independent Board of Directors was constituted to hold 85% of the company's share capital and also render technical, financial and administrative assistance to it. Service charges by the Corporation were nearly 13% of the unit's administrative expenses. To finance new projects in the country, the Corporation had imposed on the Unit a development surcharge at Rs. 34 per ton. Also, for financing the expansion project of the company, the Corporation had extended to the Company various loans @ 1% above the bank rate. The feed-back from the Corporation on various operation reports, sent by Audit, was virtually nil.

933. The Company's financial position was satisfactory as it had been regularly re-paying its long-term debt, which was wiped off in 1979-80. It had also not needed any bank overdrafts since 1976. The profits of the unit gradually increased in variable costs, like power and fuel tariff and more than 10% increase in the cost of stores and spares due to inflation.

934. In their comments on Performance Evaluation by the Auditor-General, the State Cement Corporation stated that a strict preventive maintenance programme was being followed by the factory due to which production had been more than the capacity. The time allowed for maintenance/shut down was

based on past experience. However, at the time of shut-down for maintenance and repairs, every effort was made to complete the rapair/maintenance work, as early as possible, and to get the maximum production from the unit.

935. Dis-agreeing with the Audit observation that there was no feed-back from the Corporation, it was stated that a proper feed-back system had been devised by the Corporation. Periodical review reports were prepared by the SCCP, containing comparative unit-wise production, sales volume, sales revenue, profitability, production losses, cost of production, taxes and duties, employment etc. These reports were sent to the Managing Directors regularly, to enable them to utilise the data for further improvement. Periodical review meetings were also held with the M. Ds on the basis of feed-back reports.

936. During the discussion, the basis for calculating depreciation charges also came under consideration. The Committee was informed that, generally, single shift basis was the rule for calculating depreciation, as 10 per cent was allowed by the Income Tax authorities. *The Committee directed that, as far as possible, a uniform system of depreciation and accounting should be devised for all the State Cement Factories, in consultation with the Ministries of Finance and Industries.*

937. *The Committee further desired that the position of foreign loans, allocated to different Cement Units, including the Interest to be paid thereon, should be explained to the Committee, with reference to Government orders on the subject.*

938. Referring to the policy of the Company regarding commitment of bonuses to workers, the Committee observed that, 'profit' was not indicative of the proficiency of workers, for the reason that profit/loss in the case of controlled units, like cement factories, is dependent on the pricing policy of the Government. Therefore, theoretically, the criterion for bonuses should be performance of the Unit and not the profit.

939. The Committee also heard the representative of the Ministry and the State Cement Corporation in respect of pricing policy. In its view, normally, the relevant economic factors should form the basis for fixing the price and not any political considerations.

Associated Cement Limited (Paras 75-76, Page 69—ARCA)

940. This Organisation was transferred by the Federal Government to the State Cement Corporation in 1974 and the investment made by the Federal Government in Associated Cement, before the commencing day, was deemed to be the equity in the Corporation. In their written reply, the departmental representative had explained that during the past years, the Associated Cement incurred losses due to short-fall in production an outcome of the Factory being 42—60 years old. The recurring losses eroded the equity completely.

941. Commenting on the financial and operating results, Audit had stated that the equity had been wiped out due to adverse operating results which, in turn, increased the financing of the Company by creditors, resulting in a weaken liquidity position. At the end of the year under review, the current liabilities exceeded the current assets by Rs. 7.897 million as against Rs. 3.473 million at the end of the previous year.

942. The financial management of the Company also did not appear to be adequate. At the close of 1979-80, Rs. 15.693 million was due for payment on account of overdue instalments of long-term loans. At the same time, amounts aggregating to Rs. 32.033 million were lying in call and fixed Deposits. With judicious decision making, part of this amount should have been utilised towards the payment of over-due instalments of long term loans, saving the interest thereon.

943 The departmental representative assured the Committee that effective steps had been taken by the Management to devise suitable steps to embark upon a heavy balancing, modernization and re-habilitation plan, so as to keep the factories running and avoid further short-falls in production. For this purposes, a PC-I proforma had been submitted to the Ministry which, if approved, would improve the production of the Factory.

944. Referring to the SCCP foreign currency loan, a Member hoped that it would be repayable after the exchange of the instrument of ratification. The departmental representative confirmed this presumption and added that it was a Saudi Arabian Loan of @ Rs. 165 million, payable in U. S. Dollars at 8.5% rate of interest. A Member desired to know whether foreign loans were channelised to the company through the State Cement Corporation. The representative of the Ministry of Finance clarified that the liability was that of Mustehkam Cement. A Member of the Committee requested that the position should be explained clearly in the 1981-82 Accounts.

945. The Auditor-General remarked that, according to the policy decision, loans in local or foreign currency would be channelised through the Corporation *i.e.*, the holding company. The Departmental representative confirmed this position and added that this channel was being observed for all loans, which the Government were borrowing.

National Petro Carbon Limited. (Para 93—95, Page 78—ARCA)

946. The Project was approved by the ECNEC on the 19th August, 1975 and it was decided that it be completed within 31 months. However, it was actually completed on 31st March, 1980. The original PC-I, approved by the ECNEC at an estimated cost of Rs. 133.00 million in August, 1975, was revised in 1978, with an estimated cost of Rs. 177.648 million, but the Government approved the revised PC-I for Rs. 154.270 million only. Ultimately, the Project was completed at a cost of Rs. 170.004 million.

947. The Committee noted that the actual cost of the Project was much higher than approved by the ECNEC and *desired that it should be got regularised, if not already done.* The Committee also *directed that a paper should be submitted to it, explaining as to how the above figures of expenditure were arrived, at based on the* 1980 *figures.*

Pak-Hy-Oils Limited. (Para 86—Page—74—ARCA)

948. The Pak Hy-Oils Limited was established in December, 1974 as a subsidiary of the State Petroleum Refining and Petrochemical Corporation, with an authorised and paid-up capital of Rs. 2 million and with the object of producing speciality Asphalts and Speciality Oils. The Company was later merged and Petrospecialities Division became its successor.

State Engineering Corporation

949. *Decline to entertain Government Audit* [*Para 3 (XVI) to (XXV), Page—7—ARCA*].—Audit had pointed out that the following organisations under the Ministry of Production declined to entertain Government Audit :—

(1) State Engineering Corporation
(2) Karachi Gas Co.
(3) Pakistan Automobile Corporation.
(4) Awami Autos Ltd.
(5) National Motors.
(6) Republic Motors.
(7) Sind Engineering Corporation.
(8) Domestic Appliances.
(9) Trailer Development Corporation.
(10) Textile Machinery Corporation.

950. The departmental representative took the position that the Corporation and its Units never declined to entertain Government Auditors, but the Auditors were only requested to commence audit after the completion of External Audit. The Deputy Director, Commercial Audit was also requested to chalk out a programme and send the same to the Ministry, for further action.

951. In the discussion that followed, the departmental representative submitted that the problem, whether all the public enterprises should be subjected to statutory Audit by the Auditor General, had been finally resolved and a Summary for the Cabinet had since been prepared. After its approval, all such Units will come under statutory audit by the Auditor General.

952. *Over-Payment of Rs. 145,060 due to wrong fixation of Pay (Para 40 Page 51—ARCA).*—After hearing the departmental representative, the Committee observed that, in the circumstances explained, there was no objection to the regularisation of the over-payment by the competent authority.

White Cement Industries Limited. (Para 83—Page 73—ARCA)

953. There was no material point for consideration by the Committee on this para.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORTS FOR 1975-76 TO 1977-78.

Pak. American Fertiliser Ltd.

954. *Loss of Rs. 36,366 due to late payment of Interest by the Bank (Para 8—Page 12—CA—1974-75—paras 483—485—Pages 108—109 PAC Report 1975-76).*—The departmental representative had stated that, even on a fresh reference, the Bank had refused to accept the claim. Thereupon, Audit had observed that it was not explained as to what further steps had been taken or were proposed to realise the amount. The Committee was informed that the matter was now being discussed with the Chairman, Pakistan Banking Council, for an early finalization. The Committee did not make any further observation in the matter.

955. *Avoidable Payment of interest amounting to Rs. 23,704 (Para 9 Page 12—CA 1974-75—Paras 486—488—Page—109—PAC Report 1975-76).*—The Committee noted that the Bank had accepted the claim and directed Audit to verify its realisation.

956. *Loss of Rs. 11,080 due to non-recovery of double Payment (Para 10—Page 13—CA—1974-75—Paras 489-490—Page 109—PAC Report 1975-76).*—It was stated that, even on a fresh reference, the bank had not accepted the claim and had reiterated their earlier stand that the two payments were against separate bills. Hence there was no case of double payment. Documents, pertaining to the period 1960 were not available either with the Bank or the project. The Committee observed that, in the circumstance, nothing more could be done in the matter and the para be dropped.

Harnai Woollen Mills Ltd.

957. *Audit Comments (Para 38—Page 55—CA—Para 424—Page 100—PAC Report 1976-77).*—The Chairman observed that, whatever the amount of excess expenditure, it had to be regularised. The departmental representative was directed to find out the actual figures of excess and get the same regularised early. Audit was asked to keep a watch.

958. *Trade debtors (Para 40—Page 55—CA—Paras 425—427—Page 101—PAC Report 1976-77).*—The position of recovery of sundry Debtors was not considered satisfactory by the Committee, because against Rs. 4.411 million in 1976-77, the debtors stood at Rs. 13.619 million on 30th June, 1980. The departmental representative assured the Committee that they were pursuing the matter with the Army and were hopeful of realising the outstandings soon. The Committee did not make any further observation.

959. *Working results. (Para 61—Page 104—CA—Paras 430—433—Pages 101—102—PAC Report 1976-77).*—The Committee made no observation on these paras.

P.I.D.C.

960. *Loss of Rs 60,569 on account of non-recovery of Advances from a clearing Agent (Para—71—Page—11—CA—Paras 437—438 page 102—PAC Report 1976-77).*—Audit pointed out that the Ministry had not given any reply. The Committee directed the departmental representative to furnish Compliance to PAC's earlier directive.

The Bannu Sugar Mills. (Pages 63—100—Per. Eval. Rep.—Vol—I)

961. As reported by the Auditor-General in his performance Evaluation Report, the Bannu Sugar Mills was installed at Serai Naurang, Bannu, NWFP, in 1965, as a project of the PIDC. The installation of the mills was completed at a capital cost of Rs. 26.50 million. The mills commenced production in November, 1965 and the project was sold out to a private party, M/s. Bibojee Services Ltd., in November, 1971 at a sale consideration of Rs. 33.32 million. The sale deed was, however, rescinded under the Martial Law Regulation No. 124 of 1972 and the management of the project reverted to the PIDC on April 13, 1972.

962. Certain broad features of the Project are as under :—

(i) *Capital.*—Funds amounting to Rs. 10.19 million were invested, initially, by the Government in the project and Rs. 16.31 million by the PIDC. The PIDC had also provided, over the years, additional funds as working capital for the operation of the project. The total funds and advances, so provided, amounted, as on June 30, 1980, to Rs. 67.86 million.

(ii) *Employees.*—As on December 1, 1980, the unit had 1170 employees on its rolls, 637 of whom had been enrolled on a seasonal basis.

(iii) *Production capacity.*—The Cane-crushing capacity of the plant is 1500 tons per day. The normal crushing season lasts for about 120 days and the average sugar yield is 8%. The plant can, therefore, normally produce about 15,000 tons of sugar per annum. Its by-products are bagasse, used as fuel for boilers, molasses and press mud.

(iv) *Overall assessment.*—The unit has been a losing concern eversince 1965, when it became operational and the accumulated losses on June 30, 1980, totalled over Rs. 103 million, as against an equity of Rs. 68 million. The equity thus stood completely wiped out and the unit became entirely dependent on debts, which amounted to Rs. 61.6 million on June 30, 1980. This also involved annual financial charges of Rs. 7.8 million.

963. *Performance Evaluation.*—The feasibility of this unit had been projected on the assurance that abundant sugar-cane will be available in the vicinity. An additional support for the assumption was obtained from the then West Pakistan Agriculture Department. These assurances proved to be entirely erroneous as the supply of sugar-cane from the vicinity was very inadequate. The company has had to supplement the procurement by additional purchases from distant areas like D.I. Khan, Kohat and Peshawar, involving excessive cost on transportation. Even then, the unit could not manage to procure the required quantity of sugar-cane, except in four out of fifteen years of its operation. Below-capacity operation of the plant has, therefore, been a crippling factor.

964. A number of steps were being taken at the unit and government levels to improve the sugar-cane availability, including loans to growers for seeds and fertilizer and payment of purchase price for sugar-cane above the controlled rate. These measures were expected to aid the project, but it may not still be able to overcome its financial difficulties.

965. The unit could, in fact, procure only 36% of its sugar-cane requirement during 1980-81, despite all the above measures. Inadequate cane availability and heavy fixed costs (due to excessive employees-strength and increasing burden of financial charges) remained serious constraints for the project.

966. The PIDC had already nominated consultants (Irrigation Experts) for preparing a detailed feasibility study for utilising its land to grow sugar-cane for the Mills, dealing in detail with lift irrigation arrangements, mode of financing and loans to be obtained from the Agriculture Development Bank etc. With the establishment of this farm, it may be possible to obtain an extra 20 to 25 lac maunds of sugar-cane per annum.

967. Explaining the financial working results of the company further, the Committee was informed that there was a profit of Rs. 21,000,000 in the previous year. However the losses totalled about Rs. 12 crore, and had now come down to about Rs. 9 crore. This was an achievement for the Management. Asked about the 1982 position, the departmental representative submitted that about 50 lakh tons of sugar-cane were crushed last year and it was expected that, despite draught conditions, 45 lakhs tons would be crushed during 1983. He added that, according to an exercise carried out by the Ministry of Finance, a gross profit

of about Rs. 2 crore and a net profit of Rs. 74 lakhs could be expected after payment of interest to the Bank and other expenses.

968. The departmental representative commented that the criteria for performance evaluation by the Auditor General was the net operating result, whereas the evaluation of a unit, set-up in a backward and under-developed area, should not only take into consideration the operating results but also give proper weight to the socio-economic benefits therefrom. Private entrepreneur were normally interested in setting up profitable ventures in the developed areas, whereas this project was located in an undeveloped area. It was necessary that the Government and its auditing agencies took into account the marginal social costs involved in setting up industries in areas, where, to start with, little basic infrastructure facilities, like communications, roads, electricity, gas, water, power and skilled/trained labour power, existed. To make matters worse, adequate supplies of raw material *i. e.*, sugar-cane, was also not available for the Bannu Sugar Mills. While evaluating the performance of such a unit, due consideration should, therefore, be given to its locational dis-advantages also.

969. It was true that, during 1980, the mills could produce only about 5,885.10 M. tons of Sugar on 7% of the country's production of 810,000 tons. However, its average annual contribution to the Gross National Product from 1975-76 to 1980-81 had been Rs. 10,911 millions. Its yearly average cost/benefit ratio was 100/107. Thus the average annual benefit came to 107% of the original investment.

970. The Loans of Rs. 440,000, outstanding against the growers, as discussed in the Evaluation Report, should not be treated to be doubtful, because their recovery was made during the crushing season every year, when the farmers supply sugar-cane. Because of poor acreage of sugar-cane during the last few years, the said loans could not be realised. However, efforts in this field were expected to bear fruitful results in the future, as the position of crops had been improving. In a campaign launched during 1980, Rs. 150,000 lacs was recovered in cash during the off-season.

971. Explaining the long term measures adopted to develop the production of sugar-cane and increase its supply, the departmental representative informed the Committee that the Government of NWFP *vide* their notification dated 29th January, 1981, had agreed to lease out 6324 acres of land, situated in Rakh Lakri and Rakh Ghass in the D.I. Khan District, for the purpose. The ADBP was understood to be willing to advance loans for the development of this land.

972. Questioned about the rate of interest, the departmental representative replied that it was 14% and suggested that cumulative interest should be reconverted into long-term loans. *The Committee observed that, in order to sustain the Project, the interest of Rs. 30 million should be converted into a subordinated non-accrual, non-interest bearing loan.*

973. A member enquired about the capitalization of new sugar mills and the equity therein. In case the Bannu Sugar Mills were capable of earning an annual profit of about rupees two crores, their equity should be increased to Rs. 5 crores and the loan reduced. The departmental representative submitted that this exactly was his proposal.

974. The Chairman, thereupon, observed that the main issue was of restructuring the unit financially. The departmental representative said that any thinking about shifting closing the Mills should be eschewed. About 30 tractors had already been purchased and 122 tubewells sunk in the area, having 50 experimentation farm stations therein. Besides 3000 acres of land had been allocated by the N.W.F.P. Government and the A.D.B.P. had sanctioned a loan of Rs. 1 crore for it. This farm would be owned by the Department under the Bannu Sugar Mills. The Department had asked the Research Department of the Provincial Government to study the pattern of water there and the best places for pumping that water from.

975. Discussing the staffing position, stated in the Evaluation Report to be three times the strength provided for in the P.C-1. form the Chairman observed that the question was as to what was the staffing in similar other factories ? Whether Audit had gone into that aspect, as the PC-1 form was very old. The departmental representative said that the PC-I form was prepared 20 years back. The Chairman, thereupon, observed that a fresh PC-I form should be prepared on the basis of reports by consultants, to be appointed for preparing a proper project. The representative of Finance Division intervened to say that, with the passage of time, there was a vast improvement in technology and this mills should not in all fairness, be compared with the other new Mills in the matter of staffing etc.

976. Reverting to the transfer of funds of M/s. Bibojee Service Ltd., the Committee was informed that a Compensation Committee had been constituted by the Martial Law Authorities (Federal Government), which had been considering the matter. Besides, the Ministry had filed a suit in the Court about the realization of transfer of funds from Bibojee Service Ltd. and charging Interest thereon. The case was *sub-judice*. A Member of the Committee remarked that the claims made had not been taken into account and should be kept under suspense. The departmental representative accepted this position and promised to do so in future.

The Karachi Pipe Mills Limited (Pages 1—59—Per. Eval. Rep. Vol-III)

977. The Committee then took up for its consideration, the performance evaluation of the Karachi Pipe Mills.

Karachi Pipe Mills (Pages 1—59/Eval. Rep. Vol-III)

978. *Company description.*—The Karachi Pipe Mills Ltd. (KPM) is both a producer and seller of steel pipes. Originally incorporated as a private limited company in 1953 and named Hyesons Steel Mills Ltd., it had two production units, namely the Pipe Mills No. 1 and the Pipe Mills No. 2, installed in 1955 and 1965 respectively. The company was taken over by the Federal Government on January 2, 1972 re-named as the Karachi Pipe Mills Ltd. on February 19, 1973. Its administrative control was vested in July, 1974 in the Federal Light Engineering Corporation (FLEC), which was merged with the State Engineering Corporation (SECO) in July, 1979.

979. *Products.*—The KPM has facilities to produce steel pipes in 22 different sizes, poles and fittings, with diameter ranging from 15 to 150 mm. The Pipe Mills No. 1 was designed to produce 15 to 80 diameter pipes while the Pipe Mills No. 2 was designed to produce 32 to 150 mm diameter pipes. Fittings (bends, elbows and tees), used for joining Pipes, are also produced in the same diameter ranges. The annual rated single shift capacity of the Pipe Mills No. 1 was 11,550 tons and that of the Pipe Mills No. 2 was 7,700 tons. The annual single shift capacity of the fittings section was 950 tons. The rated capacity of these Mills had, however, decreased due to aging of the plants. The present operational capacities of the two installations was only 5,500 tons and 6,500 tons respectively. The production output achieved at the lowered capacities was 69.4% in 1978-79, but the fittings factory has remained closed since 1975, because of insufficient sales.

980. The Company's only share-holder is the Federal Government and its paid-up capital is Rs. 9.04 million. The KPM employees 525 persons on a permanent basis. At the end of the financial year 1978-79, the KPM had Rs. 105.67 million as capital. Its profitable operations, after the government take-over, had resulted in an increase in equity. It stood at Rs. 21.93 million at the close of the financial year 1978-79.

981. The departmental representative informed the Committee that the criteria normally used by the management for the performance evaluation of Companies are as follows :—

(1) Debt Equity Ratio ..	(Quarterly)	$\frac{\text{Long term debts}}{\text{Long term debts} = + \text{ Equity}}$
(2) Current Ratio ..	(Quarterly)	$\frac{\text{Current Assets}}{\text{Current Liabilities.}}$
(3) Acid Test Ratio	(Quarterly)	$\frac{\text{Current Assets Inventories}}{\text{Current Liabilities.}}$
(4) Return on Sales	(Monthly)	$\frac{\text{Net Profit before tax} \times 100}{\text{Sales.}}$
(5) Finished goods Turnover..	(Quarterly)	$\frac{\text{Cost of goods sold}}{\text{Average inventory (F. Goods).}}$
(6) Receivables	(Quarterly)	As at quarters and Aging Report.
(7) Average No. of days Receivables.	(Quarterly)	$\frac{\text{Average Receivables During Quarter/year.}}{\text{Credits sales for the Quarter/year.}}$
(8) Capacity utilization ..	(Quarterly)	Percentage of rated Capacity.

982. Coordination between production and factors leading to production was more systematically organised from March, 1976. The Management instituted levels in the Mills and at the Head Office, for better coordination and as a part of effective feed-back system. Coordination meetings of all the heads of departments under the Chairmanship of the Managing Director were held every month to review the performance of the Company since 1977. The personnel position had also been constantly under the review of the management for the last two years and the work-load of employees, retiring/leaving, has been distributed amongst the existing employees.

983. The capital base of the company being small, it has been operating on borrowed funds. On the date of nationalization, *i.e.*, January 2, 1972, it inherited short term loans amounting to Rs. 31.25 millions and an accumulated loss of Rs. 8.12 millions. The accumulated loans on June 30, 1973 stood at Rs. 14.10 million and the equity was critically reduced to Rs. 0.47 million. The Company thereafter started generating profits. The accumulated losses were finally wiped out during 1975-76 and, at the end of 1978-79, equity amounted to Rs. 21.93 millions.

984. The performance of the Company has since been satisfactory, with the result that the liquidity position improved from 0:56:1 in 1972 to 1:05:1 in 1978-79. Realising the weakness in the financial structure of the Company, a short term restructuring plan was devised in 1978, with a view to broaden the capital base and improve the liquidity position. The revision of the financial plan, along with funds generated by the Company, resulted in the excess of inflow of cash over outflow by Rs. 15.35 million at the end of 1979-80. The overdraft balance, which was Rs. 43.34 million on 30th June, 1979, got reduced to 37.67 million on 30th June, 1980, and to Rs. 24.46 million on June 30, 1981.

985. Production in the Mills is planned by the Production Department, in coordination with the Sales Department. The raw material acquisition is planned in consultation with the Production and Sales Departments, and a streamlined procedure for imported, as well as local, raw material is in operation. This normal procedure was seriously upset, when the T.C.P. dumped large quantities of steel strip in 1975-76 and 1977-78, containing substantial quantities of poor quality material.

986. The prices of KPM products are higher than those of the private sector producers, because as against the latter, the KPM produces from a prime quality material, maintains a high standard and also pays all the government dues. As such, it would be unfair to compare the KPM with them.

987. It was stated in the Performance Evaluation Report that monthly reports were not being used by the State Engineering Corporation for managerial supervision. The Corporation submitted that this was factually incorrect, as the

performance of all the units under the Corporation is reviewed every month with the Managing Directors and the strategy for the next month or quarter is formulated. The necessary support on assistance is provided by the Corporation to the units, with a view to improve their results. The Auditor General intervened to say that no documentary proof of using the "Monthly Operating Results" by the Corporation was available. The departmental representative added that the time-lag between the end of the financial year and the completion of audited account had also been narrowed. The financial accounts for 1980-81 had been already audited and report on the same is awaited from the auditors.

988. A comprehensive long-term scheme for the replacement of old pipe Mills No. 1 under BMR, with a total capital outlay of Rs. 12.8 million, was submitted for the approval of Government in December, 1980. On a single shift basis, the new plant will produce 7,000 tons of 1/2" to 1" dia pipes per annum against 2,300 tons produced by the existing mills. The feasibility report for the replacement of Old Pipe Mills No. 1 had already been approved and the necessary funds for it also allocated by the Government.

989. The present production ratio between the popular sizes of small dia and large dia pipes is 30:70, which is the reverse of what the market demands. With the implementation of the BMR scheme, the production of smaller dia pipes would increase and the production of small and larger dia pipes is expected to be in the ratio of 60:40, which would go a long way in meeting the market demand.

990. The Committee did not make any observation.

Quality Steel Works Ltd., Karachi [Pages 102—145/Eval. Rep. Vol (III)]

991. This company was registered in 1954 as a partnership concern named "General Iron and Steel Works". It was converted into a public limited company in 1965. The Government acquired the control of the company in January, 1972 and re-named it as "Quality Steel Works Ltd", (QSW). The company's administrative control was vested in the Federal Light Engineering Corporation (FLEC), which was merged with the State Engineering Corporation (SECO) in July, 1979. The former owners of QSW, two of whom are also represented on the board of directors, have filed a suit in the Sind High Court for the return of QSW to them.

992. QSW has facilities to produce mild steel angles, round bars, ribbed bars, deformed bars, bright shiftings and flats. Licence was obtained from the patent-holders in Vienna for the manufacture of "torsteel" bars, whose production commenced in 1974-75. Imported billets are used to produce torsteel bars, bright-shaftings and rolled products. 11 KV and 132 KV towers, to carry high tension electricity lines, are presently being fabricated for the installations of WAPDA. The towers are galvanized at the company's own plant.

993. Though it earned significant profits upto 1978, the company's profitabilities has been going down sharply since then Approximately 85% of the raw material needed by the plant, are steel billets and zinc ingets, which are being procured through the TCP. The QSW have practically no direct control over the timings of purchases, prices and quantities. At times, these purchases were made when international prices were at their peak and the Unit had to bear the cost. In addition, the QSW had to pay to the TCP about 5% as indenting charges, amounting to about Rs. 35 lakhs per year, for approximate purchases of 14,000 tons of billets at Rs. 5,000 per metric ton.

994. Re-counting the financial position of the company, it was stated that heavy amounts did remain outstanding with WAPDA, the major customer, which constituted over 60% of the sales budget. In the past WAPDA used to advance 50% against their orders, but this has been discontinued since 1977-78. WAPDA's liquidity position also worsened seriously thereafter. Only, recently, WAPDA's liquidity position had shown some improvement. However, payment on supplies to projects (132 KV Towers) are still subject to considerable delays on account of Budget approval formalities in WAPDA.

995. The Company's liquidity was further adversely affected because WAPDA's procedure for such payments, namely payment of the price of the product purchased in two phases ; firstly the payment of provisional price fixed in 1974 at a level which presently did not even cover the cost of inputs and then the payment of price escalation thereon on the production of documentary evidence of costs etc. The latter process has been time-consuming and it takes more than 2 to 3 years to finalise these cases. This had has a direct bearing on the liquidity of QSW, as Rs. 20 to 30 million, payable to it, remained blocked in supplies to WAPDA for want of finalisation of the payments procedure, entailing heavy interest charges and below capacity production for paucity of funds. To overcome this difficulty, the Company referred the matter to the State Engineering Corporation, who have taken up this matter with WAPDA. Some break through has been reportedly made in it.

996. The contention of the Performance Evaluation Cell that higher prices remained a handicap in marketing the other competitive items of QSW was conceded, as all its M.S. products, including Saria, were produced from imported billets, which were more expensive than ship-plates scrap etc., used generally by the competing producers. Here again, the Unit had a limitation, and it could not use scrap, because of the plant design. Its Rolling Mills are semi-automatic, with bigger furnaces, in which ship-plates cannot be used. Most of the production of the Mills is designed to turn out quality products, utilising billets as raw material, for customers like WAPDA, Defence and other National Development Projects.

997. The operational position of the Company is regularly reviewed by its Board of Directors, who decided in one of their meetings to appoint consultants for carrying out a survey and marketing study for diversifying the company's product. The Investment Advisory Centre of Pakistan was awarded this job and their report is awaited. It was hoped that the report will be making recommendations about how company's could be improved by way of more competitive production, increased demand, cheaper prices and better utilization of capacity. Discussing the financial position of the company further, it was stated that the sale or installation of imported furnaces will save about Rs. 28 lacs per year to the QSW, by way of saving in interest costs. A feasibility study had been made by the State Engineering Corporation recently and their report sent to the Ministry of Production, for decision.

998. As to the future, the QSW is basically a Re-rolling Mills, having 3 rolling mills, some facilities for the fabrication of 11 KV/66 KV/132 KV Towers and a small Bright Shafting Section. It does not have any sophisticated machinery or products. During the pre-take-over period *i. e.*, from 1968— 1971, it never made more than Rs. 1.2 million pre-tax profit, even though its production had gone up to 18,779 tons. After its nationalization on the 16th January, 1972, the pretax profit remained low upto 1973-74 but, during 1979-80, it amounted to about Rs. 3.2 million. The pre-tax profit for 1980-81 is estimated to be about Rs. 3.1 million, which is reasonable.

999. If raw material purchase were to be made directly by the Unit, the Company could save indenting charges amounting to about Rs. 3.2 million annually, which could further improve its profitability. Besides, if WAPDA agreed to make a 50% advance against purchase orders and improve the payment procedures, so that only one month's sale to WAPDA remained outstanding, the liquidity of the Company could improve very considerably. Assuming the present level of sales to WAPDA, the ESW could expect to save interest costs, amounting to Rs. 2.5 to 3 million annually, which could further improve the profitability of the Company.

1000. The Committee did no make any observation.

1001. The Committee deferred the examination of the remaining portion of PEC Reports for 26th January, 1983.

1002. The Committee then adjourned to meet on Wednesday, the 26th January, 1983 at 9.00 A.M.

M. A. HAQ,
Secretary.

Islamabad, the 19th August, 1983.

FEDERAL COUNCIL SECRETARIAT

Wednesday, the 26th January, 1983

Third Sitting (PAC)

1003. The Public Accounts Committee resumed the examination of Federal Accounts for 1979-80 in the State Bank Building, Islamabad on the 26th January, 1983 at 9.00 a.m. The following were present :—

P.A.C.

1. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman.*
2. Mian Zaka-ur-Rehman, Member, Federal Council .. *Member.*
3. Syed Saieed Hasan, Member, Federal Council .. .. *Member.*
4. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. .. *Member.*
5. Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*
6. Mr. Yusuf Bhai Mian, Chartered Accountant .. .. *Member.*

Federal Council Secretariat.

(1) Mr. M. A. Haq, Secretary.
(2) Mr. I. H. Siddiqi, Deputy Secretary.
(3) Mr. S. M. Ahmad, Assistant Secretary.

Audit.

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.
(2) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
(3) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.
(4) Mr. A. S. Ansari, Director General, Commercial Audit.
(5) Mr. Jalal-ud-Din Qureshi, Deputy Director, Commercial Audit.
(6) Mr. Zahir-ud-Din Jeddy, Director General, PEC.
(7) Mr. S. T. Rehman, Director General of Audit, Post, Telegraph and Telephone.
(8) Raja Muhammad Saleem Khan, Director of Foreign Audit.

Ministry of Finance.

Mr. Javed Talat, Joint Secretary (Budget).

1004. The Committee continued with the examination of the 1981 Performance Evaluation Reports, prepared by the Auditor-General on Mustehkam

Cement Ltd., Javedan Cement Ltd. and Gharibwal Cement Ltd., pertaining to the Ministry of Production. The following departmental representatives were present:-

(1) Mr. Hasan Zaheer, Secretary.

(2) Mr. Mobashar A. Malik, M. D. State Cement Ltd.

(3) Mr. Mohammad Hanif, G. M. (Fin.) State Cement Corporation.

(4) Mr. Abdus Samad, M. D. Javedan Cement Ltd.

(5) Mr. Zakir Muhammad, M.D. Mustchkam Cement Ltd.

(6) Mr. Mushtaq Hussain, Sr. Member (Fin.) SCCP.

Gharibwal Cement Limited (Pages 95—137/Eval. Rept. Vol. II)

1005. The Gharibwal Cement Limited (GCL) was incorporated in 1960 as a public limited company under the name of Ismail Cement Industries Limited. Its rated capacity was 5,40,000 tons of portland cement per annum, representing 15.65% of the total installed capacity in the country. The factory went into production in May, 1964. As against its authorised capital of Rs. 50 million, the paid-up capital of the company is Rs. 34.45 million. The ratio of share-holding, after the take-over of the company by Government in January, 1972 and on the formation of State Cement Corporation (SCCP) in 1974, was as follows :—

	%
SCCP	40.09
Financial institutions	25.16
General Public..	28.99
Foreign Investment (IFC)	5.76
	100.00

1006. *Overall Performance.*—According to the Auditor-General's Report, the Company's performance since the take-over had been improving steadily. Its accumulated losses had been wiped out and the capacity utilization also went up to 98% from 44% in 1971-72. Withdrawals by the holding Corporation however, deprived the Unit of the much-needed funds, for major repairs and renovations, now in progress. The Company has however, been charging in its books a lower rate of depreciation on its plant and machinery, thus helping to inflate the company's profits over the years and enabling it to declare higher dividends.

1007. *Relationship with the Controlling Corporation.*—The Company's administrative control was vested in the SCCP through the Government Notification of July 17, 1974. A Board of Directors was formed on March 12, 1979 to manage the company's affairs in terms of "Economic Reforms (Amendment)

Order, 1978". The Corporation is also supposed to extend technical and administrative direction and support to the company, for which "service charges" are recovered. A development surcharge on sales, at Rs. 69 per ton of cement, was being charged by the SCCP.

1008. *Control through Reporting System.*—Though comprehensive and self-explanatory Reports of the operations were being sent to the Corporation regularly, there was little feed-back from the latter as per the Auditor-General's Report. Contending this, the departmental representative explained that the SCCP had instituted a proper system of feed-back for the operating and other returns from the units. Periodical Reports were being prepared by the SCCP, containing comparative information relating to all the units regarding their physical and financial performances, profitability, break-up of production losses, payment of taxes and duties, personnel position and comparative costs data, with detailed comments thereon and overall reports on the projects. These reports are sent to the Managing Directors, to enable them to utilise the said data and comments, for further improvement in their various sectors. Periodical review meetings are also held with the Managing Directors, on the basis of feed-back report. The Managing Director's and other production reports, regularly received by the Corporation, are technically and financially analysed by the SCCP and the Units advised about the analysis, as necessary.

1009. The present financial position of the company was reported to be quite satisfactory. The company started with an accumulated loss of Rs. 4.07 million on June 30, 1972, but managed to wipe off the losses by the end of 1974-75 through increased production and increase in the retention price, allowed by the Government from time to time. The company also charged depreciation in its books on its fixed assets at reduced rates. This has been enabling the company to increase profitability and create reserves.

1010. *Profitability.*—The profits of the company increased gradually, except for 1975-76 and 1978-79, when they declined due to Lower production. The other factor, repsonsible for decline in profits, was increased cost of transportation of lime-stone from "the quarry to the main works", when private trucks were used to make up the shortage of raw materials, to enable the factory to operate to capacity.

1011. *Rope-way System.*—Audit had pointed out that the full carrying capacity of the rope-way system could not be utilised. Gears of grinding mills were also defectives, which was the major bottleneck in the production channel upto September, 1977. Utilizing full capacity of the rope-way was, therefore, not possible till the gears were brought in order. The carrying capacity of the rope-way at 20 hours per day, under normal working speed (medium), worked out to 1,229,000 tons per year. This accounted for 7% production loss.

1012. Explaining the position, the departmental reply stated that necessary repairs to the rope-way system had since been carried out and, an optimum production of raw material was being obtained. Private contractors for the supply of raw materials could not be dispensed with, because of the huge capital investment required for the installation of a parallel rope-way system.

1013. *The Committee directed the departmental representative to submit a paper to the Auditor-General on the subject.*

1014. *Marketing.*—The Committee generally agreed with the Auditor-General that the department did not reveal the action taken so far as a result of surveillance etc. against any agency-holder/dealer on account of irregularisations.

1015. *Dividends.*—Dividends were being paid by the Company regularly since 1974-75. This apparent healthy position was the result of charging reduced depreciation on fixed assets. By following this policy, the company have been turning out profits, as per the books, since 1972-73. In their written reply, the Ministry had contended that profits were not being inflated by charging lower rates of depreciation on the plant and machinery in the books of accounts. In actual fact, depreciation rates, as given in the Income Tax Ordinance, were being charged for the entire taken-over industry and these were quite adequate.

1016. The unit was set to achieve at least 90% rated capacity under normal conditions. This much capacity utilization in Cement Industry was considered to be most efficient from even the international standards.

1017. The Development Surcharge of Rs. 69 per ton charged by the SCCP on the Cement sold by the Company was not a compulsory withdrawal, but a special levy under "The Managed Cement Establishment, Ordinance, 1979". The Surcharge was collected by the SCCP on behalf of the Government, to be spent only on the approved Development Schemes.

1018. Commenting upon the financial benefits committed to the workers, the Committee objected to a forward payment of bonuses, irrespective of the results. The departmental representative explained that only in one or two cases did this happen, which too was under a previous understanding. The Vice-Chairman observed that, appropriately grant of bonuses to workers should be linked with profits. But, in the Cement Inudstry, profits did not necessarily depend on the efficiency of workers. That depends greatly on Government policy regarding duty on imported cement and price fixation of local Cement. According profit in the case of Cement Factories will not be truly indicative of the efficiency of workers. Grant of bonus on the basis of profits in a controlled industry was, in fact, meaningless. The Committee did not make any further observation in the matter.

1019. Asked about depreciation, the Committee was informed that the law provided for 10% depreciation charges *vis-a-vis* the first, second and third shifts not being clear, the Audit representative clarified that, where the Factory may be working on three shift-basis, depreciation should be 2 times of the normal allowance. *The Committee directed the departmental representative to submit a paper to the Committee, in consultation with the Ministry of Finance, reviewing the provision of depreciation in the Cement Factories.*

Javedan Cement (Pages 57—92/Eval. Report Vol. II)

1020. Discussing the compulsory withdrawals indicated in para 1.4 of P.E. Report, the Committee enquired the nature of these withdrawals. Audit representative explained that development surcharge and price differential (Rs. 9.87 million in 1974-75 and 1975-76) were being recovered from Javedan Cement. This was a charge on sale price of Cement to equate the price of Cement supplied to Karachi area by Javedan with that supplied by Zeal Pak.

1021. The Committee took a serious view of this situation as otherwise it would have strengthened the financial position of the Company and necessity of payment of subsidy at a later stage could be avoided.

1022. Discussing the pricing policy of cement, the *Vice*-Chairman enquired whether there was any uniform price for the entire country. The Committee was informed that there was a uniform *ex*-factory price of Rs. 1.050 per ton. Discussing this further, the Committee thought that, normally, cement price should be based on the marginal cost of production of a new unit, which would be higher, for various reasons, than those of other factories. The departmental representative pointed out that the public sector was producing cement quite efficiently and at a price which was internationally competitive. However, the cost of production was increasing because of conversion from gas to oil.

1023. The Vice-Chairman thereupon observed that, in case the Government proposed to allow free import of cement, the question of control of its price should not arise and the only control then required would be regulation of import duty. He finally concluded that, since the Committee were not fully aware of the Government's policy in the matter, it was not possible to make any detailed Comments.

1024. Referring to the staffing position, the Committee observed that the strength of the personnel was on the high side. Therefore new recruitments should be avoided and the existing staff adjusted against future vacancies. The Committee further directed the Ministry to supply information to Auditor-General on the reduction in personnel strength of Gharibwal and Javedan.

1025. *In conclusion, the following decisions of a general nature were taken by the Committee :—*

(a) The irregularities, coming to notice during the performance evaluation of projects should, as a rule, appear in the report on Commercial Accounts pertaining to those projects and not in their Evaluation Report. (The instant case is that of 1184 tons of Clinker costing Rs. 2.50 million contaminated and rendered useless as indicated in S. No. 5.2—Page 68 of Performance Evaluation Report of Javedan Cement).

(b) Copies of Internal Evaluation Reports of Projects if any, should invariably be furnished to the Auditor-General by all concerned in future.

(c) Production Division would explain to Audit their monitoring system.

1026. While discussing the Evaluation Report, a member suggested that it would be better if these Reports could be more brief so that only the most important points, needing attention, could be seen therein at a glance. Another view expressed was that the size of the Reports was appropriate and the job was well done. In reply to a question whether the draft Reports on Evaluation were shown to the Project Authorities, the Audit Representative affirmed the position.

1027. *Points not discussecd to be treated as settled.*—The Committee did not make any observation on other paras/points concerning the (i) Appropriation/ Commercial Accounts pertaining to the Ministry for 1979-80 and the Audit Reports thereon and (ii) Audit Comments regarding compliances of the PAC's recommendations in their Reports for 1975-76 to 1977-78. These would be deemed settled subject to regularising action, as may be necessary under the rules.

MINISTRY OF FOREIGN AFFAIRS

1028. Thereafter, the Committee took up the examination of Appropriation Accounts etc. of the Ministry of Foreign Affairs for 1979-80 and the Report of the Auditor General thereon. The following, representatives of the Ministry were present :—

(1) Mr. M.A. Aziz Khan, Additional Secretary (A).
(2) Mr. M. Zia-ul-Haq, Director General (HQ).
(3) Mr. Mohiyuddin, Director (B&C).
(4) Mr. S.A. Salam, Deputy CAO.
(5) Mr. B.A. Malik, A.A.O. (F&A).

1029. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Foreign Affairs	61
2.	Foreign Affairs	62
3.	Other expenditure of Ministry of Foreign Affairs	63
4.	Capital Outlay on Works of Ministry of Foreign Affairs	134

1030. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of Accounts for 1982-83 had been completed upto October, 1982.

APPROPRIATION ACCOUNTS

1031. *Grant No.* 61 (*Page 76-AA*).—The Committee did not make any observation on this grant.

1032. *Grant No.* 62 (*Page 77-AA*).—Audit had reported an excess of Rs. 486,971 under code 022 of this grant. The Department contested that the final grant of Rs. 2,211,000, appearing against the functional head "022-Audit & Accounts", did not represent the factual position. After the 5% economy cut, the final grant was reduced to Rs. 2,100,450, which was supplemented to the extent of Rs. 552,613 through re-appropriation, by restoration from the economy cut with the approval of Finance Division. Thus, the final grant under this functional head would work out to be Rs. 2,653,063, instead of Rs. 2,211,000. Taking the above into account, the actual excess due to inflation would be Rs. 44,908 and not Rs. 486,971. Thereupon, Audit commented that the Ministry's re-appropriation order was defective in-as-much as the head of Account, from which the amount of Rs. 552,613 was re-appropriated, was not mentioned therein. Hence this was not taken into account.

1033. The Vice-Chairman asked as to why did the Audit failed to detect this omission earlier and bring it to the notice of the Ministry in time, for rectification. *Audit was directed to scrutinise such orders at the time that they were received and intimate any flaw, noticed therein, at once to the department concerned for prompt rectification.*

1034. The Committee noted that, whereas a saving of Rs. 13 million accrued under this grant, the Department obtained a further supplementary grant of Rs.797,000 which proved to be wholly un-necessary. It was clarified that the supplementary grant was intended to meet the expenditure on Entertainment fund for officers in the Embassy of Pakistan at Washington D.C. (Rs. 297,000) and purchase of furniture etc. for the newly purchased chancery building of the Embassy in Jeddah (Rs. 500,000). The Committee considered this, in any case, to be a serious irregularity, meriting suitable action by the Ministry. Full provision for the new expenditure, amounting to Rs. 797,000, was not required to be provided as Supplementary Grant. Only a token amount could have served the purpose under the rules.

1035. The Vice-Chairman observed that, against the functional head "072-Immigration and Passport Office", there was an excess of Rs. 26,516, which should have been covered by re-appropriation from savings under other heads.

1036. *Grant No 63 (Page 78-AA).*—Audit had reflected an excess of Rs. 2,394,362 in the Accounts against the functional head "043-Other External Affairs Services" (Other than Charged). The department had explained that the final grant of Rs. 59,044,400, as projected by Audit, did not reflect the true pricture, as the supplementary grant, amounting to Rs. 2,803,890, sanctioned by the Finance Division towards the end of June, 1980 had not been taken into account. After allowing for this grant, this head would project a saving of Rs. 409,528 against an excess of Rs. 2,394,362 shown by Audit. The resultant saving being less than the permissible limit, it would then call for no explanation.

1037. Discussing the circumstances under which the agreed Supplementary grant could not be included in the book of Supplementary Budget, it was found that, though the additional funds were agreed to by the Ministry of Finance on the file of the administrative Ministry, the latter did not forward the required Supplementary Schedule to the Finance Ministry's Budget Wing, resulting in the omission of this demand from inclusion in the Book.

1038. After further discussion, the Committee directed that the responsibility for not having sent the Schedule of Supplementary Demands to the Ministry of Finance should be fixed and suitable action taken against those responsible for it.

1039. *Grant No. 134 (Page 154—AA).*—According to the Appropriation Accounts, the Final Grant stood at Rs. 29,905,000 and the actual expenditure at Rs.8,597,061. It thus resulted in a saving of Rs.21,307,939, of which Rs.3,912,450 was under the Functional head, "500—Economic Services—578—Industries, Mineral Resources, Construction of Buildings and Structures". The Ministry

explained in their written reply that Rs. 37.50 lacs was sanctioned for the construction of Chancery-*cum*-Residence complex at Dubai. The amount was not utilised by the Mission, as work-permit for the National Construction Co, could not be obtained from the local authorities.

1040. The committee observed that the saving being a substantial one, it should have been surrendered by the due date.

AUDIT REPORT

1041. *Non-recovery of repatriation charges from Pakistanis destitutes abroad—Rs. 2,754,633 (Para 17—Page 27—AR).*—This para had already been discussed by PAC on 21-10-1981 under Ministry of Interior.

1042. *Blockade of $ 300,000 and loss of profit of about $ 52,356—Rs. 518,414 (Para 18—Page 28—AR).*—Audit had objected that, by keeping $ 300,000 in current account during 1973—77, instead of depositing it in interest-bearing account, Government was deprived of an income of Rs. 518,414 @4-1/2 per annum. In their written reply, the department had stated that powers for the investment of idle money were neither delegated to the Ministry nor to Pakistan Missions abroad, with the result that the Pakistan Mission in Buenos Aires could not invest it in a deposit account.

1043. Replying to an observation of the Committee, the departmental representative explained that the Chancery themselves could not take a decision to place the money in a fixed deposit account for a certain period. This money could be expended only on the direction of the Ministry.

1044. Commenting on the Ministry's explanation, the Vice-Chairman observed that, since the Chancery knew that they were to arrange the shipment of sorghum, donated by the Argentine Government for the 1973 flood victims in Pakistan and there was time for making payment for this arrangement, they could take due steps for the best possible return from the funds in question. The Committee was informed that instructions had now been issued by the Finance Division that, in such cases, the amount should be deposited in interest bearing accounts. *The para was treated as settled.*

1045. *Mis-use of Sterling quota (£ 14,214) (Para 19—Page 28—AR).*—Audit had pointed out that Pakistan officials in a Mission abroad were entitled to use 50% of their salaries in pound sterling for the import of goods from abroad and this was to be paid through the Ambassador's sterling bank account. Officials were forbidden to open their own accounts in sterling. Despite these instructions, certain officials were given cheques in sterling, which were either encashed privately or deposited in personal sterling accounts, thereby deriving benefit from the difference between the market and official rates of exchange. This mis-use of the concession, amounting to £ 3,262 by the head of mission and £ 10,952, by the

officials took place between January, 1973 to July, 1976. The irregularity was pointed out in March, 1977 and, thereafter, the individuals concerned were asked to explain the mis-use of the quota. However, after the death of the Ambassador, the irregularity was being condoned.

1046. In May, 1979, the Mission had stated that Government did not suffer any loss, as an equivalent of the pound sterlings released to them had been deposited by the officials concerned with the Embassy in local currency and that this practice had been discontinued since. Not finding the reply to be satisfactory, the Ministry were requested in July, 1979 to intimate the steps taken to ward off any personal gains by the officials through this device. The Ministry stated in their reply that the matter was referred to the Mission, who had confirmed that the facility had not been mis-used and the foreign exchange quota was authorised by the Ambassador, in accordance with the set procedure and rules. Audit insisted that the position stated was not factually correct and the Ministry should institute an inquiry against the officials responsible for the irregularity.

1047. The departmental representative explained to the Committee that, during that period, he himself was posted in Cairo, and the orders in question said that 50% of the pay may be drawn in sterling and 50% in Egyptian currency. The Committee finally did not consider a further discussion on the issue to be worthwhile. *The para was treated as settled.*

1048. *Non-Accountal of Advance of Rs. 116,193 (Para, 20 Page—29—AR)*— Audit had reported that a sum of Rs. 116,193 was drawn and advanced to the PIA-Arts Academy and the Pakistan Arts Council by the Ministry in June, 1973 for arranging a cultural show, but properly vouched accounts had not been produced for audit, so far It was further observed that failure to furnish the accounts of the advance, the Ministry had violated rule 309, read with rules 666(b)(i) and 668, of the Federal Treasury Rules, Vol. I.

1049. The department submitted in their written reply that both the concerns were being reminded repeatedly to render the accounts, but there was no response from them as yet. The level of correspondence was being raised to expedite the matter. On a query, the departmental representative explained that they were making all possible efforts to expedite the matter. It was also stated that, the relevant records could not be traced in response to the Ministry's letter of October, 1981, since the PIA-Arts Academy was now not in existence. The departmental representative further explained that both the organisations, *viz.* the PIA-Arts Academy and the Pakistan Arts Council owned advances of Rs. 85,600 and Rs. 30,593 respectively.

1050. On a suggestion by the Auditor-General that the matter may be taken up with the Ministry of Culture and Tourism (Culture Division), the departmental representative promised to do so.

1051. Finally, *the departmental representative was directed by the Committee, that full accounts of the advance, at least from the Pakistan Arts Council, should be rendered. As for the PIA-Arts Academy, the accounts should be got cleared soon, and if this was not possible action should be taken to write of the amount.*

1052. *Non-recovery of rent and utility charges amounting to Rs. 49,680 from cafeteria contractors (Para 21 Page 29—AR).*—Audit had reported that permission was accorded to two contractors to run cafeterias in the Ministry's premises *w.e.f.* 1st March 1973 and 1st July 1973, but no agreements were signed with them. No recovery of rent and water, electricity and gas charges, amounting to Rs. 49,680, was made from the contractors. The Ministry explained in their written reply that, in compliance with the Audit's requirements, proper agreements had since been executed with both the contractors. *After some discussion, the Committee decided to drop the para.*

1053. *Occupation of State Guest House by non-entitled persons—Non-recovery of Telephone charges of Rs. 39,249 (Para 22 Page 29—AR).*—Audit reported that, only the Foreign Heads of States and Governments were entitled to stay in the State Guest House but, in contravention of the rules, two former Chief Ministers of the Punjab and various foreign delegations were allowed to stay in the State Guest House, Lahore, during 1975 to 1979. They were charged Rs. 3,000 p.m. for the accommodation, including facilities like free water, electricity, bearers and cooks. The amount of the charges was decided verbally and arbitrarily. This irregularity was pointed out to the Ministry in June, 1978, who replied in December, 1979 that the accommodation of foreign delegations, coming with VIPs, was arranged in the Guest House for reasons of security and economy. Audit had further pointed out that telephone charges for private use, amounting to Rs. 39,249 by one of the former Chief Ministers between the 14th March and 17th July, 1975, was also outstanding for recovery.

1054. The Ministry explained that a notification No. P(11)—14th April, 1981 dated 26th August, 1981, embodying the approval of the President to accommodate delegations as well as VIPs in the State Guest House, had since been issued. Regarding the recovery of telephone charges of Rs. 39,249 from the former Chief Minister of the Punjab, the Committee directed the departmental representative that the matter be taken up with the Punjab Government for effecting the recovery.

1055. *Infructuous expenditure of Rs. 30,000 Approx. (Para 23 Page 30—AR).*—It was reported by Audit that a party was deputed to a Mission abroad for the installation of radio equipments there. It stayed there for 42 days, but the work was not completed due to non-receipt of all the equipment from the USA and the land-lady's refusal to permit its installation in her building. An expenditure of Rs. 30,315, incurred on this account, could have been avoided if the receipt of the equipments was got confirmed and the land-lady's permission for the installation obtained in advance.

1056. The Ministry stated, in their written reply that the unaviodable circumstances for the stay of the party were fully explained to the Ministry of Finance after considering all the aspects, agreed to regularise the same. Thereafter, the necessary sanction was issued *vide* their letter No. CSS-9/1-72-II and CSS-9/1/72-II(A) dated 5th March 974. In view of the above, the *Committee, decided that the para be treated as settled.*

1057. *Non-recovery of over-drawals of Rs. 24,504 (Para 24 Page 30—AR).*—As reported by Audit a head of Mission abroad was over-paid Rs. 31,469 on account of payments of full pay for the period of his extraordinary leave (without pay), excessive exchange compensation allowance, excess air fare for servants, etc., during 1974 to 1977. This irregularity was pointed out to the Ministry in June, 1979 whereafter an amount of Rs. 6,965 was recovered. The balance of Rs. 24,504 remained unrecovered.

1058. It was explained by the Ministry, in their written reply, that many letters were written to the *ex*-Ambassador, Mr. Anwar Hussain Hidayatullah, for the refund of the full over-drawn amount of Rs. 31,469, but a balance of Rs. 24,504 still remained outstanding. The Ministry had obtained legal advice, which suggested that the matter be taken to a Court of Law. Since this would involve substantial expenditure on court fee and lawyers and also years for decision, the matter had been referred to the Ministry of Law for further advice.

1059. The Committee observed that the advice of Law Division regarding the recovery of Rs. 24,504 had not been intimated or acted upon, so far. The departmental representative replied that the matter was being pursued. He further informed the Committee that the *ex*-Ambassador had over-ruled his subordinates for drawing the disputed amount. The Finance Ministry's representative, thereupon, remarked that the over-payment must be recovered, on principle, regardless of the amount. The expenditure that may be involved on the recovery should not be allowed to reverse the decision for recovery, so that it had a deterrent effect on others.

1060. *The Committee finally decided that Audit should find out the facts and the Ministry should, on a point of principle, not hesitate to resort even to legal action, if necessary.*

1061. *Over-payment of exchange compensation allowance of Rs. 22,311 (Para 25 Page 30 AR).*—It was pointed out by Audit that, under the existing orders, the exchange compensation allowance, payable abroad, was to be determined, in the case of each individual government servant, on the pay drawable in foreign exchange on the 1st May, 1972, excluding the everage monthly income tax and other compulsory deductions. Due to the non-observance of these orders, Rs. 22,311 upto 14th February, 1976 was over-paid to the officials posted in a Mission. In

their written reply department explained that on the irregularity having been pointed out in December, 1974 recoveries amounting to Rs. 14,280.05 had already been made. The balance amount was due to be recovered from the following officials :—

		Rs.
1.	Mr. Ahmed A. Kamal	6,507.90
2.	Mr. Naushad Ali Khan	1,522.86
	Total :	8,030.76

1062. The representative of the Ministry assured the Committee that the above amount would be recovered. The para was, therefore, dropped subject to verification of recovery by Audit.

1063. *Loss of Rs. 17,408 due to costlier decision and short account of Rs. 16,243 (Para 26—Page 31—AR).*—After hearing the departmental representative, the para was dropped.

1064. *Extra expenditure of Rs. 15,222 due to irregular purchase of stores (Para 27—Page 31—AR).*—As reported by Audit, while purchasing stationery, costing Rs. 44,200 and livery items worth Rs. 21,350 at different rates during 1973-74 the lowest rates were ignored for the higher ones. This resulted in an additional expenditure of Rs. 9, 680. In another case, payment of Rs. 34,757 for liveries was made in 1973-74 at rates obtained by the Ministry in February, 1976 taking the maximum rates of February, 1976 as the basis for the purchase in 1973-74, an additional expenditure of Rs. 5,542 was incurred on this account. The departmental representative admitted that it was omission because the reason for not accepting lowest tender was not recorded but the person responsible had since died in 1978. The staff presently dealing with the subject had been instructed to observe more vigilance and care in future.

1065. The Committee decided to treat this as settled, subject to verification of write off sanction by Audit.

1066. *Non-recovery of over-payment of Rs. 13,732 (Para 28—Page 32—AR).*—It was reported that an officer in a Mission overdrew an exchange compensation allowance of Rs. 6,743 during June, 1976 to August, 1976. Besides, charge and entertainment allowances, amounting to Rs. 6,989 were also over-drawn by him during June, 1975 to August, 1976. It was explained by the Ministry in their written reply that, out of the total recovery of Rs. 13,732 (Rs. 6,743 + Rs. 6,989), due from the officer, an amount of Rs. 9,456 had since been recovered from Mr. Ghulam Rabbani. The recovery of the balance amount of Rs. 4,275 was being expedited through the C.A.O., as the officer had been transferred to Headquarters at Islamabad. After the departmental representative assured the Committee that the recovery would be effected, the para was treated as settled subject to verification of recovery by Audit.

1067. *Over-payment of foreign allowance SW FRS. 4382.72 (Rs. 12,491) (Para 29—Page 32—AR).*—As the recovery of foreign allowance amounting to Rs. 6,869 already effected and the case for write off of the balance amount of Rs. 5,622 taken up with the Finance Division, the para was treated as settled, subject to verification by Audit.

1068. *Theft of cash amounting to Rs. 10,352 (Para 30 Page 32—AR).*—As the loss had been written off by the Ministry, it was decided that the para may be treated as dropped.

1069. *Recovery of Rs. 9,599 (Para 31—Page 32—AR).*—Audit had reported that the head of a Mission abroad was paid fare for return air ticket for his visit to Pakistan and back in February, 1975. Instead of returning to the Mission, he resigned from service in March, 1975, and the cost of one-way air ticket, amounting to Rs. 9,599, was not refunded by him. The non-recovery was pointed out during local audit in June, 1979, but the amount still remained un-recovered.

1070. The Ministry explained, in their written reply that this related to Mr. Nasrullah Khan Khattak, who served as Pakistan's Ambassador in Tunis. He neither returned the ticket nor refunded the amount of Rs. 9,599 to Government. According to the opinion of Legal Adviser, it would be disproportionally costly and time-consuming to go to a court of law. However, the matter was being referred to the Law Division for advice.

1071. The Committee decided that, on the receipt of advice from the Law Division, the same may be shown by Audit who may come back to the Committee, if needed.

1072. *Mis-appropriation of receipts of Rs. 7,578 (Para 32 Page 32—AR).*—The Committee noted that the system had since been appropriately regulated and decided that the para may be treated as dropped.

1073. *Non-recovery of T.A. advance of Rs. 6,368 (Para 33 Page 33—AR).*—The Committee observed that the Ministry should watch such cases and directed Audit to look into the factual position and report back, if necessary.

1074. *Loss of Rs. 5,787 due to irregular issue of stores (Para 34 Page 33—AR).*—The Committee decided that the para may be treated as dropped subject to the regularisation action promised by the Ministry.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78 WITH AUDIT COMMENTS

1075. *Grant No. 113 Group head "A-2—Communications" (Page 132-AA) (Paras 580-581 Pages 115—116 PAC Report 1974-75).*—After going through the Audit Comments the Committee observed that Audit had correctly explained

the position of treating the expenditure on rent of telex as revenue expenditure and not capital expenditure. The Financial Adviser's version of treating the expenditure as Capital was not correct.

1076. *Points not discussed to be reated as settled.*—The Committee did not make any observation on other paras/points in (i) the Appropriation Accounts and the Audit Report thereon and (ii) Audit comments on Compliances of the PAC's recommendations in their Reports for 1975-76 to 1977-78 . These would be deemed settled subject to regularisation actions, as may be necessary under the rules.

MINISTRY OF COMMUNICATIONS

1077. The Committee, thereafter, took up for examination, the Performance, Evaluation Report of the Auditor-General, pertaining to the Ministry of Communications in respect of the Karachi Shipyard and Engineering Works Ltd. (KS & EW). The following departmental represetatives were present:—

(1) Mr. F.K. Bundial, Secretary Communications.

(2) Mr. M. Khursheed, D.G. P.P.O.

(3) Brig. Mansoorul Haq D.G. T&T.

(4) Capt. L. Jackson, D.G. Ports & Shipping.

(5) Vice-Admiral Ahmed Zameer, M.D. KS & EW.

(6) Mr. I.H. Kizilbash, Director (Fin.) FWO.

(7) Lt. Col. Shanim Ahmed Javed.
Director (Fin.) FWO.

(8) S. Ibrahim Shah, Deputy Secretary.

KARACHI SHIPYARD AND THE ENGINEERING WORKS LIMITED (KS & EW).

(Pages 60—101/Performance Evaluation Report Vol. III)

1078. The Performance Evaluation Report on the Karachi Shipyard and Engineering Works Limited (KS & EW) had been taken up for consideration by the erstwhile *Ad-hoc* PAC in its meeting on the 21st October, 1981. At the very outset, a serious exception was taken by the Managing Director of KS & EW and also the Audit to certain portions of both the Performance Evaluation Report and the replies thereto. Thereupon, the Secretary, National Assembly Secretariat was authorised by the Committee *vide* para 596 ante, to edit the material by deleting "un-parliamentary" words therefrom and the examination of the Report was postponed to the next meeting. The Performance Evaluation Report and the replies thereto, as edited by the Secretary, National Assembly Secretariat were, therefore, taken up by the Committee for its consideration.

General Description

1079. The KS & EW, located at Karachi, is a public limited Company, owned by the Federal Government and controlled by the Ministry of Communications. It started its operations in 1956 and has three Divisions, namely, Ship-building, Ship Repairs and General Engineering and Foundry. Its Board of Directors is appointed by the Government and the Chairman of the Board is the Secretary, Ministry of Communications. The Ship-building Division avails of three berths

for the construction of marine craft and cargo ships up to 26,000 TDW (Tons and Weight). The Ship Repairs Division utilises 2 drydocks for repairs to ships upto 26,000 TDW. It also has approximately 665 meters of quay walls for carrying out above-water repairs. And, lastly, the General Engineering and Foundry Division, which consists of machine-ships and construction shops and foundries, is equipped to undertake a wide variety of engineering and structural works.

Other Features

(1) *Auxillary Facilities*

1080. The KS EW's production activities are supported by a drawing and design office, metallurgical laboratory and non-destructive testing facilities.

(2) *Capital and Employment*

1081. The paid-up capital of KS &EW amounts to Rs. 141.19 million and the entire share-holding in it is that of the Federal Government. As on 30-6-1979, the total number of employees with the KS & EW was 6.194.

(3) *Operational Results*

1082. The Company's profits, before tax, were as below :—

Profit Before Tax

1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
13.44	21.02	21.94	7.16	21.68	2.87	Loss

1083. In their Summary of findings Audit had reported that, over the past years, returns from the KS & EW's regular industrial operations (Shipbuilding, Shiprepairs and General Engineering) were minimal. The reported profits mainly resulted from Government Subsidy and "Other income". The average annual return on capital, amounting to Rs. 476 million, was less than 3.5% before taxation. Audit further made out that the KS & EW's higher sales figures were the consequence of higher Cost of Sales, almost exclusively the result of use of more expensive and sophisticated equipment by Shipbuilding Division for the Iranian order.

PERFORMANCE EVALUATION

1084. The departmental representative signified his broad agreement with the following findings in the Performance Evaluation Report, but added his comments on each :—

(a) though the Audit's conclusion that KS &EW's industrial activities decreased by 10% in the three-year period was correct, it would, by itself, be misleading unless read in conjuction with the reasons therefore, and the performance of the project in subsequent years ;

(b) the increase in over-head expenses, emphasised by Audit, was also correct but was again misleading, unless read in conjuction with the reasons therefore ;

(c) the decrease in Ship-repairs activities in 1978-79 was not disputed, but it had to be considered in the context of not only the strikes in KS & EW but also the congestion in the Karachi Port at that time. The subsequent increase in Shiprepair activities during 1980-81, in fact, spoke for itself, the gross sales having exceeded Rs. 60 million as against Rs. 30 million in 1978-79 ; and

(d) increase in the capital expenditure during the evaluation years was also correct, but part of this expenditure was approved by the ECNEC itself, while the balance was mainly invested on essential production facilities, for balancing

Shipbuilding Division

1085. According to Audit evaluation, the subsidised Shipbuilding Division showed, comparatively, the best financial results and this could be possible due to a major contract for the construction of 19 barges for the Iranian Navy. These results, were, however, offset by diminishing revenues from the Shiprepairs and General Engineering Divisions.

1086. The department maintained in their reply that shipbuilding activity was being subsidised everywhere in the world and KS &EW could be no exception. However, the marketing problems of the Shipbuilding Division had now surfaced to be the No. 1 problem of the KS & EW. The company had some major orders from Iran and China, which had been completed. The future out-look in this field was, however, far from promising, as could be seen from the following observations in the Director's report to the shareholders for 1980-81 :—

"It is considered expedient to bring to the notice of the Shareholders that, for economical utilization of Shipbuilding capacity, orders have to be obtained at least two years in advance of scheduled deliveries. On this basis, the prospects for Shipbuilding Division are rather bleak ; there are no signs of PNSC placing any further orders and the Government has not been able to implement its decision to keep the Shipbuilding capacity of KS & EW fully utilised."

Ship-Repairs Division

1087. The sales income of the Shiprepairs Division and its contribution to the income of the Project decreased in the past years. As will be seen from the statement below, the number of ships coming in for repairs also declined over the years.

Ships	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Foreign ..	59	50	42	43	31	23
Local ..	25	50	34	33	44	37
Total ..	84	100	76	76	75	60

1088. According to Audit, foreign ships avoided going in for repairs at the KS&EW, because the charges for repairs were said to be too high, mainly the consequence of a substantial portion of the overhead expenses (300 % of direct labour costs) being included in the Cost of Sales of this Division. It was, however, contended on behalf of the Shiprepairs Division that the diminishing revenues were manifest only in the accounts of the Shiprepairs Division for 1978-79, mainly due to strikes and interruptions in attending to the work. Otherwise, the KS&EW's charges for repairs, as compared to other neighbouring stations like Colombo, Singapore and Hongkong, where such facilities existed were quite competitive.

General Engineering Division

1089. The sales revenues of the General Engineering Division remained constant over the years but, as direct costs almost doubled, the Division could make only a smaller contribution to the Project and found it difficult to compete successfully against local companies, which had smaller overhead expenses. The trend of gross profits from the Division was as below :—

General Engineering Division	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Sales	70.86	41.35	46.91	44.00	29.46	34.44
Cost of Sales	63.75	35.13	39.68	32.35	20.94	26.57
Gross Profit/Loss ..	7.11	6.22	7.23	11.65	8.52	7.87

1090. The departmental representative made out that it was apparent from the statement below that the Shipbuilding and General Engineering Divisions were turning out reasonable returns and gradual improvement. Only in the case of Shiprepairs was there a fall in returns during 1979, as compared to 1977, which was due to strikes and interruptions.

Industrial Operations	Shipbuilding	Shiprepairs	General Engineering
1978-79	27.45	40.71	26.48
1977-78	25.39	51.79	15.41
1976-77	Loss	53.26	15.03

1091. It was also stated that, during the three-year period 1976-77, selected for evaluation, the effort of the Management to tighten discipline, reduce surplus labour and improve performance were hampered by the politically motivated Union, who staged two strikes from the 28th November to 9th December, 1978 and the 30th May to 9th June, 1979, followed by a lock-out until the 28th June, 1979. The departmental representative complained that Audit did not

appreciate this serious position on the ground and were content to only mention that " The relationship between KSEW's management and the labour Union is unsatisfactory ", ignoring the fact that the year 1978-79 was the year of final confrontation with the Unions, which was unavoidable for resolving this problem.

1092. The departmental representative maintained that the sale figures of 1978-79 were not comparable with the previous three years, as there were strikes and interruptions during 1978-79. The gross profits during the previous three years tended to increase. In 1977, they were Rs. 42.166 million, in 1978 Rs. 63.927 million and in 1979 they touched Rs. 72.194 million. In absolute terms, the Gross Profits of the Shiprepairs Division for 1977—79 were as below :—

1977	1978	1979
Rs. 12.433 million	Rs. 24.406	Rs. 25.705

This indicated a steady performance. However, as a percentage, the contribution from this Division would be less, because the gross profits in absolute terms had been increasing in all the Divisions during each successive year—84 Ships were repaired in 1976-77 while in 78-79, they numbered 76, indicating a decline of over 9.5%.

1093. The gross margins earned by the General Engineering Division during these years were 15% in 1977, 15% in 1978 and 26% in 1979. The conclusion arrived at by the Evaluation Cell was thus not borne out by facts.

Overheads

1094. The company's unabsorbed overheads during 1975—79 tended to increase as below :—

Overheads	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Total ..	84.38	90.15	106.53	115.59	123.47	141.85
Absorbed ..	80.36	83.29	85.54	73.30	93.95	118.18
Unabsorbed	4.52	6.86	20.99	42.29	29.52	23.67

1095. Explaining the position, it was stated, on behalf of the department, that the conclusion that overheads, amounting to about *Rs. 78 million* for the three years under evaluation, had been systematically capitalised to overstate the profits, was not correct. The KS&EW had twice informed the Evaluation Cell that the actual overheads, which were capitalised during the three years, amounted to only Rs. 6.61 Million. These figures of the KS&EW were also supported by two separate letters from M/s. A.F. Ferguson and Co., but the Cell did not take even the audited figures into account.

Composition of total overhead expenses

1096. Besides the over-head expenses, accounted for in the KS&EW Profit and Loss Account, the company had allocated a part of its total overheads expenses to *Work in Progress* and *Capital Work in Progress*. The composition of the KS&EW's total overheads expenses during the past three years was as follows :

(*Rs. in millions*)

Overhead Expenses :			
Allocated to cost of sales	52.97	53.51	56.89
Not allocated (Unabsorbed)	6.86	20.99	42.29
Accounted for in Profit and Loss accounts	59.83	74.50	99.18
Allocated to Current work in Pogress and Capital Work in Progress	30.32	32.03	16.41
Total Overhead Expenses	90.15	106.53	115.59

(According to KSEW's annual reports)

1097. The above figures showed that, during the past three years, approximately 50% of the company's total over-head expenses were allocated to the cost of sales of the Production Division. The remaining 50% of overhead expenses were, either *not allocated* (remained unabsorbed) or allocated to *work in Progress* or *Capital Work in Progress*.

Allocation of the total Overhead Expenses

1098. As shown above, the KS & EW's total overhead expenses during the past three years had been allocated as follows :—

Overhead Expenses 1976—79 :			
To Cost of Sales	Rs.	163.37 million	52%
To Work in Progress and Capital Work in Progress	Rs.	78.76 million	25%
Unabsorbed	Rs.	70.14 million	23%
Total Overheads 1976—79	Rs.	312.27 million	100%

1099. Questioned about the extent of un-allocated over-heads and as to why was their allocation not decided upon yet, the departmental representative submitted that the KS & EW was composed of three main branches. However, in view of the present international slump in ship-building, the chances of getting orders for ship-building in the Karachi Shipyard were rather bleak and no orders therefor had been received by the Company. Thereupon, the Vice-Chairman observed that this meant that the losses accrued were not being shown as they would normally appear in the balance sheet. The departmental representative replied that, actually, this issue had been sorted out between the Performance Evaluation Cell

and the Shipyard and it had been stated in the Performance Evaluation Report that over-heads worth Rs. 7 crores had been allocated to capital works. The Vice-Chairman observed that it should not be forgotten that there were two parts of over-heads, namely : (i) those allocated to capital works and (ii) those still unallocated (unabsorbed). The latter, should draw equal attention.

Re-Organisation and Steps Taken for Improvement

1100. In their suggestion about re-organisation, the Performance Evaluation Cell had recommended that ship-planning and ship-designing activities should be placed under the Shipbuilding Division, this arrangement would, under established principles of organisation, ensure a better accountability and profitability. Describing the steps taken to improve the position, the departmental representative submitted that the Performance Evaluation Cell, had suggested an in-depth study of the financial, commercial and technical activities of the KS & EW by outside experts. However, the fact remained that the KS & EW which had accumulated losses, totalling Rs. 66.4 million in 1974, had been consistently making profits since 1975, thereby not only wiping out the accumulated losses by 1977-78, but also showing an appreciation of Government Equity over 0.13%. Simultaneously, the KS & EW had—

(a) reorganised its set-up and introduced standard procedures ;

(b) improved both the administrative and financial disciplines in it ; and

(c) reduced the total number of its employees from 7148 in 1976 to 5753 in 1981, as detailed below :—

Year	76	77	78	79	80	81
Total Strength on 30th September	71.48	7092	6885	6194	6072	5753

1101. In the circumstances, the study called for in the Evaluation Report, will not be justified because, upto 1981-82, the total overheads seemed to be of the order of Rs. 15 crore per annum, of which perhaps 30—40% was accounted for by ship-building. 40% of Rs. 15 crores or about Rs. 6 crores being the loss, it was imperative to provide ship-building work to the shipyard for recovering their losses.

1102. The departmental representative informed the Committee that the matter had been placed before the Government. 1500 workers were on the KS & EW's rolls and Government had to take a qualitative decision as to what to do with them and the Shipyard's capability. Did they want the workers to be retained or laid off ? A Member of the Committee remarked that this had emerged as a world-wide problem. The Project Evaluation Report was on a completely different basis, and the situation had altogether changed during the last three years. Another

Member asked whether the Ministry had formulated any proposal in this behalf and as to whether any subsidy had been obtained by the Shipyard ? The departmental representative said that there was a ship-market in the Gulf, but adequate subsidy was not available. A proposal had been sent to the Government for allowing subsidy and also advancing loans to the PNSC, so that they could place orders on the KS & EW.

1103. Discussing the possibilities of diversification, a member asked whether there was by proposal to award contracts to the KS & EW for the gate ways of Sukkur and other barrages. The departmental representative confirmed this and added that the normal life of these gates was five years. They had already outlived their lives by 39 years. The matter had been taken up with the Government and the replacements required had been already indicated to them.

1104. Discussing the future prospects of the Shipyard, the Vice-Chairman remarked that the position appeared to be grave and the Government should, after taking into consideration all the factors, lose no time in deciding about the future course of action. Replying to a question concerning the cost of ships manufactured in the Shipyard, it was stated that the prices of ships in Japan were almost equal to those of ships, assembled/built in Pakistan. The Shipyard being out of work at that time, it was planned to procure equipments etc. for assembling ships in Pakistan. But Mr. M. Gokal went to Japan and selected four ships for outright purchase. Mea-time, the market for ships went down and the liability was transferred to Pakistan.

1105. The Vice-Chairman asked whether, as pointed out by Audit, the expenditure of Rs. 6-1/2 crores, incurred on the project, was yet to be approved. The departmental representative replied that the said expenditure was sactioned by the Board of Directors. After some discussion, the Committee finally concluded that :—

(1) the KS & EW, were faced with a grave situation, as they had no orders for ship-building at present. Government must, therefore, take note of this, for immediate remedial measures, because ship-building formed about 40% of the total capacity of Ship-yard. There was a loss of about Rs. 5 crore to the Ship-yard during 1980-81 on this account.

(2) Government should review their policy, so as to provide the maximum possible work to the Ship-yard and enable them to cut down losses. In this Context the following remedies, suggested by the KS & EW may be considered :—

(*a*) Subsidy should be allowed on smaller vessels, as they may be required for the Gulf area.

(*b*) Only 2 per cent interest should be charged on loans to the KS & EW, as was being done from the Engineering Industries viewing the activity of the KS & EW as export-oriented.

(c) Diversification of KS & EW, activities, like giving them work-orders for the gates of Sukkur and other Barrages, should receive priority.

(d) The PNSC should not be allowed to place any orders abroad for ships, without prior " no objection " from the KS & EW.

COMPLIANCE WITH THE RECOMMENDATIONS CONTAINED IN THE COMMITTEE'S REPORT FOR 1975-76 TO 1977-78.

1106. *Grant No. 154 (Page 170—AA Para 342, Page 83—PAC Report—1975-76).*—Not being satisfied with the explanation, the Committee had directed the departmental representative to furnish afresh a fuller explanation, giving more details about the excess of Rs. 18,280,482 against the Group Head " A-Communication Works ", shown to be Rs. 23,938,298.

1107. In their written reply, the Ministry stated that the original allocation of Rs. 290,500 million, instead of Rs. 350,000 million, had been made by the Communications Division for the Frontier Works Organisation (FWO)/LTO projects. A supplementary grant of Rs. 32,000 million was also sanctioned, taking the total allocation for 1975-76 to Rs. 322,500 million. But the Ministry had already incurred an expenditure of Rs. 343,447,611. It became known later that the approved supplementary grant was not being released. This placed the FWO in an awkward position, as an expenditure of Rs. 2,990,687 had been booked during the period 18th to 30th June, 1980 on account of ration/POL etc., supplied by the Army Depot to the FWO troops. The total excess thus amounted to Rs. 23,938,298. The decision to withdraw the release of supplementary grant was communicated to the Ministry at very late stage, when the FWO had already incurred the excess expenditure.

1108. The Committee desired to know the circumstances, whereby the Ministry of Finance did not release the sanctioned supplementary grant. The departmental representative expressed his inability to produce the relevant files, as the same had not been brought for the meeting. The Audit representative said that the Ministry of Finance gives its concurrence on the files. Thereupon the Vice-Chairman asked as to how a Section Officer could issue the letter dated 13th June, 1976, when there was no concurrence of the Ministry of Finance on the file. On a further query, it was stated that the dealing officer was Mr. Shaukat Hussain, who was called to explain before the Committee, but he could not explain the position. The Committee then gave time to the departmental representative to make further enquiries and inform the Committee of the correct position.

1109. *Grant No. 26 Group head ' F ' (Page 39—AA) (Paras 248-49—PAC Report 1976-77).*—The Committee made no further observation on the para. which was treated as settled.

PAKISTAN POST OFFICE DEPARTMENT

1110. *Appropriation and Control over Expenditure* (*Para 1—Page 13—AR—PPO* (*Para 364 Page 86—PAC Report 1975-76*).—Upholding Audit's point about re-appropriation of ' Voted ' to ' Charged ' expenditure or *vice versa* that it was not permissible at all, the Committee did not agree with the view of the Finance Division that they had the power to authorise re-appropriation between these two classes of expenditure. The Vice-Chairman remarked that if such reappropriation of funds was allowed then there would be no control of Legislature and the spirit of the Constitution would be lost. The idea of the Constitution was the control of the Legislature on the ' Voted ' expenditure. The Ministry of Finance may, therefore, re-examine the matter and review their decision. The Ministry of Finance should also advise all the Ministries, etc., about the correct position. The representative of the Ministry of Finance endorsing the views of the Committee and the Audit, promised that the matter would be re-examined and correct course of action adopted.

1111. *Summary of Appropriation Accounts* (*Page 21—AA—PPO*) *Paras 365—67 Pages 86-87—PAC Report 1975-76*).—The Committee was not convinced with the explanation furnished by the department and directed that either a cogent explanation should be furnished or action should be taken against the defaulters.

1112. *Compensation for losses* (*Para 2 Page 17—AA—PPO*) (*Paras 368-69 Page 87—PAC Report 1975-76*).—The Committee had observed that the system of payment of compensation to senders of insured and other articles, for their losses, was defective and the Department was directed to bring about an improvement in the system, to reduce the possibility of losses to the minimum. According to Audit, the previous procedure was continuing unaltered and no effort had been made by the Department so far to improve it. The Vice-Chairman wondered whether, under the existing procedure, responsibility for the losses could be fixed and the same recovered. The Department should therefore, review the system carefully to ensure accountability for losses.

PAKISTAN TELEGRAPH AND TELEPHONE DEPARTMENT

1113. *Grant No. 152* (*Page 61—AA-Pak-T & T*) (*Paras 376—79 Page 89—PAC Report 1975-76*).—It was observed that the Department had incurred an excess of Rs. 165,977,201, against a NIL provision, in procuring stores. This might have been the consequence of an unsatisfactory state of accounts. The departmental representative had, accordingly, been directed to look into the causes of variations and submit a report to the Committee. The Committee noted, with concern, that its direction had not been complied with and the written explanation of the Department was again un-satisfactory. The T&T Department was, therefore, directed that a detailed report, dealing with all relevant issues, should be furnished to the Committee.

1114. *Irregular payment on Muster Rolls Rs. 625,154 (Para 2—Chapter-II—Page 56—AR—T&T) (Para 282—Page 76—PAC Report 1976-77).*—The Committee was informed that the number of daily rated employees had been reduced to 446. The departmental representative was asked to reduce the staff further, as soon as possible.

1115. *Financial results of the Working of the Department by branches Compared with those of the Preceding two years (Page 46—AA—T&T),(Paras 450—53—Pages 120-121—PAC Report 1977-78).*—After going through the written reply of the Department and Audit comments thereon, the Committee made no observation on these paras.

(i) *Fictitious Payments of van hire charges Amounting to Rs. 390,210 (Including Rs. 82,385 on POL) (Para 2—Page 55—AR—T&T) (Para 454—Page 121—PAC Report 1977-78).*

(ii) *Non-Accountal of Stores Valuing Rs. 145,043 (Para 7—Page 56—AR—T&T) (Para 460—Page 122—PAC Report 1977-78).*

(iii) *Loss of Rs. 26,838 on Manufacturing of Cable Duets (Para 4—Chapter-III—Page 37—AR—T&T) (Paras 655-656—Page 115—PAC Report 1971-72).*

1116. The Committee did not consider the minor penalty of censure, awarded in the first two cases for the misappropriation of Government funds, to be adequate. In the third case the department had stated that the official responsible had been removed but actually he had retired. The Committee observed that they should have come out with correct statement. It directed that the Secretary, Ministry of Communications should personally look into these cases to see whether the punishment awarded in each case was commensurate with the seriousness of the charges proved and take suitable action, as may be called for, according to the rules. An intimation of the action taken in this behalf may be furnished to Audit.

1117. *Points/Paras not Discussed to be Treated as settled.*—The Committee did not make any observation on other paras/points in (i) the Performance Evaluation Report on Public Enterprises-1981, and (ii) Audit comments on compliances for 1975-76 to 1977-78. These would be deemed as settled, subject to such regularisation actions as may be necessary under the rules.

1118. The Committee then adjourned to meet at 9.00 A.M. on Thursday, the 27th January, 1983.

Islamabad,
the 19th August, 1983.

M. A. HAQ,
Secretary.

FEDERAL COUNCIL SECRETARIAT

Thursday, the 27th January, 1983.

Fourth Sitting (PAC)

1119. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1979-80. The following were present :—

P.A.C.

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman.*

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member.*

(3) Syed Saieed Hasan, Member, Federal Council .. .. *Member.*

(4) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. .. *Member.*

(5) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(6) Mr. Yusuf Bhai Mian, Chartered Accountant .. .. *Member.*

Federal Council Secretariat.

(1) Mr. M.A. Haq, Secretary

(2) Mr. I.H. Siddiqi, Deputy Secretary.

(3) Mr. S.M. Ahmed, Assistant Secretary.

Audit.

(1) Mr. Abdur Raouf, Auditor General of Pakistan.

(2) Mr. Khalid Rafique, Deputy Auditor General (A&R).

(3) Mr. M. A. Lodhi, Accountant General Pakistan Revenues.

(4) Mr. A.S. Ansari, Director General, Commercial Audit.

Ministry of Finance.

(1) Mr. Javed Talat, Joint Secretary (Budget).

(2) Mr. M.A. Qurni, F.A. (Information).

(3) Mr. S.A. Qadri, F.A.

(4) Mr. M.A. Mumtaz DFA (Information).

1120. *Accounts examined.*—The Account pertaining to the following Ministries/Divisions were examined by the Committee during the course of the day :—

(1) Ministry of Finance.

(2) Economic Affairs Division.

(3) Ministry of Information and Broadcasting.

MINISTRY OF FINANCE

1121. The Committee first took up, for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Finance. The following departmental representative were present :—

(1) Mr. H.U. Beg, Secretary Finance.

(2) Mr. Qamar-ud-Din Siddiqi, Additional Secretary.

(3) Mr. Javed Talat, Joint Secretary (Budget).

(4) Mr. K.N. Cheema, Joint Secretary.

(5) Mr. Jamil Nishtar, Chairman, A.D.B.P.

(6) Mr. Syed Azam Ali, Chairman, H.B.F.C.

(7) Mr. M. Imtiaz H. Zaid, D.N.S.

(8) Mr. F.M. Khan, Executive Director, P.S.P.C.

(9) Mr. S.U. Deshmukh, Executive Director, State Bank of Pakistan.

(10) Mr. S.M. Shaukat, Master of the Mint.

1122. This Ministry, controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Finance Division	39
2.	Pakistan Mint	40
3.	Superannuation, Allowances and Pensions	41
4.	National Savings	42
5.	Other expenditure of Finance Division	43
6.	Grants-In Aid and miscellaneous on adjustments between the Federal and Provincial Governments	44
7.	Capital outlay on Pensions	131-A
8.	Federal Miscellaneous Investments	132
9.	Other loans and advances by the Federal Government	133
10.	Development expenditure of Finance Division	146
11.	Capital Outlay on Mint	176
12.	Miscellaneous Capital Investments	177
13.	Development loans and advances by the Federal Government	178
14.	Appropriation-Audit	—
15.	Appropriation-Servicing of domestic, Debt	—
16.	Appropriation-Servicing of Foreign Debt	—
17.	Appropriation-Repayment of domestic Debt	—
18.	Appropriation-Repayment of Foreign Debt	—

APPROPRIATION ACCOUNTS

1123. *Reconciliation of Accounts with Audit.*—From the reconciliation statement produced before the Committee, it was noted that the reconciliation of accounts on the first quarter of 1982-83 had not been completed, but was in process. The Ministry were directed to get the reconciliation expedited.

1124. *Grant No. 39 Finance Division (Page 53-AA).*—According to Audit, a saving of Rs. 53,524 had occurred under this grant. In their written reply, the Ministry stated that the saving worked out to only 00.2 per cent of the final appropriation, which was within permissible limit.

1125. *Recoveries.*—More recovery of Rs. 7,500 from Telephone, Telegraph and Post Office Departments appeared in the Appropriation Accounts. The Ministry explained in their written reply that 75% expenditure of the Financial Adviser (Communications) was being borne by the Telephone, Telegraph and Post Office Departments, Since expenditure of the F.A.'s Organisation increased due to the post-budget decision to enhance the rates of C.A. and House Rent Allowance *w.e.f.* 1st July, 1979, the share of cost recoverable from the T&T and Post Office Departments also increased and exceeded the original estimate. However, in the R.E. 1979-80, the position of recovery was correctly assessed and reflected.

1126. *Grant No. 40-Pakistan Mint—(Page 54-AA).*—During the year under review, the Pakistan Mint's Final Grant was Rs. 13,300,000 while the expenditure was Rs. 12,393,743, resulting in a saving of Rs. 906,257. The Committee was informed by departmental representative that the accounts of the Pakistan Mint had been departmentalised *w.e.f.* 1st October, 1975 and the saving of Rs. 906,257 was due to wrong adjustment. Audit was requested to verify the position.

1127. *Grant No. 41—Superannuation Allowances and Pensions—(Page 55—AA).*—According to Audit, there was a saving of Rs, 107,000 against the final Grant of Rs. 783,000 under the "Charged" and excess of Rs. 33,323,700 over the final grant of Rs. 70,366,000 in the "Other than Charged" Section of account this Grant. It was explained in their written reply by the Ministry that the saving of Rs. 107,000 Charged was mainly under the head "Payment of Commuted Value of Pension", which had been partly set-off due to excess under "Superannuation and Retirement allowances", and "Gratuity". The saving was due to less expenditure incurred than the provision made in the Budget Estimate for 1979-80 on the basis of actual past expenditure.

1128. The excess of Rs. 33,323,780 (Other than Charged) was mainly under "Gratuities", "Superannuation and Retirement allowances" and "Payment of Commuted Value of Pension" etc. which had been partly set-off by savings under other Sub-heads. The increase in actual expenditure under "Other than Charged" was mainly due to increase in the number of Pensions cases and the amount of Pension due to revision of rates.

1129. It was pointed out that the expenditure under this Demand was not likely to be accurate, as it was mainly based on estimation. Accounts Officers was responsible for making these estimates, keeping in view the trends of payments in the past, which could be usually varied by various factor, like compulsory retirements, premature voluntary retirements and revision in the rates of pay and pensions of retiring public servants. The Accounts Officers had no control over these excesses, as they were of an obligatory nature.

1130. As for asking additional funds, through Supplementary Grants, for adjusting the Final Grant to the likely actuals, payments were made at the Treasury Officers, located in various stations. The figures of actual expenditure were thus not available to the Accounts Officers well in time for asking for the allocation of additional funds through Supplementary Grants. Surrenders of savings/allocations of additional funds through Supplementary Grants, as the case may be, were made on the basis of Revised Estimates for the year, furnished by the Accounts Officers, in the light of the trend of expenditure for only a portional of that year, *i.e.* 3 to 4 months. Variations from Final Grants under these heads were, therefore, unavoidable.

1131. The Committee was informed that, to make the estimates more accurate for the purpose of budgeting, a Committee at the working level, consisting of the Deputy Secretary (Budget) as Convener, Section Officer dealing with the Demand and two representatives from the Audit Department as Members, had now been constituted to identify the problems involved and to suggest ways and means for a realistic preparation of budget estimates. It could now be hoped that, in future, the estimates would be more accurate.

1132. Audit observed in their comments that the position of Final Grant and actual expenditure had been accepted by the Finace Division. The estimation made was based on the flow of actuals, specifically for the last three years. It did not work out to be correct for the year under review. However, the estimation from the year 1982-83 was expected to be made on a more realistic basis. Audit further added that the expenditure was of fluctuating nature and, there fore, not susceptible of accurate estimation.

1133. Replying, the departmental representative explained that, as from 1975-76, the Ministry had been always under estimating the expenditure under this object. But, in the last year's budget, they had tried to rectify the position. As against Rs. 80 lakhs, Rs. 2.5 crores had been provided in the Budget on account of Superannuation Allowances and Pensions.

1134. The Committee, formed to go into the matter, had already submitted its report, which was neither appreciated by Audit nor the Ministry. Then the AGPR was asked to suggest a more realistic way for the preparation of estimates. Having heared the discussion, the Vice-Chairman finally observed that it was

surprising that even the Finance Division could not approximate the actuals towards the end of the year. About Rs. 9 crores were spent on pensions in 1977-78, there was no known basis for making a provision of only Rs. 7 crores two years later. The provision was only for those who had already retired and not for those who were retiring. Accepting the position explained, the departmental representative promised to rectify the matter and concluded that the procedure needed an improvement.

1135. *Grant No. 42—National Savings (Page 56—AA).*—The position explained by the department in their reply was accepted by Audit. The Committee did not make any further observation on this Grant.

1136. *Grant No. 43—Other Expenditure of Finance Division (Page 57—AA).*—Audit had reported a saving of Rs. 73,829 under this Grant. It was explained by the Ministry in their written reply that the saving was within the permissible limits. A Member raised the question as to why was a Supplementary Grant of Rs. 51,826,000 at all asked for, when Rs. 57,157,000, which was more than the Supplementary Grant, were surrendered. The departmental representative replied that this was because of loans to small farmers, interest paid on their behalf and NIT dividends.

1137. *Thereupon, the Committee directed* that a note should be furnished by the Ministry of Finance about the original and the Supplemetary Grants and the surrendered amount, giving the break-down of provisions made therein for various items, like interest paid on behalf of farmers, NIT dividends etc., and the reasons for each surrendered amount.

1138. *Grant No. 44—Grants-In-Aid and Miscellaneous Adjustments between the Federal and Provincial Governments (Page 58—AA).*—According to Audit, a saving of Rs. 804,206,209 had occurred under "Other than Charged" portion of this Grant. The Committee noted that nearly half the grant (Rs. 804,206,398) was surrendered. The departmental representation could not give the reasons for the surrendered amount and promised to submit a revised explanation for the information of PAC.

1139. *Grant No. 131-A Capital outlay on Pension (Page 151—AA).*—Audit had reflected short recoveries of Rs. 817,632 under Capital portion of equated payments out of Revenue and Rs. 350,669 under purchase of Annuity for payment of sterling Pensions. The Ministry explained in their reply that the estimates of recovery had been prepared by the AGPR on the basis of the trend of actual recoveries during the preceding financial year. The actual recoveries which were subsequently booked in the accounts, however varied with the amount of pension, commuted in the past on this basis. Hence, there was a variation between the estimated and actual recoveries. The system of writing back of the commuted value of pension from Capital to Revenue head had been dispensed

with and the balance on this account had been booked in lump-sum during 1978-79 *vide* A.G.P.R., Karachi letter No. PN(A)/5—1/76-77/5087-88, dated 24th March, 1980.

1140. According to the Agreement concluded by the Government of Pakistan in July 1948, an amount of £ 8,166,848 was funded for meeting the liability of the Federal and Provincial Governments for sterling pensions. The U.K. Government, in return undertook to pay, on a tapering basis, an annuity to the Government of Pakistan for a period of fifty years. The principal portion of the annuity was shown as reduction of expenditure under this demand, while the element of interest there was adjusted in the revenue account under the head "XX-Interest".

1141. The Committee observed that there was an incorrect estimation of recoveries. The Ministry should have known the exact figures of annuity which should have been reflected in the Accounts. The departmental representative promised to look into the matter.

1142. *Grant No. 132—Federal Miscellaneous Investments Page (152—AA).*—Audit had shown an excess of Rs. 21,721,770 under this grant. In their written reply, the Ministry explained that the excess was mainly due to—

(i) booking of an expenditure of Rs. 19,347,441 relating to the year 1978-79; and

(ii) payment of Rs. 2,370,130 towards the Share Capital of Islamic Development Bank, Jeddah by the Economic Affairs Division without budget provision.

1143. On the request of Economic Affairs Division, the Finance Division agreed to the Supplementary grant of Rs. 2,400,000 in order to meet the expenditure of Rs. 2,370,130. But due to the non-receipt of schedule from the above-said Division, the amount of Rs. 2,400,000 could not be included in the Book of supplementary Grant and, as such, the expenditure incurred resulted in an excess.

1144. The Committee did not make any further observation in the matter.

1145. *Grant No. 133-Other Loans and Advances by the Federal Government (Page-153—AA).*—As reported by Audit, there was a saving of Rs. 10,000,000 (Charged) against detailed function "731-Loans to Provinces". It was explained in the written reply of the Ministry that the actual disbursement, under this classification, was Rs. 30 million. Audit did not book an amount of Rs. 10 million. Hence the variation the departmental actuals had since been reconciled with Audit, who would carry out the necessary adjustment of un-booked debits.

1146. Audit admitted that the booking of the remaining amount Rs. 10,000,000 was not done in 1979-80, as debit was not received during that year. It was, however, carried out in accounts for the year 1981-82. Thereupon,

the Vice-Chairman remarked that the main difference of opinion between Audit and the Ministry of Finance was in respect of Code No. "734-Loans to non-Financial Institutions" and Code No. "736-Loans to Others". Audit had shown an excess of Rs. 22,800,000 under Code No. "734-Other Loans to Non-Financial Institutions" and a saving of Rs. 3,130,639 under Code No. "736—Loans to others".

1147. *736-Loans to Others.*—The Ministry in their written reply explained that the Final Grant, shown in the Appropriation Account was only Rs. 152,000 whereas actually it was Rs. 2,585,800 which was entirely utilized. There was thus no saving. The departmental actuals had been already reconciled with Audit, who had been asked to rectify their accounts accordingly.

1148. Audit said that the Ministry had disputed the final grant. They had shown it less by Rs. 2,000,000 under detailed function "734" and Rs. 433,800 under "735" while the Ministry had shown this amount under Code No. 739. There was no provision under Code No. 739 in the Budget.

1149. The Committee desired that interest bearing and non-interest bearing loans should be specified and "Regimental Loans" may, if so called for, be shown under Defence.

1150. *Grant No.* 146—*Development Expenditure of Finance Division* (*Page 171—AA*).—According to Audit, an excess of Rs. 394,050,000 had occurred under this grant. In their written reply, the Ministry stated that the excess represented belated adjustment of debits relating to the year 1978-79, which had not been booked during that year by the Sub-Office of the AGPR, Lahore. In fact there was no variation in the accounts.

1151. The Committee finally desired to know as to :—

1. When was the belated expenditure booked and did Audit inform the Ministry of this adjustment ;
2. Why was timely reconciliation not done ; and
3. Whether the debt heads were reconciled quarterly, as required.

1152. *Grant No.* 177—*Miscellaneous Capital Investments* (*Pages 212-213—AA*).—After going through the explanations and hearing the departmental representative, the Committee directed that reconciliation of accounts about these funds should be undertaken more regularly.

1153. *Grant No. 178—Development Loans and Advances by the Federal Government.* (*Page 214—AA*) 700-*Debt Servicing, Investible Funds.*—According to Audit, a saving of Rs. 3,632,959,097 (Other than Charged) had occurred under this Grant. The Ministry explained the reasons therefor in their written reply, which were accepted. As to the saving of Rs. 2,823,144 under Code "735-Other Loans Individuals", it was stated that this classification provided for House Building Advance

to Government servants and the saving was due to provision for House Building Advance having been made keeping in view the requiremnets indicated by various account officers. However, the expenditure against this provision depended entirely on the drawal made by the officials, who are sanctioned loans on the completion of certain formalities. The saving was not indicated by Audit in time and hence it could not be surrendered. Audit pointed out that provisions for House Building Advance was made by Federal Government. Funds were released by Finance Division half yearly. The main reason for variation was that certificates of availability of funds issued by Accounts Offices were not utilized fully by the individuals/Departments due to various requirements.

1154. *Appropriation—Audit (Page 238-AA).* The Vice-Chairman observed that there was nothing material in the Accounts for the Committee's consideration, except that there were some variations. However, a Member asked for reasons for 125 posts in Grades 1 to 17 having remained vacant in the office of the Accountant General Punjab, Lahore. Audit explained that the posts could not be filled up, as approval of the Ministry of Finance, sought for filling up more than three months old vacancies, did not come forth because of the Presidential directive for economy.

1155. *Appropriation—Repayment of Foreign Debt (Page 242-AA).*—Asked about the credit procedure of foreign loans and as to whether the Ministry received these credits in foreign currency or in Pak. rupees, the departmental representative replied that, whenever any loan was received, it was converted into rupees at the prevailing rate of exchange. Thereupon, the Audit representative stated that since the rates of exchange would be different when the Ministry got the money and when its repayment would be made, where was the difference to be booked ? The departmental representative stated that the liability being that of Government, the different was accounted for under the same Grant. Action according to this procedure had already been finalised upto 1974 and that for 1978 was in hand. The same would be complete shortly. The position was not very clear. The departmental representative was requested to send a 'note' on this point.

AUDIT REPORT

1156. *Irregular Expenditure incurred by the Defunct Provincial Co-ordination Wing (Para 13—Pages 25-26—AR).*—It was pointed out by the departmental Representative that during the previous regime, Co-ordination Wing was initially attached to the Finance Division. Later, it was transferred to the Education Division and then to the Cabinet Division. The Wing was subsequently abolished and Mr. Jehangir Khan, who was the Officer incharge and responsible for the irregularity was also compulsorily retired in October, 1977. The Committee noted that nothing could be done about the irregularity now. However, it directed that the Cabinet Division should

furnish a report to the Committee by the end of March, 1983 about the winding up of the Provincial Co-ordination Wing, the list of assets etc. pertaining to that Wing and the up-to-date position of those assets. The representative of Cabinet Division promised to furnish the report.

COMMERCIAL ACCOUNTS

Agriculture Development Bank of Pakistan Para 213, (Page—120—ARCA)

1157. As reported by Audit, physical verification of assets, worth Rs. 16,179 million on the 30th June, 1980 had not been carried out by the Management at the close of the year. In their written reply, the Ministry had confirmed that the physical verification of the assets of all the Banks had been carried out and the nominal excesses and shortages were being reconciled. The final position would be shown to Audit during their next visit. It was, however, clarified that the inventories of Bank's assets had been fully reconciled with the Books of Accounts as on 30th June, 1980 as well as on 30th June, 1981.

1158. *After hearing the Chairman, ADPB., the Committee directed that the Corporation should furnish to it a list of the share-holders of the Corporation and their contributions as on 30-6-1980.*

House Building Finance Corporation. (Paras 214, 215, 216 and 217, Page 121—ARCA)

1159. *Para—214.*—According to Audit, the Corporation earned a net profit of Rs. 18.07 million during the year under review, as against a net profit of Rs. 6.71 million in the preceding year. The increase in the net profits was mainly due to increase in the interest earned on house loans, which rose from Rs. 112.48 million during 1977-78 to Rs. 160.90 million in the year under review, counter-balanced partly by increase in the interest charges, which went up from Rs. 128.74 million in 1977-78 to Rs. 164.69 million during 1978-79.

1160. *Flood Loan (Para—215).*—Between 1973-74 to 1978-79, the Corporation disbursed flood loans amounting to Rs. 427.72 million against which Rs. 7.15 million only could be recovered from the borrowers as :—

(i) these loans were disbursed to the borrowers on the recommendations and identification of District authorities, in relaxation of the existing HBFC rules, without ascertaining the repayment capacities of the borrowers ; and

(ii) there was lack of follow-up recovery action and non-co-operation of District authorities.

1161. It was explained by the Ministry, in their written reply, that the flood loans were disbursed on the directives of the Federal Government and in accordance with the procedure laid down by them. These loans mostly involved rural

population. Recovery of flood loans was linked with problems like the position of crops etc., with the result that the pace of recovery was slow. Vigorous efforts were being made by the Corporation to speed up the recovery.

1162. Audit pointed out in their comments that only Rs. 24.55 million had been recovered up to June, 1982. Strenuous efforts needed to be made to recover the remaining (Rs. 403.17 million) before their turning into bad debts.

1163. *Cash in transit (Para—216).*—Audit had reported that the books of the Corporation disclosed that a sum of Rs. 15.27 million was in transit on the 30th June, 1979, out of which Rs. 14.83 million, pertaining to the year under review, was cleared in the subsequent period. Audit further pointed out that, in August, 1982 a sum of Rs. 159,853.67, as detailed below, was outstanding—

	Rs.
1976-77	35,230.63
1977-78	62,126.37
1978-79	62,496.67

1164. The Committee desired the Ministry to explain as to why the cash in transit, pertaining to the period 1976-77 to 1978-79, could not be cleared as yet ?

1165. *Disputed cheques (Para—217).*—As reported by Audit, a sum of Rs. 34.48 million, representing un-reconciled cheques and termed as disputed cheques, remained un-reconciled as on 30th June, 1979. However, an amount of Rs. 11.83 million had been cleared thereafter, leaving a balance of Rs. 22.65 million. In their written reply, the Ministry maintained that the entire amount had since been reconciled. Audit, however, submitted that the relevant records to substantiate that the balance amount of Rs. 22.65 million had actually been reconciled had not been made available to Audit. The Committee directed Audit to verify the latest position and a report submitted to the PAC.

1166. Replying to a query about the introduction of interest-free scheme and the rate of interest, the departmental representative submitted that 9% was being charged upto Rs. 20,000, 11% between Rs. 20,000 and Rs. 40,000 and 12% for any sum exceeding Rs. 40,000. The departmental representative added that, after the introduction of the profit and loss scheme, the procedure for the grant of loan is that the applicant had to submit, along-with his application, a copy of the approved plan on the basis of which the Corporation works out the total cost of construction along-with the cost of land. The applicant has then to re-submit an application, along-with the estimates. Every year, the Corporation carries out a survey of all the cities of Pakistan to determine the cost of construction per sq. ft. of the built up area there. Thereupon, the share of the Corporation is determined in each case.

1167. The Committee directed the departmental representative to submit to it a note, explaining the procedure, for the grant of advance to build a house and how and according to what formula was the share of the Corporation in each case determined.

1168. Questioned about the present position of loans, the departmental representative replied that loans amounting to Rs. 135 crores were disbursed during the preceding year. The recovery was of the order of Rs. 40 crores. It was, however, added that the loans were completely secure, as the house, for which loan was taken was mortgaged against these loans.

1169. Seeing the assets and liabilities concerning the former East Pakistan still appearing in the Accounts of the Corporation, the Committee was loth to remark that its earlier directive that the Finance Division should go into such accounts of various organisations, for evolving a uniform procedure, seemed to have gone without any action. The Committee directed that the Finance Division should issue clear instructions as to how the assets and liabilities of the former East Pakistan were to be dealt with in the books of various organisation, so that a uniform procedure could be followed. The Departmental Representative promised to do so.

Pakistan Refugees Rehabilitation Finance Corporation (merged with H.B.F.C. w.e.f. 16-5-980) [Para 3—(iv)—Page 6—ARCA]

1170. Audit pointed out that the Corporation had not yet compiled the accounts for 1979-80.

1171. The Corporation in their written reply explained that Accounts of PRRFC for the period from 1st July, 1979 to 15th May, 1980 had been prepared. These were required to be audited by the External Auditor. The matter of appointment of the External Auditor had been taken by the Ministry of Finance with Auditor-General of Pakistan *vide* their letter No FS(5)/F-11/76-1456, dated 23rd November, 1980. Their approval had not been received so far. Director Commercial Audit Karachi had been intimated this position and was requested to take up the audit of the Compiled Accounts of defunct PRRFC.

1172. Audit informed the Committee that Government approval to the appointment of External Auditors was conveyed to House Building Finance Corporation by Finance Division on 9th December, 1980. Inspite of lapse of over two years, audited accounts had not been produced.

1173. The Committee drew the attention of the Finance Division to outstanding accounts and directed them to expedite.

State Bank of Pakistan

1174. At its meeting held on 15th April, 1981, the former *Ad-hoc* PAC had directed the State Bank to submit a paper to it incorporating therein the following :—

(i) the reasons for the figure of appreciation, on the revaluation of gold with them, not being shown in the Accounts separately and transferred to the Reserve Account instead of the appreciation on account of revaluation of gold being treated as income and included in the regular income of the Bank, affecting the Bank's Income and Expenditure and Profit and Loss Accounts and thereafter transferred to the Reserve Account of the Bank.

(ii) whether the increase in the value of gold on the 'Assets' side of the Issue Department, as a result of revaluation of gold and appreciation in its value, was being utilised for augmenting the circulation of notes, by issuing more notes than already held in circulation on the relative date.

(iii) if as claimed, no increase may have been effected in the circulation of notes, as a result of appreciation in the values of gold and 'Assets' of the Issue Department, but only adjustments made in the Issue/Banking Department Accounts, the mechanism of such adjustments and also why two sets of Accounts under 'Issue Department' and 'Banking Department' were being maintained, separately.

1174-A. The representative of the State Bank submitted a note in compliance with the above directive, which is placed at Appendix 'D'.

1175. In its same sitting on 15th April, 1981, the Committee had further desired the State Bank to submit a note about their deposits etc. In the former East Pakistan, as incorporated in the Banks' Balance Sheet. A note submitted by the Bank on this subject may be seen at Appendix 'E'.

1176. A Member enquired about the prices of gold and its revaluation. The departmental representative replied that the revaluation takes place on the basis of the gold price, prevailing in the London market on the last working day of June each year. Replying to a query about the issue of currency notes of the denominations of Rs 500 and Rs. 1000, the Committee was informed that, though the printing of notes in the above denominations had already been agreed to in principle, the design of the notes had not been approved as yet.

Banking Council

1177. The departmental representative informed the Committee that, as the activity of Banking had been decentralised, the Ministry had no direct control over it. Instead, the Pakistan Banking Council, a statutory body, was

responsible for its supervision. If the Committee desired a full report on it or wanted to hear the Chairman of the Council, this could be arranged during the next meeting. The Committee—

(i) *favoured the latter course of action and asked for a detailed note on the Council's work, for the information of Members.*

(ii) directed that the Banking Council be requested to furnish the Accounts of the Banks under its supervision, along with their report thereon.

The Security Printing Corporation

1178. The Auditor General pointed out that his organisation could not undertake the audit of the Security Printing Corporation, as they were not allowed access to the records of the Corporation on the ground that the Security Printing Corporation was an autonomous organisation. After some discussion, the Committee directed that *the Ministry of Finance may advise the Security Printing Corporation that they should allow the Auditor-General to audit their accounts, when requested for.*

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1975-76 TO 1977-78.

1179. *Working results (Para 210, Page 426—CA—Paras—767—769, Page—184 PAC Report, 1977-78).*—The Committee directed that *the action taken about the disposal of the India and former East Pakistan accounts, occurring the books of various organisations should be furnished by the Ministry of Finance, as early as possible, for the information of the Committee.*

1180. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points concerning (i) Appropriation Accounts/Commercial Accounts and the Audit Reports thereon and (ii) Audit Comments regarding Compliances of the PAC's recommendations in their Reports for 1975-76 to 1977-78. These would be deemed settled subject to regularisation actions, as may be necessary under the rules.

ECONOMIC AFFAIRS DIVISION

1181. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Economic Affairs Division. The following departmental representatives were present :—

(1) Mr. Ejaz Ahmad Naik, Secretary, E.A.D.

(2) Mr. S. G. Ahmad, Joint Secretary.

(3) Mr. Makhdoom H. Chaudhri, Deputy Secretary.

(4) Mr. Hafiz Mohammad Usman, Director of Accounts.

(5) Mr. Khalil-ur-Rehman, FA & AO.

1182. This Division, controlled the following grants :—

S. No.	Name of Grant	Grant No.
(1)	Economic Affairs Division	50
(2)	Technical Assistance Schemes..	51
(3)	Development expenditure of Economic Affairs Division	147

1183. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of accounts for the first quarter, in respect of the year, 1982-83, had only been completed. The departmental representative was asked to have the reconciliation of the outstanding accounts also carried out speedily.

AUDIT REPORT

1184. *Para 3 (iii) (8) (Page 2—AR).*—It had been pointed out by Audit that savings in the grants, controlled by the Division, had occurred in three successive years. It was explained by the departmental representative that the savings mainly occurred due to a losser receipt of amount of foreign aid than anticipated. Disbursements of aid were controlled by the donor countries/agencies themselves and complete information about the disbursements was furnished by them long after the close of the relevant financial year. It was, therefore, not possible to get the savings/excesses regularised in time. No further observation was made by the Committee on this para.

1185. *Outstanding Audit and Inspection Reports (Para 10, Page 22—AR).*—The position explained by the Division in their written reply was confirmed by Audit. The Committee did not make any further observation on this para.

APPROPRIATION ACCOUNTS

1186. *Grant No. 50—Economic Affairs Division (Page—65—AA).*—There was nothing material for consideration under this grant.

1187. *Grant No.51—Technical Assistance Schemes, (Page 66—AA).*—Discussing the provision of Rs. 17,707,500 as " Charged " expenditure under this Grant, the Committee desired to know as to what provision was made for it originally and why was it "Charged" expenditure. It was explained that the Ministry had already submitted an Agreement under which this payment was required to be made to the U.S. Trust Fund Account. Since the U.S. Aid Organisation had set-up its office in Pakistan to look after U.S. assistance, including technical assistance, to Pakistan, most of the expenditure on the U.S. Aid offices in Pakistan was incurred on meeting their local expenses, as expenses on the administration of technical assistance schemes was to be borne by the Government of Pakistan. It was the counterpart fund which had to be transferred to the U.S., under the Trust Fund. The Vice-Chairman clarified that it was not the repayment of any loan but payment to the U.S. Government for the maintenance of their organisation in Pakistan.

1188. A member of the Committee observed that a saving of Rs. 26,432,467 (Other than Charged) was shown under the object " 800—Unallocable—820—Expenditure on Foreign Experts and Assistance received from abroad ". From the recovery portion, it appeared that less aid was received from the USAID than anticipated. The non-adjustment of Technical Assistance Funds was due to the non-receipt of the disbursement of Rs. 20 million and more than anticipated aid, received from the Ford Foundation. The departmental representative explained that Foreign Experts were paid directly by the donor and the Ministry received the accounts from the donors much later, after the accounts for the year had been closed. As such, adjustments in the accounts had to be carried out during the succeeding year.

1189. *Grant No. 147—Development Expenditure of Economic Affairs Division (Page 173—AA).*—The Committee noted that ' economy cuts ' were being applied on the budget provision under ' aid ' but no corresponding cut applied on recoveries portion under this grant and remarked that this did not appear to be correct, Audit should, therefore, explain the position to the Ministry.

1190. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points relating to Appropriation Accounts and Audit Report thereon. These would be deemed settled subject to regularisation actions, as may be necessary under the rules.

MINISTRY OF INFORMATION AND BROADCASTING

1191. The Appropriation and other Accounts for 1979-80 and the Report of the Auditor General thereon, pertaining to the Ministry of Information and Broadcasting, were the last to be taken up by the Committee for examination on the 27th Jaunary, 1983. The following departmental representative were present :—

(1) Mr. Anwar Zahid, Additional Secretary.
(2) Mr. M. Y. Sethi, P.I.O.
(3) Mr. Anwar Ahmad, DG, Films and Publications.
(4) Mr. Ahmad Hasan Sheikh, DG, P.N.C.
(5) Mr. Khalid Ali, DG, External Publicity.
(6) Mr. Khalid-ur-Rehman, APP.
(7) Mr. Ejaz Ahmad, P.B.C.
(8) Mr. Zia Nisar Ahmad, M. D., P.T.V.C.
(9) Mr. Abdul Latif, Deputy Secretary (F & A).
(10) Mr. Sikendar Jamali, Director, Research and References.

1192. This Ministry, controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Information and Broadcasting	79
2.	Directorate of Publications, News reals and Documentaries	80
3.	Press Information Department	81
4.	Information Services Abroad	82
5.	Pakistan National Centres	83
6.	Other expenditure of Ministry of Information and Broadcasting	84
7.	Capital outlay on purchase of Newsprint	129
8.	Development expenditure of Ministry of Information and Broadcasting ..	154

1193. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation, in respect of demand No. 79 during 1979-80 for the Mobile Information Unit and demand Nos. 84 and 85 for 1981-82 in respect of the Pakistan National Centre had not yet been completed and reconciliation of the 1st quarter of 1982-83 was also lagging behind the Schedule. The Committee directed the departmental representative to have the re-conciliation work finalised, as expeditiously as possible. The departmental representative assured the Committee that the outstanding reconciliation would be got completed shortly.

AUDIT REPORT

1194. *Irregularities Occurred in Pakistan National Centre, Rawalpindi (Para 11, Pages—22—24—AR).*—Audit had pointed out that the following amounts were drawn irregularly by an Executive Director of Pakistan National Centre, Rawalpindi, which were not admissible under the rules :—

	Rs.
(i) Expenditure on refreshments etc.	72,494
(ii) Non-recovery of amount for private use of Staff Car..	18,118
(iii) Irregular payment on boarding and lodging	7,622
(iv) (a) Wasteful expenditure on Staff Car and School-Van	4,178
(b) Infructuous expenditure on repairs of School-Van	4,988
(v) Irregular payment of entertain charges	2,737
(vi) Irregular drawal of Travelling Allowance	3,148
(vii) Over-payment due to premature increments	10,355
Total ..	1,23,640

1195. It was explained in the written reply that action for the recovery of irregular payments against items (i), (ii), (iii), (v) and (vi) above had been initiated, while the regularisation of excess expenditure against items (iv) and (vii) had also been taken in hand. Thereupon, the Vice-Chairman observed that the main point before the Committee was the recovery of irregular payments. He enquired as to what was the position of recovery and why it had been pending for so long ?

1196. Replying, the departmental representative stated that the expenditure had been incurred in 1972-73. They were examining the matter and would be able to furnish more convincing explanation after this aspect had been examined with certain other cases. On the Vice-Chairman asking as to why had the matter been allowed to linger on for the last 10 years, as it should have been decided by the Ministry when the irregularity was detected in 1972-73, the departmental representative submitted that they would take only a few days more to finalise this case as it had now come to the Ministry.

1197. *The Committee, thereupon, directed that these old cases must be finally disposed of without any more delay, either by regularising them, if so warranted, or writing off the amount involved. A report should be submitted about the final outcome in each case.*

1198. The Committee directed the departmental representative that the following old cases *MUST* also be finally disposed of without much more delay either by regularising them, if so warranted, or writing them off the amounts and a report should be submitted about the final outcome :

(i) Irregular purchases and un-authorised State Trading of Newsprint (Para 42, Page 38/AR).

(ii) Un-necessary purchase of odd sized newsprint Rs. 11.9 million (Para 43, Page 39—AR).

(iii) Excess payment Rs. 2,969,853 to a Newspaper (Para 44, Page 40—AR).

(iv) *Irregular issue of Newsprint on audit and non-recovery of Rs. 1,767,250 (Para 45, Page 40—AR).*

(v) *Blockade of Government money and loss due to theft (Rs. 35,500) (Para 46, Page 41—AR).*

APPROPRIATION ACCOUNTS

1199. *Grant No. 79—Ministry of Information and Broadcasting (Page 95—AA).*—An excess of Rs. 4,61,653, according to the Ministry, had occurred mainly under the Group Head, included under this grant, namely, " Directorate of Mobile Information Units ". The departmental representative stated that revised figures had been worked out since and the Ministry had accepted the audit figures during the revised reconciliation on 19th January, 1983. An expenditure of Rs. 25 lacs concerning the items of the Mobile Information unit had been shortnoted. A Member remarked that if this may have happened as a result of wrong information by the Ministry then the responsibility therefor should have been fixed and suitable action taken against the officer, who furnished the wrong information to the Ministry at the time of surrender of savings etc.

1200. The departmental representative assured the Committee that they were looking into the whole case.

1201. *Grant No. 80—Directorate of Publications, Newsreals and Documentaries (Page—96—AA).*—The Committee noted that there was no material point under this grant except the problem of reconciliation. The details had been communicated to the A.G.P.R., Rawalpindi. The departmental representative was directed to supply a copy of the Information, passed on earlier, to the Audit again.

1202. *Grant Nos. 81 to 84, 129 and 154.*—After hearing the departmental explanation, the Committee did not make any observation in regard to the undermentioned grants :—

(i) Grant No. 81—Press Information Department (Page 97—AA).

(ii) Grant No. 82—Information Services Abroad (Page 98—AA).

(iii) Grant No. 83—Pakistan National Centres (Page 99—AA).

(iv) Grant No. 84—Other Expenditure of Ministry of Information and Broadcasting (Page 100—AA).

(v) *Grant No. 129—Capital Outlay on Purchase of Newsprint. (Page 148—AA).*

(vi) *Grant No. 154—Development Expenditure of the Ministry of Information and Broadcasting (Page 186—AA).*

COMMERCIAL ACCOUNTS

1203. *Account of PBC and Asian Television for 1978-79 (Paras 3(v) & (vi)—Page 6—ARCA).*—It was confirmed by the departmental representative that the accounts of the Pakistan Broadcasting Corporation and the Asian Television for 1978-79 and 1979-80 had been compiled and sent to the Director General, Commercial Audit Karachi, on the 30th December, 1982. Audit verified the statement and said that the accounts for 1979-80 relating to Asian Television Corporation had been included in the next compilation of Commercial Accounts for 1980-81.

Associated Press of Pakistan

1204. *Expenditure of Rs. 4.34 million on an abortive Scheme and potential wastage of obsolete before its installation equipment declared (Para 8, Page 16-ARCA)*—In their Report, Audit had pointed out that, in 1973-74, the Associated Press of Pakistan had decided to introduce on independent Radio Teletype Communication system at a revised cost of Rs. 6.56 million. The scheme did not register any progress till August, 1976, when a Dutch loan was negotiated. Equipment, costing Rs. 4.34 million, was imported from Holland under the Dutch credit, received in May, 1978. The imported equipments were not installed till 1980, as the plot acquired for the purpose was not found sufficient and a bigger one had to be arranged for. In the meantime, the equipments had become out-dated, as the major news agencies in the world had switched over to Satellite. The unnecessary import of the above out-dated equipment could have been avoided, had the latest techniques for the distribution of news been kept in view. It was apprehended that the expenditure on the purchases of the equipment, valuing Rs. 4.34 million, might become entirely infructuous if the material was not disposed of early.

1205. The departmental explanation was not found acceptable and the Vice-Chairman observed that the main point for consideration in this case was that no action appeared to have been taken by the Ministry for the disposal of the equipments during this long interval. Explaining the position the departmental representative submitted that the equipment was neither operative nor coud it be treated as obsolete. This equipment was being installed for which land had been asked for from the C.D.A. and they were going to utilise it.

1206. A member desired to know as to who had certified that the equipment could still be used and had this been accepted by the Ministry, before agreeing to a new construction Explaining the position, the departmental representative submitted that this project needed a fresh look. The latest view of the Ministry was that, though not most modern, the equipment was not obsolete and the machinery was useable, because a large number of agencies were still making use of it. However, they had yet to seek confirmation about the plans of other agencies. Besides, secondly more information was required about this system in the world

context. The Auditor-General suggested that the Committee might fix a target date for the Ministry. The departmental representative undertook to accord priority for looking into the whole scheme afresh.

1207. The Committee finally decided that the Ministry should have a fresh look at this case and furnish their final report to it within three months. With a view to deciding whether the equipment be installed or abandoned export should also be consulted if necessary.

1208. *Payment of Rs. 18,002 as inadmissible allowances to an employee (Para 13-Page 19 ARCA).*—The Committee did not make any observation on this para and it was treated as settled.

1209. *Para 238—240, Page 127-ARCA.*—After discussion, the Committee desired that a comprehensive note, about the position of accounts of Associated Press of Pakistan upto 1981-82, be furnished to it through Audit as soon as possible.

Pakistan Broadcasting Corporation

1210. *Loss of Rs. 889,294 on defective construction of residential quarters (Para 9, Page 17-ARCA).*—As reported by Audit, the Pakistan Broadcasting Corporation (PBC) got 12-D type quarters constructed by the PAk. P.W.D. in one of its complexes, at a cost of Rs. 889,294. The civil works were completed by the end of 1970, but possession could not be taken till December, 1972, because the new colony lacked water supply and electricity. The colony was finally taken over by the formation from the Pak. P.W.D. in December, 1972, but possession of "D" type quarters could not be taken, as there were serious cracks in the walls, besides other constructional defects. The matter remained under correspondence with the Pak. P.W.D. without action by the latter for carrying out repairs and removal of defects in these quarters. Ultimately, in December, 1975, the Pak. P.W.D. recommended that, the repairs of the quarters being un-economical, the same may be abandoned and useful material salvaged. As a result of abandonment of the quarters, a loss of Rs. 889,294 was incurred by the formation.

1211. When pointed out by Audit in October, 1978, the management stated in May, 1979 that they were pursuing the matter with those concerned. Failing a response, the matter was reported to the administrative Ministry in February, 1980. In their reply dated 4th March, 1980, the Ministry stated that the defective 12 "D" type quarters were never taken over by the Corporation. It is only when the Pak. P.W.D. considered them as a total loss that the Administrative Ministry concerned (Works Division) would take action to write the same off or to compensate the Corporation. Audit, therefore, pressed for the—

(a) investigation of cause of loss at a high levels for fixing responsibility, to avoid its recurrence ; and

(b) regularisation of the losses.

1212. It was explained by the Ministry, in their written reply, that the residential quarters in question were constructed by the Pak. P.W.D. Accordingly, investigating the causes for the loss and fixing responsibility therefor was the function of Works Division. That Division had since accorded sanction, with the concurrence of Finance Division, for the dismantlement of the quarters. Action for the write-off of the losses would be initiated, after the salvaged value of the dismantled material had been credited into the treasury and the net losses ascertained.

1213. It was pointed out that, to compensate the P.B.C. for the loss, funds, for the contruction of these quarters afresh had been provided under the Grant of Radio Pakistan, then a Government Department. There was thus so no occasion for making any payment to the Corporation on this account. Audit again insisted that the Ministry of Information and Broadcasting needed to follow up the case with the Works Division, so that the loss could be investigated into and the responsibility fixed therefor.

1214. Replying to a query, the departmental representative said that the quarters had been constructed by the Pak. P.W.D. and an inquiry revealed that there was no defect in the material/construction. But, before starting the construction of this single story building, no investigation of the soil was undertaken, presuming, it to be safe for a single story.This presumption, did not prove to be correct. A member observed that the walls had cracked and the ground sunk. Asked about the number of quarters constructed, the departmental representative replied that there were about 60-70 quarters.

1215. The Representative of Finance Division then intervened to say that the matter related to the technical aspect of the construction and it would be advisable if the case is referred to the Ministry of Works. *The Committee finally decided that the Ministry of Works should be asked to look into this case and submit a report to it in some detail.*

Pakistan Television Corporation

1216. *Infructuous expenditure of Rs. 157,045 on formation of an Orchestra (Para 19, Page 18 ARCA).*—Audit had reported that the Pakistan Television Corporation (PTV) decided to organise an orchestra with the best available musicians in 1974. For this purpose, a General Manager was appointed on 15th April, 1974 at a monthly salary of Rs. 2,500 plus allowances, and a private bungalow was hired for him in Karachi from the 1st January, 1975 at a monthly rent of Rs. 3,000. The Orchestra could not be formed due to financial stringency and the services of the General Manager were terminated in June, 1976. The bungalow remained un-occupied as it could get no telephone connection. As such, the expenditure of Rs. 157,046, incurred for establishing the orchestra, was rendered infructuous.

1217. The Ministry discounted the statement that any bungalow was hired exclusively for the General-Manager. It was explained that a building was no doubt hired in 1975-76 for conducting rehearsals for musical and dramatic productions and the General Manager was given only one room in that building for his office. His period of employment was from April, 1974 to 30th June, 1976. On the other hand, the building was hired from the 1st January, 1975 and, on the completion of the rehearsal halls at the T.V. Centre, Karachi, vacated on the 31st December, 1976.

1218. *After some further discussion, the para was dropped.*

1219. *Non-recovery of Rs. 168,590 for use of staff car by another Organisation (para 11 page 18-ARCA).*—In their Report, Audit had brought out that the Pakistan Television Corporation (PTV) had placed a staff car at the disposal of another organisation in September, 1977, which was still in their use. The expenditure on the running and maintenance of this car, inclusive of salary and overtime of the driver, was being paid by the Corporation and its recovery was not being made from the organisation using the car. The expenditure from the 1st September, 1977 to 30th April, 1981 worked out to Rs. 1,68,590. In their reply, the Management stated that the staff car was placed at the disposal of another organisation under the orders of the Ministry of Information and Broadcasting, as the same was required by them for work connected with information media.

1220. In their reply, the Ministry had also explained that the staff car of the Corporation was being used by the Press Secretary to the President, to facilitate a proper projection by the Corporation of the events with which the Head of the State might be associated. This procedure met the requirements of the Corporation, as there was no other system by which the Corporation could receive guidelines on the projection of important State functions and the President's tours and speeches. As the staff car was being used for the furtherance of cause of P.T.V.C., the expenditure on its running and maintenance constituted a legitimate charge on the Corporation. There should hence be no question of any recovery from the other organisation (*viz* I.S.P.R. Directorate/President's Secretariat).

1221. *After hearing the above explanation, the Committee decided to drop the para.*

1222. *Irregular payment of bonus to deputationists Rs. 19,770 (Para 12, Page 19-ARCA).*—According to Audit the P.T.V. Corporation paid an *ex-gratia* bonus of Rs. 19,770, equal to their one month's pay, and election honorarium, equal to their half month's pay, to some Government servants working with it on deputation during 1976-77, although this was not provided in their terms and conditions of deputation. In their written reply, the Ministry explained that the

issue of regularisation of this expenditure was taken up by the Ministry with the Finance Division, who made certain observations, which were being attended to. Audit held that the payment of *ex-gratia* bonus (made 6 years ago) needed an early recovery/regularization.

1223. *The Para was decided to be dropped subject to such regularisation action as may be necessary, under the rules.*

1224. (*Para 236, Page 126-ARCA*).—There was no material point for the Committee's consideration in this para.

1225. *Stores and Spares as at 30th June, 1980 amounted to Rs. 14.46 million as Rs. 48.67 million,* respectively (*Para-237, Page-126—CA*).—The Committee did not make any observation on this para.

Compliance on the points contained in the PAC's Reports for 1975-76 to 1977-78.

1226. *Overpayment of freight by not availing reduction in rates—Rs. 1,590,970 (Para 22-Pages 31—32 AR-Paras 674-675-Page 137 PAC Report 1976-77).*—After going through the Ministry's reply the Committee directed Audit to pursue the case.

1227. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points concerning the Appropriation/Commercial Accounts, the Audit Reports thereon pertaining to the Ministry for the year 1979-80 and the compliances on PAC Report's for 1975-76 to 1977-78. These would be deemed settled subject to such regularisation action, as may be necessary under the rules.

1228. The Committee then adjourned *sine-die.*

M.A. HAQ,
Secretary.

Islamabad, the 3rd August, 1983.

FEDERAL COUNCIL SECRETARIAT

Sunday, the 13th March, 1983.

Fifth Sitting (PAC)

1229. The public Accounts Committee met at 9-30 a.m. in the State Bank Building, Islamabad, to continue the examinatior of the remaining Federal Accounts for 1979-80. The following attended the meeting :—

P.A.C.

(1) Mr. Ghulam Ishaq Khan, Minister for Finance, Commerce and Coordination .. .. *Chairman.*

(2) Syed Saieed Hasan, Member, Federal Council .. .. *Member.*

(3) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. .. *Member.*

(4) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(5) Mr. Yusuf Bhai Mian, Chartered Accountant .. . .. *Member.*

Federal Council Secretariat

(1) Mr. M.A. Haq, Secretary.

(2) Mr. I.H. Siddiqi, Deputy Secretary.

(3) Mr. S.M. Ahmad, Assistant Secretary.

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. Khalid Rafique, Deputy Auditor-General (A & R).

(3) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues.

(4) Mr. A.S. Ansari, Director General, Commercial Audit.

(5) Syed Jamil Ahmad Zaidi, Director General Audit and Accounts Works.

Ministry of Finance

Mr. Javed Talat, Joint Secretary (Budget).

1230. *Accounts examined.*—The Accounts pertaining to the following Ministries/Divisions were examined by the Committee during the course of the day :—

(1) States & Frontier Regions Division.

(2) Kashmir Affairs and Northern Affairs Division.

(3) Ministry of Local Government and Rural Development.

(4) Ministry of Religious Affairs and Minorities Affairs.

STATES & FRONTIER REGIONS DIVISION

1231. The Committee first took up, for its examination, the Appropriation Accounts etc. pertaining to the States and Frontier Regions Division. The following departmental representatives were present :—

(1) Syed Munir Hussain, Secretary.

(2) Brig. (Retd.) Usman Khan, Joint Secretary.

(3) Mr. A.M. Babar, Joint Secretary.

(4) Mr. Usman Shah Afridi, Chairman, FATA Development Corporation.

(5) Mr. Atta-ur-Rehman, C & W Secretary, N.W.F.P.

(6) Mr. M. Ranizul Haq, Deputy Secretary.

(7) Mr. M. Younus Khan, Deputy Secretary.

(8) Mr. Fateh Mohammad, Section Officer.

(9) Mr. U.D.K. Lodhi, OSD (F & A).

1232. This Division, controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	States & Frontier Regions Division	115
2.	Frontier Regions.	116
3.	Federally Administered Tribal Areas	117
4.	Maintenance Allowance to *Ex*-Rulers	118
5.	Other Expenditure of States and Frontier Regions Division	119
6.	Development Expenditure of States and Frontier Regions Division ..	162
7.	Development expenditure of Federally Administered Tribal Areas ..	163
8.	Capital outlay on Development of Tribal Areas	189

1233. *Reconciliation of Accounts with Audit.*—The Committee noted that about one third of reconciliation work was still outstanding. The departmental representative was directed to have the *same completed within a month and information about the completion of reconciliation in the Units should be passed on to Audit as and when this happened.* The Committee was informed that necessary steps were already in hand for this purpose.

1234. The Committee further desired that in future the *Reconciliation statement of the A.G.P.R. should distinctly show details about the items reconciled, those in the process of reconciliation and what remained to be taken up for reconciliation.*

1235. *There should also be standing instructions that the accounts for each quarter should be available for reconciliation by a prescribed date during the succeeding quarter.*

AUDIT REPORT

1236. *Infructuous expenditure of Rs.* 4,663,478 *on shingle road (Para 53, page 47—AR).*—The construction of a 25 mile long shingle road was started by the P & R Division, Bajaur in March, 1974 at an estimated cost of Rs. 9,932,000. After the completion of only 5-1/2 miles track, costing Rs. 4,663,478 till June, 1978, the work was abandoned.

1237. A member desired to know as to who decided to abandon this scheme and the expenditure incurred on the completion of 15th of the road also appeared to be excessive. The departmental representative explained that, due to unforeseen political situation developing in the area, the road construction had to be stopped.

1238. After some discussion, the Committee finally directed that all the facts concerning the construction of the shingle road should be furnished to Audit and the Committee stating, *inter alia*, as to how it was originally sanctioned, how much money was allocated for it, who ordered its abandonment etc. and why and under what order was the construction of the shingle road abandoned ?

1239. Since stiff opposition may, on accasions, be faced from local residents about the execution of such projects in the Tribal Areas, leading to their postponement or abandonment, it was decided that, in future, with a view to a obviating technical Audit Objections, the Department should invariably furnish to Audit the full story about these projects as to how were they conceived, the developments thereafter, agreement if any, reached in advance with the locals and the circumstances compelling the abandonment or postponement of the Schemes. The Audit report should also, in such cases, briefly spell out the facts, so that the time of the Committee was not lost in finding out these details.

1240. *Irregular drawal of pay for un-recruited Khassadars, amounting to Rs. 2,036,252 and embezzlement of Rs. 319,679 (Para—54, Page 48—AR).*—The office of the Political Agent Mohmand Agency drew Rs. 2,036,252 on account of pay for Khassadars who were not recruited till March, 1979 for the period July, 1974 to March, 1979. The amount was shown in the cash book as paid. The amount was, however, not actually spent, but Rs. 923,264 were deposited into un-authorised private accounts with Commercial bank, Rs. 729.200 placed in personal ledger account and the balance of Rs. 383,788 remained un-accounted for. Subsequently a sum of Rs. 1,76,573 was refunded into Government account in three instalments leaving a balance of Rs. 319.679 which constituted a loss to the Government. The *ex*-cashier who was responsible for the embezzlement was dismissed in September, 1979.

1241. The Committee noted, with surprise, that only a very junior official had been held responsible for these irregularities. After discussion, the Committee directed that Audit should have tried to go deeper in the matter and dug out details by examining the books and ascertaining as to who had prepared the muster rolls of bogus employees, who was the Political Agent at the time, who signed on the muster rolls, where was the money kept, who operated upon it etc. ? *The Committee desired that, in all embezzlement cases, full facts and major details, found out by Audit, along with their findings in the form of a concise but self-contained report should be made available to the Committee, with an advance copy to the Department.*

1242. The consideration of this para was thereafter deferred.

1243. *Undue financial aid of Rs. 588,851 to contractors (Para 55, Page 48—AR).*—After going through the written reply and hearing the departmental representative, the Committee decided to :—

(1)	(i) *C & W Division Bajaur* ..	Drop the objection.
	(ii) *Advance of Rs. 1,00,000 to a contractor.*	Drop this objection also, subject to Audit. Satisfying themselves in the light of the explanation.
(2)	*C & W Division Ekka ghund*..	Drop the objection in respect of this Division.

1244. *Loss due to sale of sugar at lower rates Rs. 531,740 (Para 56, Page 49—AR).*—The office of Political Agent, Mohmand Agency sold 4,834 bags (483,400 Kgs) of sugar on permits, issued by the Political Agent, at Rs. 4.26 per K.g., whereas sugar on permits should have been sold at Rs. 5.36 per K.g. It was confirmed by the departmental representative that the amount involved had since been recovered and deposited in the State Bank. The para was dropped, subject to verification by Audit.

1245. *Financial indiscipline in Political Agent's Organization (Para 57, page—49—AR).*—The detailed explanation furnished by the Department was considered by the Committee. The Committee noted that in one case it was not possible to carry out a pre-physical verification due to political and other constraints, and the statements of Maliks' had to be depended upon. After hearing the departmental representative the Committee decided to drop the paras 57 (1), 57 (2) and 57 (4) to (8).

1246. Dealing with para 57 (3) about the missing receipts, the Committee *directed that the irregularities in such* cases should be brought to the notice of the Political Agent concerned in writing, with a copy thereof kept on the character rolls of the defaulting *officials under intimation to them, so that more care and vigilance is exercised by them in the discharge of their responsibilities in future.*

1247. *Doubtful expenditure of Rs. 345,000 on shuttering material (Para 58, Page 50—AR).*—After going through the written reply of the department the Committee enquired whether shuttering material was included in the contract price and directed Audit to verify the position.

1248. *Excess payment to contractors Rs. 163,510 (Para 59, Page 50—AR).*—Audit had pointed out to the department and the Administrative Secretary five instances of over-payments to contractors in various Divisions of the Communications and Works Department. Despite this, no further steps were taken to fix the *responsibility and effect* recoveries. However, Paras 59 (i), (ii), (iii), (iv) and (v) were treated as settled, subject to verification of the recovery by Audit.

1249. The Committee was informed that the Governor, NWFP was the Agent to the President and he had been delegated full powers for exercising authority in the Federally Administered Tribal Area. In fact, all the developmental activities were being undertaken under his direction and it was the NWFP Government and their different departments, who actually executed all such works. These departments were directly responsible to the Governor.

1250. The Committee *directed that, where the Provincial Government or a department of that Government may be acting as agent to the Federal Government the concerned* organization should, as necessary, be asked to appear before *the PAC to answer questions relating to irregularities, pointed out in the Appropriation Accounts or the Reports of the Auditor-General thereon.*

1251. *Excess payment of Rs. 107,030 to a contractor* (Para 60-Page-52-AR).—In March, 1978, the Parachinar Development Division paid a contractor for 339,452 cft, of earth, brought from the borrow-pits excavation with an extra load of one mile, for filling in road formation @ Rs. 137.25 per 100 cft + 175% premium. As per the sanctioned estimate, 81,058 cft, earth, out of the above quantity, was available at site and it was to be utilised. Payment for filling the earth available at site was admissible @ Rs. 12.25 per 100 cft. Plus a premium of 175%. Payment was, however allowed @ Rs. 137.25 plus premium for the entire quantity of excavated earth. This resulted in an over-payment of Rs. 27,864 to the contractor of which should have been recovered and an inquiry held promptly.

1252. The Committee was informed that Mr. Ghulam Muhammad Shah, Superintending Engineer, who was appointed Inquiry Officer to investigate the matter, had held the over-payment to be of Rs. 17,416, instead of Rs. 27,864. However, the original amount of Rs. 27,864 was being recovered.

1253. *The Committee finally observed that recovery alone was not enough in such cases. Disciplinary action would also be called for against the person concerned Regarding overpayment of Rs. 9,998, cost of 22,724, cft earth, the Committee directed the department to show the records to Audit that there were floods during the course of excavation and the earth was washed away.*

1254. *Misappropriation of stores worth Rs. 52,500 (Para 61—Page—52—AR).*—It was reported that 10,000 Rft pipe, over and above the requirement, was purchased during 1976 out of which 5,000 Rft pipe was pilfered, resulting in a loss of Rs. 52,500 to the Government. According to the C&W Department, the recovery of Rs. 52,500 was to be effected from Mr. Hussain Ali, Sub-Divisional Officers, but he had since retired.

1255. The Committee desired to know as to why action was not taken against the XEN, who authorised the purchase of extra quantity of pipes in this case and directed the departmental representative to communicate to Audit the reasons for not having taken action against the XEN and also to write off the recovery against the SDO, if it was not recoverable.

1256. *Theft of stores worth Rs. 19,500 (Para 62—Page 52—AR).*—From the stores of Ekka Ghund Division of the C&W Department at Ghallancy, articles (Ceiling fans etc.) worth Rs. 19,500 were stolen in May and December, 1977. As per the requirements of rules, the theft should have been reported to the Audit and the controlling Department.

1257. The departmental representative informed the Committee that intimation of theft was sent to the Political Agent, Mohmand Agency, with a copy to the A.G., N.W.F.P., Peshawar. A sum of Rs. 9,000, out of the reported loss, had been already recovered by the Political Agent and credited to Government. Regarding the balance amount, the Committee directed the departmental representative to take the regularisation action, under intimation to Audit and finalise the case.

1258. *Non-recovery of Rs. 15,531 due to non-accountal of stores in the contractors ledger (Para 63, Page-52—AR).*—In the Orakzai Division of the Communication and Works Department, stores worth Rs. 27,718 were issued to the contractors during October, 1977 to May, 1978, but these were not debited to their ledger accounts. The departmental representative informed the Committee that recovery of balance amount of Rs. 15,531 had already been made. The para was treated as settled subject to verification of recovery by Audit.

1259. *The Committee however, directed that, since the maintenance of contractor's ledger under the code is the responsibility of the Divisional Accountant, Audit should also initiate action against the Divisional Accountant concerned in all such cases.*

1260. *Misappropriation of 1.5 tons steel worth Rs. 6,550 (Para 65—Page 53—AR).*—The department in their written reply stated that the Enquiry officer had reported that Mr. Sher Jan the then Sub-Engineer was responsible for the misappropriation of 1.5 tons of steel worth Rs. 6,550. He had since left the department and joined WAPDA at Tarbella Dam. On an enquiry, the departmental

representative informed the Committee that 1.5 tons of steel had been recovered from him. Regarding disciplinary action against him, a reference had been made to WAPDA. The Committee directed the department to follow up the case with WAPDA. The para was dropped subject to verification by Audit.

APPROPRIATION ACCOUNTS

1261. *Demand No. 115—States & Frontier Regions Division (Page—131—AA).*—No observation was made by the Committee on this grant.

1262. *Grant No.—116—Frontier Regions (Page—132—AA).*—Audit had pointed out that the variations under detailed functions '225' and '422' were due to defective re-appropriation orders, which were not taken into account. Thereupon, the Chairman observed that, had timely reconciliation taken place, these discrepancies would not have occurred. No further observation was made by the Committee on this grant.

1263. *Grant No. 117—Federally Administered Tribal Areas (Page—133—AA).*—Audit pointed out that difference of Rs. 3,844,490 between the departmental and Audit figures of final grant was due to the fact that Audit had taken Supplementary Grant as shown in the Book of Supplementary Grants whereas the Department had taken different figures without giving their source. After some discussion the Committee directed the Finance Division to look into the figures of Supplementary Grant shown by the departmental in their written reply.

1264. The Committee further observed that department had reported a saving of Rs. 711,549 under function "422-General Hospitals and Clinics" due to non raising of debits by Audit on account of medicines supplied by the Medical Stores Department. The Committee desired to know whether this explanation was based on facts. The departmental representative promised to check it up.

1265. The departmental representative was also directed to furnish a note to the Committee, through Audit, explaining the operation of the subsidy and what procedure was followed for the adjustment of over/less spendings etc.

1266. *Grant No. 119—detailed function 232—other places of Detention and correction (Page-136—AA).*—A member enquired as to who decided about the booking of expenditure on Afghan refugees under this head of Account ? Presumably, this must have been done with the sanction of the Ministry of Finance. The departmental representative clarified that now there was a specific Head of account, namely, "849-Others", under which this expenditure is being booked. Explaining the system of accounting, the departmental representative stated that the assistance, received under World Food programme, was entirely in kind and when it was received in commodity, it was sold out in the market.

1267. After some discussion, the Committee observed that the detailed function "489-Others" did not appropriately reflect the expenditure on Afghan Refugees. *There should hence be a specific classification/Functional Object, like "Refugees Relief", to be advised by the Auditor-General, as* the amount of expenditure involved on Afghan Refugees was over Rs. 200 crore per year.

1268. The Committee further directed that, *if any foreign aid item was decided by the Government to be disposed of in the market with the permission of the donor country, it should invariably be imprinted on that item "being sold with the permission of the Government of Pakistan and donor Country".*

1269. *Grants No. 118,162,163 and 189* (*Pages 135,198,199* and *234-AA*).—There was nothing material for consideration under these Grants.

COMMERCIAL ACCOUNTS

1270. *FATA Corporation.*—Not being satisfied with the explanation given by the department as two out of ten concerns were earning profits and the rest were in loss, the Committee directed that a note should be furnished to it of all these concerns about their feasibility reports and what was envisaged, (2) what was earned, (3) what was expected (4) future action.

1271. About an entry 'Funds from Head Office' appearing in the Balance Sheet at page 724 of Commercial Accounts, a Member observed that these were Head Office accounts. What this entry meant was not clear. The departmental representative was directed to look into their accounts and correct them where necessary.

1272 (*Paras 285 and 294-Pages 141 and 144-ARCA*).—The Committee directed that fuller reports about shortages (Bara Cigarette Factory) and purchase of plant (Tochi Wollen Mills) on the points raised in above paras should be furnished to the Committee.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE's REPORTS FOR 1975-76 TO 1977-78

1273. *Grant No. 112-Frontier Regions-Group 'A' (Page 131-AA-Para 250-Page -85-PAC/Report 1977-78).*—After detailed discussion, the Committee finally directed that a full report should be furnished to it about sanction by the Minister of Finance to divert the provision of Rs. 1,800,000 made for purchase of W.T. Sets during 1976-77 on raising of four palatoon and on ration money etc.

(i) *Grant No. 113-Group head "I-Allowances to Tribes" (Page 132-AA-Paras 266-267, Page 88-PAC Report* 1977-78).

(ii) *Grant No. 161-Development Expenditure of FATA (Page 183-AA-Paras 277-78, Pages 89-90-PAC Report* 1977-78).

1274. The Committee directed the Department that a fuller report should be furnished to it about the points raised in these paras.

1275. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points, (i) in the Appropriation/Commercial Accounts 1979-80 and the Audit Reports thereon, and (ii) Compliance Reports on the PAC Reports for 1975-76 to 1977-78. These would be deemed settled subject to such regularisation action, as may be necessary under the rules.

KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION

1276. The Committee next took up, for its examination, the Appropriation Accounts etc. pertaining to the Kashmir Affairs and Northern Affairs Division. The following departmental representatives were present :—

(1) Mr. H.M. Chauhan, Additional Secretary.

(2) Mr. Zafarullah, Deputy Secretary.

(3) Mr. Abul Khair, Assistant Accounts Officer.

1277. This Division, controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Kashmir Affairs and Northern Affairs Division	120
2.	Northern Affairs	121
3.	Federal Government Education Institutions in Northern Areas	122
4.	Other Expenditure of Kashmir Affairs and Northern Affairs Division ..	123
5.	Capital Outlay on purchases by Kashmir Affairs and Northern Affairs Division	130
6.	Development expenditure of Kashmir Affairs and Northern Affairs Division.	164

1278. *Reconciliation of Accounts with Audit*—Having been informed that reconciliation upto 1981-82 had been completed, the Committee *directed that the outstanding reconciliation work should be got completed within a month.*

1279. *Grants No 120 and 122* (*Pages—137 and 140—AA*).—There was no point worth consideration by the Committee in these grants.

1280. *Grants No. 121 and 123* (*Pages—138 and 141—AA*).—An excess of Rs. 1,602,867 was depicted under the function head "231-Jails and Convicts Settlements" under grant No. 121 which was attributed to the payment of arrears of pay and allowances to Government employees and purchase of general goods, commodities and services. Excesses were also notable against functions heads' '516; 517' ; and '518' and the Committee was not satisfied with the written explanation furnished and termed them as vague. Similar explanation had been given for Grant No. 123 under function head 422-General Hospitals and Clinics'. It directed the departmental representative *to avoid furnishing such explanations and provide more details to the Committee about excesses/savings during examination of next accounts.*

1281. *Grant No.* 130 (*Page*—149—*AA*).—It was noticed that a sum of Rs. 2,000,000 was surrendered against an available saving of only Rs. 521,134 under this grant (Purchases by the Gilgit Agency). Hence the grant closed with

an excess of Rs. 1,478,866. The departmental representative explained that after this surrender was made in January instead of June, the need for additional funds amounting to Rs. 1.25 million, arose late.

1282. The Committee directed the departmental representative *to see that surrenders, if any, were made judiciously.*

1283. *Recoveries.*—The sale proceeds under the function head " 815—Other Commodities " closed with more recovery of Rs. 5,500,808, whereas subsidy on Wheat, transferred to Revenue, reflected less recovery of Rs. 2,317,195. More recovery was ascribed to adjustment of credits of civil Supplies Commodities for the past years but the particular years to which the belated adjustments related were not specified.

1284. A member enquired as to whether the department had started keeping proper accounts, showing opening stocks, and quantities received and sold etc. and exercising checks thereon ? The departmental representative replied that they would submit the necessary details to Audit in July. However, the accounts for 1979-80 were sent to Audit in July and had since been audited.

1285. *Grant No. 164 (Page 200—AA).*—There was no material point for consideration by the Committee regarding this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1975-76 TO 1977-78

1286. *Grant No. 110 (Page-126-AA Para-226-Page-60, 1975-76).*—On the suggestion of the Auditor-General, the departmental representative had promised to make available a copy of the inquiry report to Audit within a month. This was not done and, it was stated in the written reply that the Martial Law HQ, Zone ' E ' had not yet completed the inquiry. The AGPR's letters (last reminder dated 26-10-1981) about this matter also remained unattended to. The departmental representative informed the Committee that report from Martial Law authorities was received on 9-12-1981. The Committee expressed its dis-satisfaction with this situation and again directed the *departmental representative to furnish a copy of the inquiry report from the Martial Law Administration Zone "E" to Audit without any further delay.*

1287. *Financial indiscipline in Rural Works Programme in Northern Areas (Para-24, Pages-32-33 AR-Paras 386-389, Pages-94-95 PAC Report, 1976-77).*— The Committee had previously observed that the department should first see whether the money was paid as grant-in-aid and what was the form and purpose of the payment ? It had also directed that it be seen as to why action for recovery could not be taken till then and a copy of the sanction letter should also be furnished to it.

1288. In reply the Ministry had submitted that the money was paid for holding the convention of a political party. The amount could not be recovered at this stage as no political party existed now.

1289. As for loans advance to Government officials, contractors and field officers, etc., Audit pointed out that the reply of the Ministry did not specify the amount of recovery made by the Department since the last audit. Moreover, no account of the advances totalling Rs. 247,322 to the contractors and Rs. 2,967,000 to the field officers had been rendered. A satisfactory completion report of the Projects had also not been furnished.

1290. A member asked the departmental representative as to whether the amount was grant-in-aid and what was its purpose ? As the departmental representative did not have ready replies to these queries, the Committee directed *that full answers to the points raised in these paras be furnished to it.*

1291. *Grant No. 36 (Page-48-AA Para-390, Page-95-PAC Report-1976-77).*—The Committee had last directed that action be taken against the person concerned for incurring the excess expenditure and also for his failure to request for a supplementary grant in time. Not being satisfied with the oral explanation given by the departmental representative, it directed *that this should be followed up by the Ministry and compliance thereof reported to the Committee.*

1292. *Grant No. 43-Federal Government Educational Institutions in Northern Areas (Page-57-AA Paras-287-288, Pages-91-92-PAC Report-1977-78).*—The Committee had asked the department to realise the gravity of the situation, take action against those responsible for excess expenditure and report back to it about the action taken in this behalf. Noting with displeasure that no action had been taken against those responsible for the excess, the Committee *directed the departmental representative to follow it up again and report compliance to.*

1293. *Points/Paras not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points (i) in the Appropriation Accounts, 1979-80 and the Autit Report thereon; and (ii) on the Compliances on PAC's Reports 1975-76 to 1977-78. These would be deemed settled subject to such regularisation act on as may be necessary under the rules.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

1294. The Committee next took up the examination, of the Appropriation Accounts etc., pertaining to the Ministry of Local Government and Rural Development. The following departmental representatives were present :—

(1) Mr. Nazir Hussain Rana, Joint Secretary.

(2) Mr. Abdur Rehman, Joint Secretary.

(3) Mr. Muhammad Afzal, Joint Secretary.

(4) Mr. S. A. Hamid, Deputy Secretary

(5) Mr. Habibur Rehman, Director.

1295. This Ministry, controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Local Government and Rural Development	97
2.	Other Expenditure of Ministry of Local Government and Rural Development	98
3.	Development Expenditure of Ministry of Local Government and Rural Development	157

1296. *Reconciliation of Accounts with Audit.*—The Committee was informed that reconciliation had been completed upto the first quarter. It directed that ary adjustments required as a result of the reconciliation should be carried out promptly and the reconciliation got completed upto the second quarter without any loss of time.

APPROPRIATION ACCOUNTS

1297. *Grant No. 97 (Page 113-AA).*—Referring to the variation of Rs. 41,486, Audit stated that short booking of the above sum was due to the awaited debits from the sub-offices of the AGPR, which had since been adjusted in the accounts for 1981-82.

1298. The Committee did not make any further observation on this grant.

1299. *Grant No. 98 (Page-114-AA.).*—There was no material point for consideration by the Committee in this grant.

1300. *Grant No. 157 (Pages 190-191—AA). 562—Integrated Rural Development Markaz Bharaku.*—After hearing the departmental representative, the Committee *directed Audit to look into the matter and verify the adjustments of refund of Rs. 425,329 made by the Pak. P.W.D.* vide *Treasury Challan shown at Annexure V* of the Ministry's reply.

1301. *562-National Centre for Rural Development.*—The Committee was informed by Audit that the difference of Rs. 169,803 (less) had been adjusted in the 1981-82 Accounts. The Committee did not make any further observation on the matter.

1302. *562-Tarlai Barani Agriculture Development Project.*—Audit stated that the difference of Rs. 27,000 (Less) had been adjusted in the 1981-82 Accounts. The Committee did not make any more observation on this Project either.

1303. *741-Development Grants to Provincial Governments/Local Authorities. Grants-in-aid to Provincial Government for Financial Developments Requirements of Local Bodies.*—The departmental representative explained that, on the direction of the President, a supplementary grant of Rs. 10 crore was approved by the Ministry of Finance as grant-in-aid to the Provincial Governments, for financing the requirements of Local Bodies during the year 1979-80. According to the final reconciliation statement, duly verified by Audit, an expenditure of Rs. 10 crore had already been accepted as against an expenditure of Rs. 97,639,092 shown in the Appropriation Accounts. The less booking of Rs. 2,360,908 had been adjusted in the accounts for 1981-82.

1304. On Audit's confirmation that the debit of the expenditure of Rs. 2,360,908 had since been adjusted in the accounts for 1981-82, the Committee did not make any further observation.

1305. *Recoveries 562-Integrated Rural Development Deduct amount met from Foreign Aid.*—The estimated recoveries under this 'Object' consisted of the following :—

	Rs.
(i) Netherland's Grants	5,372,000
(ii) UNDP	1,095,000
(iii) UNICEF	840,000
(iv) UNIDO	745,000

1306. (i) *Netherland's Grants (Rs. 5,372,000).*—This Grant was made up of the following allocations for the undermentioned projects to be financed with Netherland's assistance :—

	Rs.
(a) Data Centre for Rural Development	2,816,308
(b) Vocational Guidance Centre	1,305,847
(c) National Centre for Rural Development	1,249,000

1307. In so far as (a) above is concerned, Foreign Aid for the Data Centre could not be recovered because the Government of Netherland did not eventually agree to finance this Project, as a result of which the scheme had to be shelved and its entire allocation surrendered.

1308. In the case of Vocational Guidance Centre mentioned at (b), the amount was released during 1980-81 after the statement showing the expenditure on the Project during 1979-80 had been supplied to the Netherland's Embassy.

1309. In so far as the grant relating to the NCRD, referred to at (c) above is concerned, the position as explained by the departmental representative, was that recovery could not be effected because the Netherlands Authorities wanted a statement, showing the utilization of the first instalment of their grant, which they had released in 1977. After this statement was provided to their Embassy, further grant was released by them to cover the ADP expenditure in 1979-80, but this came during 1980-81.

1310. Noting that, *in this case, the prospective aid/grant from Netherlands was diverted to another country, because the accounts of the previous aid were not furnished to authorities in Netherlands, the donor country, in time, the Committee directed that those responsible for this default and loss to the country must be suitably dealt with.*

1311. *The Committee further directed that the Procedures for furnishing accounts of foreign aid/grant to the donor country, in time, needs to be reviewed and tightened up by the Ministry of Finance/Economic Affairs Division, to avoid a recurrence of what happened in this case, in the future.*

1312. (ii). *UNDP (Rs. 1,095,000).*—The departmental representative explained that this amount represented the foreign exchange component of the project on Monitoring and Evaluation of Rural Development. The U.N.D.P. had initially given to understand that they would finance the project but, subsequently, failed to provide the required assistance, as their funds for the year 1979-80 stood over-committed. As a result, the project had to be shelved for the financial year and its entire allocation surrendered.

1313. (iii) *UNICEF (Rs. 840,000).*—This amount represented the foreign exchange component of the project on Community Productivity and Nutrition Education. The entire project was abandoned, to absorb the second economy cut of 10 %imposed by the Government on the development budget. The question of utilizing a y foreign assistance for the project, therefore, did not arise. The Auditor-General raised the point that no economy cut should have been applied where foreign aid was available. The Committee considered it a valid point and directed that Ministry of Finance should look into it.

1314. (iv) *UNIDO (Rs. 745,000) Vocational Guidance and Rural Entrepreneurship Center.*—The Department in their written reply stated that the amount represented the cost of machinery donated by UNIDO for the establishment of a Vocational Centre at Tarlai. This cost was reflected in the ADP as foreign assistance to be received, not in the form of financial grant, but in the form of equipment. Since this equipment/machinery was received, the question of any further recovery did not arise.

1315. The equipment having been received as grant from the UNIDO without any liability on the part of the Government of Pakistan, the amount was reflected in the budget book as a deduct entry. Since no expenditure was actually incurred on the purchase of this equipment, no formal expenditure order was issued for it either. The committee was not satisfied with the explanation as they observed that the aid should form part of expenditure and even as an outright grant, a corresponding amount should simultaneously be shown as recovery. Audit was requested to look into the case and inform the Committee of the factual position.

COMPLIANCE ON THE POINTS CONTAINED IN PAC'S REPORTS FOR 1975-76 TO 1977-78

1316. *Grant No. 87 (Page 103 Pages--AA 78-79--Pages 34-35--PAC Report 1975-76).*—The Committee accepted the departmental explanation.

1317. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points (i) in the Appropriation Accounts 1979-80 and the Audit Report thereon ; and (ii) on the Compliances on PAC's Reports 1975-76 to 1977-78. These would be deemed settled subject to such regularisation action as may be necessary under the rules.

MINISTRY OF RELIGIOUS AFFAIRS AND MINORITIES AFFAIRS

1318. The Committee next took up, for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Religious Affairs and Minorities Affairs. The following departmental representatives were present :—

(1) Mr. I. A. Imtiazi, Secretary.

(2) Mr. S. Shahid Hussain, Joint Secretary.

(3) Mr. M. Ziaullah Ansari, Accounts Officer.

1319. This Ministry, controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Religious Affairs and Minorities Affairs	109
2.	Other Expenditure of Ministry of Religious Affairs and Minorities Affairs..	111

1320. *Reconciliation of Accounts with Audit.*—The Committee noted that the department had not yet completed the reconciliation of Accounts upto 31-12-1982. It desired that any adjustments, rquired as a result of the reconciliation, be got carried out by the 31st of March, 1983 positively.

APPROPRIATION ACCOUNTS

1321. *Grant No. 109, (Page 125-AA).*—According to Audit, there was an overall saving of Rs. 2,097,736 under this grant, while the Ministry maintained that they had surrendered a sum of Rs. 1,896, 150 on 14-10-1979 , which was not accounted for by Audit. Audit did not acknowledge the receipt of this letter.

1322. The Committee observed that even if this surrender order was taken in to account the Ministry should have explained the variations under various function heads. After some discussion the Committee directed the Ministry that revised explanation be furnished to Audit who would report back if necessary.

1323. *Grant No. 111, (Page 127-AA).*—There was no material point for consideration by the Committee in this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE REPORT FOR 1975-76 TO 1977-78

1324. *Grant No.* 109-*Ministry of Religious Affairs* (*Page* 127-AA *Paras 491-492, page* 129-PAC *Report 1977-78*).—The Committee did not make any observation on this para.

1325. *Points not Discussed to be Treated as Settled.*—The Committee did not make any observation on other paras/points, (i) in the Appropriation Accounts 1979-80 and the Audit Report thereon and (ii) on Compliances on PAC's Reports 1975-76 to 1977-78. These would be deemed settled subject to such regularisation action, as may be called for under the rules.

1326. The Committee then adjourned to meet on Monday, the 14th March, 1983.

M. A. HAQ,
Secretary.

Islamabad, the 5th August, 1983.

FEDERAL COUNCIL SECRETARIAT

Monday, the 14th March, 1983.

Sixth Sitting (PAC)

1327. The Public Accounts Committee met at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1979-80, etc. The following were present :—

P.A.C.

(1) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan. — *Member (Acting Chairman.*

(2) Syed Saieed Hasan, Member, Federal Council .. .. — *Member.*

(3) Mr. Abdul Qadir, former Chairman, Railway Board .. — *Member.*

(4) Mr. Yusuf Bhai Mian, Chartered Accountant .. .. — *Member.*

Federal Council Secretariat.

(1) Mr. M.A. Haq, Secretary.

(2) Mr. I. H. Siddiqui, Deputy Secretary.

(3) Mr. S. M. Ahmad, Assistant Secretary.

Audit.

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. Khalid Rafique, Deputy, Auditor-General (A&R).

(3) Mr. M. A. Lodhi, Accountant General, Pakistan Revenue.

(4) Mr. A. S. Ansari, Director General, Commercial Audit.

(5) Mrs. Rukhsana Jabbar Memon, A.O. IS&F Karachi.

(6) Raja Muhammad Saleem Khan, Director, Foreign Audit.

Ministry of Finance.

Mr. Javed Talat, Joint Secretary (Budget).

1328. *Accounts examined.*—The Accounts, pertaining to the following Ministries/Divisions, were examined by the Committee during the course of the day :—

(1) Pakistan Atomic Energy Commission.

(2) Ministry of Petroleum and Natural Resources.

(3) Ministry of Food and Agriculture.

PAKISTAN ATOMIC ENERGY COMMISSION

1329. The Committee first took up, for its examination, the Appropriation Accounts etc., pertaining to the Pakistan Atomic Energy Commission. The following departmental representatives were present :—

(1) Mr. I. A. Warsi, Acting Member, Finance.

(2) Mr. Khalid Mahmood, Senior Accounts Officer.

1330. This Commission, controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Atomic Energy	12
2.	Capital outlay on Development Atomic Energy	166

1331. *Reconciliation.*—The Committee was glad to note that the reconciliation work of the department was up-to-date.

APPROPRIATION ACCOUNTS

1332. *Grant No. 12-Atomic Energy (Page 29-AA).*—According to Audit, a saving of Rs. 5,650,000 had occurred under this grant. It was explained by the PAEC that this saving, which was duly surrendered by the PAEC, occurred due to the economy cut imposed by the Federal Government. The Committee observed that whole of the budget grant (Rs. 107,350,000 , leaving the economy cut of Rs. 5,650,000, was utilized by the Commission to the last paisa. The departmental representative could not answer the question and informed the Committee that he would have to find out the factual position for the information of the Committee. Replying to a query about the internal arrangement for the budget control, the departmental representative informed the Committee that there were a whole-time Director and an Audit and Accounts Officer, who visited each Centre at least once annually and submitted a report to the Head Office in detail. Necessary action was always taken to deal with any serious irregularity brought out by them. There was a Budget Directorate also. All the releases were made by the Head Office strictly in accordance with the Budget and the unutilised amount, if any, was duly surrendered.

1333. The Committee wanted to know the details of the interal procedure, being followed by the Commission about unspent amount/saving, if any, whether it was refunded or less drawn in next year's budget and requested Audit to furnish a note to it in this behalf.

1334. *Grant No. 166-Capital outlay on Development of Atomic Energy (Page-202-AA).*—Audit had reported a saving of Rs. 301,913,000 under this grant.

The PAEC explained that the entire amount of Rs. 301,913,000 was surrendered on account of economy cut, imposed by the Government (Rs. 101,913,000), and the provision of Foreign aid made for Fuel Reprocessing Plant (Rs. 200,000,000) which did not materialize. The Committee did not make any observation on this grant.

1335. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points concerning Compliances to the PAC's recommendations in their Reports for 1975-76 to 1977-78. These would be deemed settled subject to any regularisation action, as may be necessary under the rules.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

1336. The Committee then took up, for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Petroleum and Natural Resources. The following departmental representatives were present :—

(1) Mr. Mukhtar Masood, Secretary.

(2) Mr. A. Rashid Khan Baluch, Deputy Secretary.

(3) Mr. Asrarullah, D.G. G.S.P.

(4) Mr. A. A. Malik (Chairman/Secertary) P.M.D.C.

(5) Syed Mohammad, Comptroller (R.D.C.).

(6) Syed Habib, D.M. (R.D.C.)

(7) Mr. Saeed Husain, M.D. (P.S.O.)

(8) Mr. Dabeer-ul-Mulk, M.D. (Indus Gas).

(9) Mr. Rizvi, Chairman (O.G.D.C.).

1337. This Ministry, controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Petroleum and Natural Resources	101
2.	Geological Survey of Pakistan	102
3.	Other Expenditure of Ministry of Petroleum and Natural Resources ..	103
4.	Development Expenditure of Ministry of Petroleum and Natural Resources.	158
5.	Capital outlay on Petroleum and Natural Resources	184
6.	Capital outlay on Mineral Development	185

1338. *Reconciliation of accounts with Audit.*—The Committee noted that the reconciliation of Accounts was not complete. The departmental representative was, therefore, directed to have this work completed within a month, as the accounts had been almost finalized by Audit, for printing.

APPROPRIATION ACCOUNTS

1339. *Grant No. 101—Ministry of Petroleum and Natural Nesources (Page 117—AA).*—There was a net saving of Rs. 254 under this grant, which was within the permissible limit. The Committee, therefore, did not make any observation on it.

1340. *Grant No. 102-Geological Survey of Pakistan (Page 118—AA).*—The Auditor-General, observed that a supplementary grant of Rs. 766,000 was given and an economy cut of Rs. 784,000 was imposed under this Grant. He, therefore, suggested that in such cases where the Finance Division agreed to supplementary funds, the economy cut should be restored to that extent instead of providing additional funds. The Committee agreed to this suggestion and advised the representative of Finance Division to act accordingly.

1341. *Grant No. 103-Other expenditure of Ministry of Petroleum and Natural Resources (Page 119—AA).*—It was noticed that, while the Department surrendered Rs. 25,446,200 a supplementary grant of Rs. 7,18,000 was also obtained for fund requirement. This was un-necessary.

1342. Replying to a query, the departmental representative explained that the supplementary grant was asked for, because bonus had to be given to the workers of the PMDC while Rs. 25 million was surrendered because the subsidy, envisaged for the two refinaries, was not paid during that year. Questioned as to what did cash subsidy mean when a higher price was allowed, the the departmental representative explained that, for determining subsidy, the processing charges plus the cost of raw material were taken into account. In case the refinery price was lower, a subsidy had to be given. This was worked out on a monthly basis.

1343. *Grant No. 158—Development expenditure of Ministry of Petroleum and Natural Resources (Page 192—AA).*—There was no material point for the Committee's consideration in regard to this grant.

1344. *Grant No. 184-Capital outlay on Petroleum and Natural Resources (Page 225—AA).*—There was a net saving of Rs. 22,354,117 urder this grant. It was explained by the Ministry that the saving pertained to Project Aid, which was disbursed by Foreign Aid-giving Agencies through the Economic Affairs Division and over which the Ministry of Petroleum and Natural Resources had little control. Besides, some saving accrued as a result of lesser or non-posting of expenditure by by the Audit department.

1345. As for the excess of Rs. 12,237,177 reflected under 'Investment in the Resources Development Corporation', it was explained that an excess of Rs. 2,950,000 was due to adjustment by the AGPR in respect of releases made for 1973-74 and 1975-76 in the year 1979-80. The remaining excess of Rs. 9,287,177 was due to accounting by Audit of the foreign aid, received from various Foreign Aid giving Agencies, *e.g.*, the UNDP, the Dutch Government and the UK under the Colombo Plan during financial year 1979-80, but intimated by the Economic Affairs Division to the Ministry after the close of the financial year 1979-80. Asked as to why the aforesaid grant had not been included in the budget, the Departmental representative explained that, at the time of preparation of the budget, these were not known.

1346. The following items were also discussed under this grant :—

(i) *Investment in Oil Companies Investment in Pakistan Stanvac Petroleum Project.*

1347. The actuals as reported in the Appropriation Accounts, were disputed by the department and Audit later accepted the departmental figures. Since financial discipline required that the accounts should be basically correct and reconciled, the Committee observed that much of the problem arose because the recording system was not up to the mark and the booked figures were not reconciled. There should, in fact be a computerization and mechanisation of the accounting system and, in addition, a regular training programme for those dealing with Accounts. The Auditor-General informed the Committee that they were conscious of the fact and training was being given to the people. He also stated that steps were being taken for mechanisation of accounts.

(ii) *Oil and Gas Development Corporation*

1348. According to the department, the actual saving amounted to Rs. 27.105 million and not Rs. 42.310 million, as reported in the Appropriation Accounts. This variation occurred due to short booking by the AGPR, Rawalpindi. The Committee also noted variation of Rs. 141,590,232 between the departmental Audit figures under the Major Head " 89-Federal Miscellaneous Investment" shown in the reconciliation statement. It was explained by the department that (1) cheques for Rs. 52,232 issued to some other organisations, have been wrongly debited against the Oil and Gas Development Corporation by the National Bank of Pakistan (Main Branch), Karachi and (2) excess releases of Rs. 141,538,000 against Foreign Aid, refunded in the accounts for 6/80.

1349. The Committee enquired from the departmental representative whether anyone in the department noted as to whom these cheques were intended for and how were they debited to the accounts of the OGDC ? Similarly, Audit should have also seen as to who had prepared the cheques and in whose favour ? The Committee, *inter alia*, observed that *variations had been noticed between the figures in the Finance Accounts and Balance Sheet of various companies because proper check had not been exercised in tallying them at the appropriate time. Some officer in each such organisation should be named and made responsible for looking into the abovesaid Accounts at the time of their preparation, to ensure that there was no variation between the two sets of figures.*

1350. *Grant No. 185- Capital outlay on Mineral Development (Page 229—AA).*— There was no material point for consideration by the Committee regarding this grant.

COMMERCIAL ACCOUNTS

1351. *Compilation of Accounts.*—The Committee felt that the Compilation of Commercial Accounts, in its present form, did not provide fuller details. The concerned Corporations/Companies etc., should be asked to send 15 copies of their printed annual reports and accounts (which were sent to the share-holders and which included the Commercial Auditor's report and Management's report to the Share-holders) to the Federal Council Secretariat annually as a matter of routine for use by the Committee.

Pakistan Mineral Development Corporation

(*i*) *Non-accountal of rope-way wires valuing Rs. 224,528 (Para 17—Page 23—ARCA).*

(*ii*) *Loss of Rs. 36,783,000 hiring of Office and non-realisation of advance telephone rent Rs. 15,060 (Para 19—Page 25—ARCA).*

1352. The Committee did not make any observation on these paras.

1353. *Losss due to irregular adjustment of debts Rs. 25,763 (Para--20--Page 26--ARCA).*—The para *was dropped.*

1354. *Irregular refund of security deposits to Stockists Rs. 13,000 (Para--21—Page 27—ARCA).*—The Committee decided to drop this para, subject to verification by Audit.

1355. *Loss of Rs. 10,000 due to non-recovery of the amount from the supplier on account of defective vehicles (Para—22—Page 28—ARCA).*—The Committee decided to drop this para.

P.M.D.C. Collieries Sharigh

1356. *Paras 149-150, 152 and 153—Page 98—ARCA.*—The Committee decided to drop these paras.

1357. *Para*—151 (*Page*—98—*ARCA*).—A member the Committee suggested that, instead of revaluing numerous items of spares, tools, stores and assets appearing as "No Cost" in the respective ledgers and Registers, the Ministry should show the token price of one rupee again then so that they were not lost in Accounting.

P.M.D.C. Collieries Degari

1358. *Para 154—Pags 99—ARCA.*—The para was treated as settled.

1359. *Para—155—Page—99—ARCA.*—The para was dropped, subject to observation as against para 151 above.

1360. *Paras—156,157,158,159—Pages 99—100—ARCA.*—The Committee decided to drop these paras.

P.M.D.C. Collieries Sor-Range

1361. *Para—160—Page--101--ARCA.*—As reported by Audit, the project had sustained a net loss of Rs. 4,737,400 during the year 1979-80 as against that of Rs. 4,003,427 in the preceding year. In their written reply, the Ministry had stated that increase in the loss was mostly due to decrease in the quantity of sale and as increase in the cost of sales, specially the interest burden on the loans from the Government/PIDC/PMDC. *The Committee directed that, in view of the uneconomical nature of the operation and persistent losses of the project, the working of the project should be viewed carefully and the Government apprised of the true state of affairs of the Coal-field.*

1362. *Para—161—Page—101—ARCA.*—As the shortages, pointed out in the Audit Report on the Commercial Accounts were under investigation, the Committee did not make any further observation on this para.

1363. *Para—162—Page—101—ARCA.*—Audit had pointed out that the price of land, occupied by the Collieries, had not been settled with the Provincial Government as yet and the title to land had also not been obtained so far. The Ministry had explained in their written reply that the question of price of land was still under negotiations with the Provincial Government and the case was being progressed. The *Committee directed that the Ministry should pursue the case with the Provincial Government to resolve the matter at the earliest.*

1364. *Paras—163 and 164—Page 101—ARCA.*—The Committee decided to drop these paras, subject to verification by Audit.

P.M.D.C. Salt Quarries, Bahadur Khel

1365. *Para—156 Page—102--ARCA.*—The Committee agreed with Audit that the Office expenditure, charged to operating expenses, appeared to be on the high side and needed to be reduced. The Committee, however, left the matter to be decided by the Ministry with due regard to economy and efficiency.

P.M.D.C. Salt Quarries, Jatta (Kohat)

1366. *Paras 168, 169 and 170 Page—104—ARCA.*—The Committee decided to drop these paras.

P.M.D.C. (Head Office)

1367. *Paras—187-188 (Page-111—ARCA).*—The Pakistan Mineral Development Corporation (Head Office) earned a net profit of Rs. 719,036 during the year 1978-79. This profit should have, in fact, been Rs. 9,719,036 but for a provision of Rs. 9 million made in the accounts for doubtful debts, in view of the operational losses sustained by these projects, against Rs. 41.48 and Rs. 43.39 million, recoverable as on 30-6-1979 from the sharigh and Sor Range Collieries respectively.

1368. The Ministry explained that reserve was being created for doubtful recoveries from the two major losing projects of Sharigh and Sor Range. These projects were transferred the to PMDC by the PIDC and their total accumulated losses amounted to Rs. 104.894 million, mainly because they had no equity base and had other logistic as well as technical constraints. A case for the writing down of the capital cost on SOR Range had already been submitted to the ECC.

1369. Questioned about the nature of the capital cost, it was explained that it was a loan and related to the setting up of a Coal washing Plant which, due to some manufacturing defect, was unfortunately not being utilized to its optimum capacity and the matter was stated to be in a Court of Law. The Committee, thereupon, directed that *a self-contained note about the plant, detailing the circumstances which had prevented its working to full capacity so far and the future plans for rectifying the situation, should be submitted by the Ministry for the information of the Committee.*

P.M.D.C. Salt Mines, Khewra

1370. *Paras 190-191 and 192 (Pages 113-114--ARCA).*—Explaining the working results of these Mines, the Ministry stated that, during the year 1978-79, the Khewra Salt Mines had achieved production to the extent of 83 % of the capacity. Every effort was being made to increase the production of salt to the maximum, but the attitude of the miners, with hereditary rights from the British days and their absenteeism, were mainly responsible for the poor results. This hereditary right prevented the administration from recruiting labour from any other part of the country. A dying labourer has even the right there to nominate his successor. The Committee did not make any further observation on these paras.

1371. *Paras 193, 194, 195 and 196 (Pages 114-115—ARCA).*—The Committee decided to drop these paras, subject to verification by Audit.

P.M.D.C. Salt Mines Kala Bagh

1372. *Paras 197, 198 199, 200 and 201 (Page 116—ARCA).*—The Committee decided to drop these paras, subject to verification by Audit.

Oil and Gas Development Corporation

1373. *Paras 3-XXVIII (Page 7--ARCA).*—The Committee noted that the accounts of the Corporation upto 1980-81 had been made available to Audit. They were requested to complete the audit of these accounts early.

1374. *Irregular Payment of Rs. 100,880 on account of Rest and Recreation (Para 18--Page 24—ARCA).*—As reported by Audit, the O.G.D.C., which follows government rules and orders, allowed Recreation Allowance to its officers annually, contrary to Government instructions for allowing this benefit once in three years. This resulted in an inadmissible expenditure of Rs. 100,880 during the years 1970-71 and 1971-72, which called for regularisation action.

1375. The Committee decided to treat the para as settled, subject to regularisation action, found necessary, for the Satisfaction of the Audit.

1376. *Para-202 (Page 117-ARCA).*—The Committee did not make any observation on this para and decided to treat it as settled.

1377. *Paras 203 and 204 (Page-117-ARCA).*—It was pointed out to the Committee that physical verification of the stores and stock and fixed assets had not been carried out at the end of the year under review. The Ministry explained, in their written reply, that physical verification of all the stores and assets of the Corporation could not be conducted so far due to the following facts :—

(*i*) Diversification of imports.

(*ii*) Non-indexing of Stores.

(*iii*) Incomplete documents.

1378. Audit, thereupon, commented that the physical verification of the Assets and Stores should be carried out on a *regular periodical basis, even, if it may not be possible to do so at the close of each year. The Committee agreed with the above suggestion. Subject to the above observation, the para was treated as settled.*

1379. *Para 205 (Page 177-ARCA).*—The Committee directed that approval of the competent authority for write back of un-claimed wages (Rs. 161,532) should be got expedited.

1380. *Para 206 (Page 117-ARCA).*—The Committee directed that old items of Sundry Debtors should be looked into for early clearance.

1381. *Para 207 (Page 117-ARCA).*—The Committee directed that the old advances etc. should be looked into and such other action to clear them be taken as may be called for.

1382. *Para 208-209 (Page-118-ARCA).*—The Committee did not make any observation on these paras and decided to drop them, subject to verification by Audit.

Pakistan State Oil Company Ltd.

1383. *(Pars 171-172 (Page 105-ARCA).*—The Company came into existence on 30-12-1976 as a result of the re-organisation plan, implemented by the Federal Government. This Company was converted into a Public Limited Company under the name and style of Pakistan State Oil Company on 15-2-1977.

1384. Commenting on the Working Results, the Ministry had stated in their reply that the sales volume of the Company increased by 10.7% during the year under review. The percentage of gross profits remained almost the same as the margins allowed to the Company by the Government in 1963 had generally remained unchanged for the last 17 years. The net profit, which was Rs. 121.3

million during 1979-80, registered an increase of 292.3%, when compared to the net profit of Rs. 41.5 million during 1978-79. The refineries capacity was 4.2 million tons.

1385. Replying to a query about the percentage of local purchases, the departmental representative stated that it was about 40 to 60%. Kerosine and H.S.D. were imported, but H.S.D. was the major item, of which 4 million tons were being produced at home and two million tons were being imported. As to marketing, about 62% of it was being sold by the P.S.O. about 10% by Caltex and the balance by Burmah Shell.

1386. *Para-173 (Page-105-ARCA).*—Audit had reported that the physical verification of stores disclosed shortages and excesses, amounting to Rs. 87,671 and Rs. 89,867 respectively. The financial effect of these Shortages and excesses was not reflected in the accounts for the year 1979-80. Necessary adjustments, therefore, needed to be carried out in the current year's accounts, after a proper investigation of the shortages/excesses. It was explained by the Ministry, in their written reply, that the net difference of shortages and excesses was only Rs. 2,196, which was insignificant compare to the value of stores purchased and consumed by the Company during the year. The said shortages and excesses had since been scrutinised and necessary adjustments made ir the current year's accounts.

1387. Subject to verification by Audit, the para was treated as settled.

1388. *Para-174 (Page 106-ARCA).*—According to Audit, the year-wise analysis of Trade Receivables, as on the 30th June, 1980 was as under :—

Year	Rs. in Million
1979-80	65.0
1978-79	7.4
1977-78	1.3
	73.7

Out of the above amount a sum of Rs. 39.6 million was outstanding against Government Agencies and Autonomous Bodies, which constituted more than 53% of the total outstanding dues. The Ministry, in their written reply stated that the Company, as a matter of policy, did not allow any credit facility to its customers except to Government Agencies and Autonomous Bodies. Credit facility to such customers was allowed in the national interest, as Government rules did not allow the Departments to make cash payments. Sales on credit were also allowed to aviation customers and large industrial consumers, as per the oil industry's practices. All possible efforts were made to recover the outstandings within due dates and necessary steps were being continuously taken to recover the outstandings at the earliest.

1389. The Committee observed that the Ministry should examine whether, as in the case of cash payment of telephone bills to the T&T Department, Government departments and autonomous bodies should be asked to make cash payment to the P.S.O. in the interest of the Company.

1390. *Para 175 (Page 106-ARCA).*—Audit had reported that "Other receivable", aggregating Rs 196.4 million, included a sum of Rs. 18.3 million, representing old dues prior to 1977, but no provision was made for doubtful debts.

1391. It was stated in reply that, of the old outstandings of Rs. 18.3 million, Rs. 14.3 million represented the receivable for the disinvestment of Pakistan National Produce Company Ltd., whose claim was under the consideration of the Government. The other outstanding represented normal trading operations and were considered recoverable. In view of the above, the para was treated as settled.

Gem Stone Corporation of Pakistan Ltd. Peshawar

1392. *Para 176—178 (Page 107—ARCA).*—The Gem Stone Corporation of Pakistan was incorporated on 25th January, 1979 as a Public Limited Company with its Head quarters at Peshawar and an authorised share capital of Rs. 50,000,000. The paid up capital of the Co. was Rs. 750,000 (ordinary share capital and Rs. 250,000 Preference Share Capital). The Corporation took over the establishment and control of the Hunza Ruby Project and Lapidary Development Pilot Project from the PMDC from 25-1-1979, whereas the control of the Swat Emerald mines was taken over by the Corporation from the Government of N.W.F.P. on 1-2-1979.

1393. Replying to a query about the discovery of new mines, the departmental representative stated that a new mine had been discovered at an altitude of 7,000 feet about 30 Kilometers away from the existing ones and containing bigger pieces of emerald and other valuable stones. There were stones of the value of Rs. 3.2 million in it and this was shown in the accounts.

1394. Audit had pointed out that un-allocated Development Expenditure amounting to Rs. 10,116,500 was passed on to the above-said Corporation by the PMDC and SDA, as per details given below :—

	Rs.
(i) Hunza Ruby Project (PMDC)	5,398,957
(ii) Lapidary Development Pilot Project, Peshawar (PMDC).	1,905,611
(iii) Swat Emerald Mines (SDA)	2,811,932
	10,116,500

1395. The above-mentioned expenditure was, however, not found to have been incorporated in the Corporations accounts. When pointed out, it was stated that the question of writing off the un-allocated development expenditure, incurred prior to inception of the GEMCP, was considered in the 6th meeting of the Board of the Corporation who, after having examined the issue, decided to request the Ministry, of Petroleum and Natural Resources to write off the amount and not to reflect it in the books of PMDC and GEMCP. Accordingly, the case for writing off the un-allocated development expenditure was being prepared for submission to the ECC. At the same time, the question of converting the amount into equity was also under examination.

1396. Dealing with the value of the stones in stock at the close of the year, Audit had pointed out that, though the Corporation had stocks of precious, semi-precious and uncut stones valued at Rs. 3,271,040 the same had not been reflected, as such, in the Accounts of the Corporation. Audit, therefore, stressed the need for preparing the profit and loss accounts of the Corporation at the earliest and for reflecting the closing stock therein.

1397. The departmental representative informed the Committee that the Chief Valuer of the SRI LANKAN State Gem Corporaton was called for evaluating the emeralds, to firm up the basis of valuation of our stocks and the needful had been done in the light of his advice. As there was no sizeable sale during the year 1979-80, no profit and loss accounts were prepared for that year.

1398. *The Committee directed the Secretary, Petroleum and Natural Resources to look into the affairs of the Corporation and have these matters sorted out, in consultation with the Audit.*

Resource Development Corporation Ltd.

1399. *Paras 179-181 (Page 108-ARCA).*—Audit had pointed out that after the discovery of copper deposits at Saindak, the Resource Development Corporation was set up on the 15th April, 1974 and registered as a Private Limited Company. The main object of setting up the Corporation was to develop, extract and market these deposits. The deposits had since been proved and it had also been established that they contained not only copper, but also other minerals, *viz*, Iron, Gold, Silver, Sulphuric Acid etc. The commercial production of these minerals had, however, not yet been started.

1400. Out of the total release of Rs. 88.33 million, an amount of Rs. 60.27 million had been utilised by the Corporation upto the 30th June, 1979 on the exploration and investigation of ground-water and copper deposits. Vehicles, valuing Rs. 1.12 million, were purchased in June, 1979 but actually got registered and put into operation in the year 1979-80. The depreciation thereon for the whole year, amounting to Rs. 3,70,328 was, however, charged during the year under review, which was not justified.

1401. The departmental representative confirmed that the excess depreciation of Rs. 370,328 had been reversed in the accounts for the year ending the 30th June, 1981.

1402. Asked about the latest position of the Resources Development Corporation, the departmental representative informed the Committee that the Government had paid Rs. 134 million to the Corporation of which Rs. 12.4 million was given as aid.

1403. The Committee did not make any observation on these paras.

Indus Gas Company Ltd., Hyderabad

1404. *Paras 182—186 (Pages 109-110-ARCA).*—The working results of the Company showed a decrease in the operating profits for the year under review due to increase in the operating expenses. The net profit came down to Rs. 4,825,203 during the year under review, as compared to Rs. 5,436,492 during the year 1977-78. It was stated that the management of the Company was trying its best to reduce the operating expenses, to the maximum possible.

1405. Referring to sundry debtors, Audit made out that the amount there against rose to Rs. 59.185 million, as on 30th June, 1980, compared to Rs. 55.020 million on 30th June, 1979. The departmental representative assured the Committee that the Company had accelerated the recovery of debts and, for this purpose, a " Recovery Cell " had been established, which was engaged exclusively in the recovery of these debts and satisfactory results had been achieved by the Cell. Legal suits had also been filed against certain consumers, to effect the recovery of the dues.

1406. Questioned as to what have been done regarding the assets of the Company, it was stated that, it being upto the Federal Government to take decision in this behalf, the matter had been referred to the ECC with whom it was pending.

1407. The Committee did not may any further observation on these paras.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORTS FOR 1975-76 TO 1977-78.

1408. *Grant No. 104—Group head " H-Provision for establishment of a Laboratory for Stratagraphic Playnology in Pakistan" (Page 184—AA—Para 428-Page 99 of PAC Report 1975-76).*—The Committee after going through the departmental explanation, did not make any further observation.

1409. *Grant No. 106—Other Expenditure of Ministry of Petroleum and Natural Resources and Grant No. 185—Capital outlay on Mineral Development (Pages 125 and 209—AA—Paras 1137—1138 and 1145—Pages 249-250—PAC Report 1977-78).*—The paras were treated as settled.

1410. *Grant No. 184—Capital Outlay on Petroleum and Natural Resources (Page 206—AA—Paras 1140-1141—Page 249—PAC Report 1977-78).*—The department conceded that the explanation furnished earlier for the non-surrender of Rs. 1,718,817.73 was incorrect and the department could have surrendered the saving, as timely information had been received by them. The Committee observed that the department should have taken action against those responsible for non-surrender, as the administrative department was supposed to furnish the explanation and due check should be exercised by them over these accounting matters.

1411. *Points/Paras not Discussed to be Treated as Settled.*—The Committee did not make any observation on other paras/points in (i) Appropriation/Commercial Accounts 1979-80 and the Audit Reports thereon, and (ii) the Audit Comments on Compliances for 1975-76 to 1977-78. These would be deemed as settled subject to such regularization action, as may be necessary under the rules.

MINISTRY OF FOOD AND AGRICULTURE

1412. The Committee last took up for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Food and Agriculture. The following departmental representatives were present :—

(1) Mr. Saeed Ahmad Qureshi, Secretary, (Food & Agriculture).

(2) Mr. Mohammad Mohsin, Joint Secretary.

(3) Mr. Anwarul Haq Raazi, Joint Secretary.

(4) Mr. Faridud Din Ahmad, Director & Adviser Plant Petroleum.

(5) Brig. Kh. Naseem Iqbal, Com Manager, FDFI.

(6) Mr. Mohammad Usman, Director Accounts (Food).

(7) Mr. K.A. Siddique, Marketing Adviser.

(8) Mr. Irfan Ahmed, Director Seed Certification Department.

(9) Mr Majid Akhtar, Member, Finance (PARC).

1413. This Ministry, controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Food and Agriculture Division	52
2.	Forest	53
3.	Plant protection Measures	54
4.	Other expenditure Services	55
5.	Subsidy on wheat	56
6.	Livestock Division	57
7.	Islamabad Milk Plant	58
8.	Fisheries	59
9.	Other expenditure of Food and Agriculture	60
10.	Zoological Survey Department	113
11.	Capital outlay on purchases of Food	126
12.	Capital outlay on purchase of Fertilizer	127
13.	Development expenditure of Food and Agriculture Division	148
14.	Development expenditure of Livestock Division	149
15.	Capital outlay on Food Storage and other works	179
16.	Capital outlay of Food and Agriculture Division	180

1414. *Reconciliation of accounts with Audit.*—The Committee noted that, while the reconciliation of the 1st quarter was complete, that for the 2nd quarter of 1982-83 was in progress It directed that this should also be got completed within a fortnight, as the accounts for 1981-82 were ready to be printed now.

1415. Before commencing the examination of the Accounts, the Committee gave the following directives :—

(i) *Cyclostyled copies of replies.*—Several Members of the Committee found portions of replies, sent by the Ministry, to be illegible, the Ministry was directed to ensure that only legible copies of replies, in the required numbers, be sent for the Committee in future.

(ii) *Accounting procedure for showing loan receipt in respect of commodity received during a year.*—The Committee noted that no uniform practice was being followed for showing the receipt of loan in the accounts of the year in which any commodity, purchased during year, might have been received, *i.e.* there was no simultaneous accounting for expenditure and recovery, in respect of a loan. This issue may, therefore, be examined by the Ministry of Finance and Economic Affairs Division for issuing suitable instructions to all concerned.

AUDIT REPORT

1416. *Blockade of $ 300,000 and loss of profit of about US $ 52,365 (Rs. 518,414) (Paras 14 and 18—Pages 26 and 28--AR).*-According to Audit, a sum of US$ 300,000 was remitted to the Pakistan Mission at Buenos Aires in December, 1973 to meet the freight charges for 6,000 tons of Sorghum, donated by the Argentine Government. It was explained by the Ministry that the Pakistan Embassy in that country had informed the Ministry on 20th November, 1973 that a ship would be available in December, 1973. However, due to non-availability of the ship and inordinate delay in the completion of formalities by the donor country, the consignment reached Pakistan only on 16th February, 1979. During this period, the amount remained lying idle in the Embassy's Account. To avoid a recurrence of such instances in future, the Finance Division had already issued necessary instructions under their O.M. No. 6(14)E F (BI)/82 dated 26th September, 1982. In view of the above, the para was treated as settled.

1417. *Loss due to unstandard bagging of fertilizer Rs. 473,862 (Para 15, Page 26—AR).*—In view of the written explanation and the Audit comment thereon, the Committee decided to drop the para.

1418. *Infructuous expenditure of Rs. 57,002 on Bank Commission (Para 16—Page 26—AR).*—Audit had reported that the Department of Fertilizer Imports placed a contract on a foreign supplier, through local agents, in November, 1977 for the import of 14,000 metric tons of Nitrophos fertilizer against of foreign commodity loan. The Department opened a letter of credit on 29th December, 1977 through a bank, which charged a commission of Rs. 57,002. On realising that no letter of credit was required, because the payment was to be made directly by the loan-giving country through foreign bank, the department took action for the

recovery of the bank commission, but without any fruitful result. This misdirected opening of L.C., without knowing the mode of payment, caused an infructuous expenditure of Rs. 57,002.

1419. Explaining the position in their written reply, the Ministry stated that, departing from the established procedure of payment through L.C., the Dutch suppliers booked the shipping space without waiting for the L.C. and proposed a change in the procedure that issued to be followed for imports under the Dutch Grant, namely direct payment by the Netherlands Bank to the suppliers on the production of shipping documents, without any establishment of Letter of Credit. Meantime, a confirmed and irrevocable L.C. had been established. The L/C application was issued by the Ministry without examining the implications thereof and no timely telegraphic instructions were issued to the Banks either to cancel the L/C.

1420. The Committee observed that there could be no two opinion about the laxity of the department in dealing with this case. It directed that *utmost care must be taken in all such cases in future. The infructuous expenditure of Rs. 57,002 should be got regularised and Audit informed about the same.*

APPROPRIATION ACCOUNTS

1421. *Grant No. 52—Food and Agriculture Division (Page 67—AA).*—The over-all saving of Rs. 718,243 under this grant being within the permissible limit, the Committee did not make any further observation on it.

1422. *Grant No. 53—Forest (Page—68—AA).*—There was no material point for the Committee's consideration under this grant.

1423. *Grant No. 54—Plant Protection Measures (Page-69—AA).*—There was no material point for the Committee's consideration regarding this grant.

1424. *Grant No. 55—Other Agriculture Services (Page-70—AA).*—Audit had reported an excess of Rs. 493,946 under detailed function ' 513 ' in this grant. The department contested that the final grant was Rs. 13,928,061 and not Rs. 13,399,561, the difference being due to non-accounting of the supplementary grant of Rs. 528,500 by Audit. After taking into account the supplementary grant, there would be in fact a saving of Rs. 34,554, instead of any excess, and this saving would be within the permissible limit. Audit explained that they had not taken into account the reported supplementary grant in the Appropriation Accounts, as it did not appear in the printed Book of Supplementary Grants 1979-80.

1425. *The Committee, thereupon directed the Finance Division to look into this matter and report the circumstances under which the demand was left out from being printed in the Book of Supplementary Budget.*

1426. *Grant No. 56—Subsidy on Wheat (Page—71—AA).*—An excess of Rs. 8,037,561 against the functional head " 610-Food Grains-Indigenous Wheats " had occurred under this grant. The department explained that this was mainly due to a belated adjustment by the AGPR of Rs. 20,314,000, pertaining to the year 1973-74. Besides, if this adjustment had not been carried out, there would have been a saving of Rs. 12,276,439, due to non-release of the amount to the Government of N.W.F.P. The AGPR partially released and adjusted the amount of Rs. 12,895,328 during the year and a balance of Rs. 12,276,439 could not be released to the Government of N.W.F.P., during that year. Audit held the department responsible for the lesser release due to incorrect channelling of the sanction. According to them, the balance amount should have been operated by the Ministry through the Sub-Office, A.G.P.R., Peshawar (this amount was again provided in 1981-82 and released in that year). After some discussion, the Committee accepted the explanation of the Ministry and the *para was treated as settled.*

Grant No. 57—Livestock Division (Page-72-AA).

Grant No. 58-Islamabad Milk Plant (Page-*73-AA*).

1427. There was no material point for the Committee's consideration in these grants.

1428. *Grant No. 59—Fisheries (Page 74-AA).*—Explaining the saving of Rs. 170,000 under the functional head "518-Fishing Research and Cultivation", the Ministry explained in their written reply that an Indent worth Rs. 170,000, out of an allocation of Rs. 6.66 million Japanese 17th Yen credit, for the supply of Laboratory equipments, glasswares and apparatus etc. was placed on 16-2-1980 with the Department of Investment, Promotion and Supplies, Karachi. Sanction for the expenditure was accorded *vide* the Livestock Division letter No. F.6-11/80 Fish, dated 14-6-1980 (tenders wer invited by the Directorate of IP & S on 26-2-80 and accepted by that department on 26-6-1980). Two letters of credits were then established on the request of the Director General, IP & S, Karachi in favour of Messrs Rudlf Brand, West Germany for U.S. $ 4639/76 C&F and U.S. $ 12481/26 C&F by drafts, to be drawn on the Audit Officer, Industries, Supplies and Food, Government of Pakistan, Karachi, But supplies were not made by the Firm and debit was also not raised by the Audit Officer, Industries Supplies and Food, Karachi till the final reconciliation of the expenditure figures, carried out by Directorate of Fisheries on 24-3-1981. As such, the amount could not be regularised during the year 1979-80, resulting in the saving. Audit observed that only one debit of Rs. 124,187 was adjusted during 1980-81 and the remaining two debits for Rs. 17,003 and 3256 were being located for adjustment.

1429. The Committee did not make any further observation about the grant.

1430. *Grant No. 60-Other expenditure of Food and Agriculture Division (Page-75-AA).*—Discussing the difference of Rs. 5,476,500 in the Final Grant, Audit confirmed that a supplementary grant of Rs. 51,426,000, as against Rs. 56,902,500 mentioned by the department, had been accounted for by them. The Supplementary Grant of Rs. 5,476,500, mentioned by the Department, could not be taken into account, as it did not appear in the printed Book of Supplementary Grants. The department accepted this position.

1431. As far as the less booking of Rs. 7,574,992 in expenditure was concerned, it was stated by Audit that debits for Rs. 3,301,508 relating to 1978-79 were received and adjusted in 1979-80 whereas, out of the debits of Rs. 10,876,500 (Grants in aid to the Roti Corporation, Lahore in 1979-80), Rs. 5,476,500 had been received late and adjusted in 1982-83, while the balance was yet to be adjusted. *In conclusion the Committee directed that the department should exercise more care in future and have the figures finally settled, in consultation with the Audit.*

1432. *Grant No. 113—Zoological Survey Department Page 129-AA).*—There was no material point for consideration of the Committee under this grant.

1433. *Grant No. 120—Capital Outlay on Purchase of Food Page 145—AA).*—A saving of Rs. 89,822 had occurred under this grant. Being within the permissible limit, no explanation were required for it. However, a Member observed that the original grant of Rs. 1,577,136,000 under the functional head "811-Food Grains-Purchase of Food Grains" did not correspond to the figures of estimated recovery of Rs. 1,321,916,000. Similarly, the expenditure figures (Rs. 957,660,858) did not tally with the figures of actual recovery of Rs. 1,213,635,400. It was explained, on behalf of the Department, that less recovery had occurred as less imports of Wheat than estimated took place due to good indigenous crop of Wheat.

1434. The Committee did not make any further observation about the grant.

1435. *Grant No. 127--Capital Outlay Purchase of Fertilizer Page 146—AA).*—Explaining the saving of Rs. 1,086,282,312 against the function head "813-Purchase of Fertilizer" the Department in their written reply stated that the final grant included a loan of Rs. 100 crore relating to the import of fertilizer on one year credit basis. This provision was, therefore, required to be deducted from the final grant as being not available with the department for expenditure, thus reducing that grant accordingly. A Member wondered whether this loan of Rs. 100 crore appeared in the Government Books anywhere and or in the State Trading Account.

1436. *Accounting procedure for showing loan receipt in respect of commodity receipt during a year. As a result of further discussion, the Committee noted that if the commodity was received it meant that loan in kind was received, so it should have been accepted in that year's account. It appeared that no uniform practice was being*

followed for showing the receipt of loan in the accounts of the year in which any commodity, purchases during the year, may have been received, i.e. there was no simultaneous accounting of expenditure and recovery in respect of a loan. The Committee desired that this issue may be examined by the Ministry of Finance and the Economic Affairs Division, for issuing suitable instructions to all concerned.

1437. The position under some of the minor heads under this grant was as follows :—

1438. While, according to the Audit, there was an excess of Rs. 164,897 under the head "Administrative expenditure", the Ministry contended that they incurred no expenditure in excess of the sanctioned grant. In fact the excess in question accurred due to a belated adjustment during this year by the AOIS & F of the expenditure relating to previous years. Audit confirmed this position. The objection was therefore, treated as settled.

1439. A saving of Rs. 121,611,962 and occurred in the Accounts against the head "Fare, Freight, Stores and Incidental Charges". In explaining the position, the department stated that bills of the NLC on account of fare and freight amounting to Rs. 61,874,901 were forwarded by the Department to the A.O.I.S. & Ffor payment, but was not passed by them due to some Audit observation. This resulted in an unanticipated saving of Rs. 61,874,901. Further, a quantity of 67,908,634 M/ton of fertilizer was despatched to the provinces, but billing therefor could not be finalised. Till the end of June, 1980, which caused a further saving of Rs. 37,825,109.

1440. In their comments, Audit pointed out that the Ministry's statement that bills for Rs. 61.8 million were returned unpassed by Audit was not correct. Twenty-three bills for Rs. 38,092,185 were submitted to Audit during the next financial year. Only seven bills for Rs. 23,782,716 were, in fact, submitted to Audit in April—June, 1980 without the requisite certificates of verification and acceptance by the Department and had, therefore, to be returned. Two bills for Rs. 14,346,108 were returned on 12-6-1980 and five for Rs. 9,436,608 on 30-6-1980. The Controlling Officer could have easily surrendered the saving of Rs. 60,004,237 (Rs. 38,092,185 + Rs. 21,911,952) before 30-6-1980 for which no bills were sent to the Audit Office by that date. The departmental representative agreed that this amount could have been surrendered.

1441. Expressing its disappointment over this persisting situation in the accounts of the Ministry and yet no one having been made responsible there to keep the position of grants continuously under review, assess the need for additional funds, if any, or effect finally surrender of surplus funds, the Committee finally directed *that the Secretary should look into the matter, with a view to enforcing financial discipline and proper budgetary control in the Accounts under his Ministry and report back to the Committee.*

1442. *Grant No. 148—Development Expenditure of Food & Agriculture Division (Page 174 —AA).*—There was no material point for the Committee's consideration in this Grant, except the following :—

(*i*) *513-Agriculture Research and Extension Services—Agriculture Marketing and Grading (Page 174—AA).*

1443. There was an excess of Rs. 10,808, which according to Audit, was required to be recovered from the Provincial Government, after the matter was settled by the Ministry with that Government. *Audit was directed to watch the recovery.*

(*ii*) *514-Plant Protection and Locust Control. (Page 174—AA).*

1444. An excess of Rs. 4,728,311, reported under above head, was ascribed to a belated adjustment relating to 1978-79, by the AGPR in the accounts for 1979-80 for which no timely advice was received from the AGPR with the result that the excesses could not be regularised.

1445. The Committee directed that *the AGPR should produce evidence that they sent the advice of the belated adjustment of A/Ts (listed in Annexure 'P' of Ministry's reply) during 1979-80 to the Department concerned. They should also indicate, in their reply, the date from which their practice of advising the Departments, simultaneously, about belated adjustments commenced.*

(*iii*) *520-Irrigation-521—Administration (Page 175—AA).*

1446. According to Audit, there was a saving of Rs. 3,309,436 under above head. The Ministry explained that the agreement with U.S. AID, regarding foreign aid for the implementation of the scheme "Strengthening of Water Management Project Activities" was signed on 24-9-1980. Therefore, no funds were released by the Government during the year 1979-80 for the above scheme. The expenditure of Rs. 827,564, booked against this head, actually related to the schemes "Farm Water Management US AID Project No. 413" and "Beaver Aircraft Spray Project under the Colombo Plan" of the Plant Protection Department, and was erroneously booked there by the AGPR. Audit observed that, in case the department's contention was accepted, there would be an excess expenditure under Code 514 (Plant Protection). *The departmental representative was directed to look again into the position and satisfy the Audit.*

1447. *Grant No. 149-Development expenditure of Live-stock Division (Page 177—AA).*—No observation was made by the Committee on this Grant.

1448. *Grant No. 179-Capital Outlay on Food Storage and other Works (Page 219—AA).*—There was no material point for consideration by the Committee in this grant.

1449. *Grant No. 180-Capital Outlay of Food and Agriculture Division (Page 220—AA).*—Audit had shown ' Nil ' recovery under head " Deduct-Amount met from Foreign Aid". The Ministry explained, in their written reply that the scheme could not be implemented due to non-receipt of Foreign Aid. Therefore, no expenditure was incurred and the entire amount provided was surrendered. The amount provided under recoveries accordingly stood surrendered and this was specifically mentioned in the surrender order also. The Committee did not make any further observation on this Grant.

Roti Corporation of Pakistan [Page 3 (iii)-Page 8—ARCA]

1450. Audit had reported that the Accounts for the year 1979-80, relating to the Roti Corporation of Pakistan, could not be examined as the same were not compiled by the Corporation. The Ministry explained that the Roti Project was executed and operated on a turn-key basis till the 30th June, 1977 by a private firm, namely M/s. MICAS Associates Ltd., on behalf of the Government of Pakistan under the Cabinet Division. The Project was handed over to the Roti Corporation of Pakistan from 1-7-1977. The handing over/taking over was subject to submission of audited accounts upto 30-6-1977 by the turn-key Consultants who submitted the audited accounts after considerable delay *i.e.* in September, 1980. The accounts for 1977-78 could not be compiled and audited till February, 1981. In the meantime, the accounts of the MICAS period were audited by the Director of Commercial Audit, who issued his report on 24-9-1981, pointing out certain discrepancies in the balances.

1451. After some discussion, *the Committee directed that the Accounts of the Corporation upto 1982 should be completed by June, 1983 and copies thereof sent to the Director-General Commercial Audit, for Audit.*

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORTS FOR 1975-76 TO 1977-78

1452. *Grant No. 112-Group Head "B-Purchase of Agriculture Commodities under Convertible Local Currency Credit" (Page—128—AA-Paras 403—405-Pages 95-96—PAC Report 1975-76).*—After having gone through the comments of Audit, the Committee made no further observation.

1453. *Non-recovery of liquidated damages amounting to Rs. 2.2 million (Para 3—Page 22—AR—Paras 3683—71—Pages 106-107-PAC Report 1977-78).*—In compliance with the PAC's directive the case was examined by Audit with particular reference to Law Division's advice and the position of these cases turned out to these cases turned out to be as follows :—

(1) *Liquidated Damages of Rs. 1,594,075 Against Contract No. SW-1254. P.II-PF/72-28, Dated 10-5-1972.*

1454. It was stated that the case was referred to the Law Division thrice in February, 1979, March, 1979 and August, 1979 and they did not agree with the Department's contention that the term " damages ", appearing in the Bank Guarantee, did not cover the " liquidated damages " for delay in supply of fertilizers. In their opinion, the claim of liquidated damages could not be enforced, mainly because the Department had virtually absolved the Suppliers from that liability, when they released the bank guarantee quickly on 2-8-1973 certifying the satisfactory performance of the contract and that nothing was outstanding against the suppliers. They did not accept the Department's plea that the Bank guarantee had expired. (The bank guarantee was released by the Department without setting the claim of liquidated damages and without consulting Law/Finance Divisions). The Department also expressed their inability to determine and prove the loss, actual or potential, suffered by the Government due to delayed supply, apparently for want of any proper system for such assessment.

(2) *Liquidated Damages of Rs. 642,110, Against Contract No. SW-1260-P-II-FP /72-31, Dated 5-10-1972.*

1455. In this case, Law Division had observed that the Purchase Department shall have to prove the loss suffered by the Government due to a belated supply of fertilizers, without which it would be difficult to enforce the claim of liquidated damages. They also advised the Ministry of Food and Agriculture to settle the dispute with the contractor by negotiation or by arbitration as a last resort. These views were endorsed by the Finance Division also.

1456. The Department expressed their inability to determine and prove the loss, actual or potential, suffered by the Government due to the delayed supply of Fertilizers by 254 days (covering practically two crops), apparently for want of any proper system for such assessment. Negotiation with the Suppliers was, therefore, carried out by the General Manager, FDFI, and the entire amount of liquidated damages, amounting to Rs. 642,110, was waived by the Secretary, Food & Agriculture in December, 1978 mainly on grounds of good-will. The non-availability of any security deposit and the release of local agent's Commission (Rs. 75,000) in June, 1974 on the basis of mere written undertaking also weakened the Department's case for the recovery of liquidated damages. Audit, therefore, held the view that these cases apparently warranted detailed inquiry at the appropriate level, for fixing responsibility for the loss. Besides, evolving a proper procedure now to determine losses, both actual and potential, due to any future delayed supply of fertilisers would also appear to be necessary.

1457. *After some discussion, the Committee directed that the Secretary Food and Agriculture should go personally into these cases to determine whether merely an error or judgment or wilfull default was involved in them. In the latter case, he*

should also fix the responsibility and report back to the Committee. The report should also say whether the recoverable liquidated damages in these cases had been subsequently condoned with the approval of the competent authority.

1458. *Points not Discussed to be Treated as Settled.*—The Committee did not make any observation on other paras/points in (i) the Appropriation/Commercial Accounts 1979-80 and the Audit Reports thereon; and (ii) the Audit Comments on Compliances for 1975-76 to 1977-78. These would be deemed settled, subject to such regularization actions, as may be necessary under the rules.

1459. The Committee then adjourned to meet at 9.00 A.M. on Tuesday, the 15th March, 1983.

Islamabad, the 11th August, 1983.

M. A. HAQ,
Secretary.

FEDERAL COUNCIL SECRETARIAT

Tuesday, the 15th March, 1983.

Seventh Sitting (PAC)

1460. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad to continue examination of the Federal Accounts for 1979-80. The following were present :—

P.A.C.

(1) Mr. Ghulam Ishaq Khan, Minister for Finance, Commerce and Coordination .. .. *Chairman*

(2) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. .. .. *Member*

(3) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member*

(4) Mr. Yusuf Bhai Mian, Chartered Accountant .. *Member*

Federal Council Secretariat

(1) Mr. M.A. Haq, Secretary.

(2) Mr. I.H. Siddiqi, Deputy Secretary.

(3) Mr. S.M. Ahmad, Assistant Secretary.

Audit

(1) Mr. Abdur Rauf, Auditor-General of Pakistan.

(2) Mr. Khalid Rafique, Deputy Auditor-General (A&R).

(3) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues.

(4) Mr. A.S. Ansari, Director-General, Commercial Audit.

(5) Mr. Mansoor Ali Sheikh, Director Revenue Receipt Audit.

(6) Mr. Munir Ahmad, Director General, Railway Audit.

Ministry of Finance

Mr. Javed Talat. Joint Secretary (Budget).

1461. *Accounts examined.*—Accounts pertaining to the following Ministries/Divisions were examined by the Committee during the course of the day :—

(1) Manpower Division.

(2) Labour Division.

(3) Central Board of Revenue.

(4) Ministry of Science and Technology.

(5) Ministry of Railways.

MINISTRY OF LABOUR, MANPOWER AND OVERSEAS PAKISTANIS

Manpower Division

1462. The Committee first took up for its examination, the Appropriation Accounts etc., pertaining to the Manpower Division. The following departmental representatives were present :—

(1) Mr. M.A. Kazmi, Secretary.

(2) Mr. S. Wasiq Shah, Joint Secretary.

(3) Mr. M. Khalid Durrani, Director General.

(4) Ch. Muhammad Munir, OSD (F&A).

1463. This Division, controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Manpower and Overseas Pakistanis Division	94
2.	Development Expenditure of Manpower and Overseas Pakistanis Division.	156

1464. *Reconciliation of accounts with Audit.*—The Committee noted that the reconciliation for the first quarter of 1982-83 had been completed and the second quarter was outstanding. It directed that the outstanding reconciliation should be not completed within one month, at the latest.

APPROPRIATION ACCOUNTS

1465. *Grant No. 94-Manpower and Overseas Pakistanis Division (Page 110-AA).*—Audit had pointed out that, excess of Rs. 503,954 under the function head "073—Emigration" could have been avoided, if excessive amount of Rs. 1,143,600 had not been surrendered in the whole grant. The department accepted the omission and explained that it was due to a revision in the rates of Foreign Allowance, grant of exchange compensation Allowance, payment of TA/DA on transfer/posting of Community Welfare Officers and increase in the pay of local based staff in London etc.

1466. It was also noted that there was a saving of Rs. 206,587 under this Grant against the function head "441-Manpower Division". The department explained that the saving was mainly due to non-payment of US $ 20,795 to the Islamic Centre for Vocational Training and Research, Dacca as Pakistan's contribution.

1467. The Committee took a serious view of this default, as it contributed to discredit Pakistan. It considered it to be the beholden obligation of any country, which may be the member of any Organisation, to pay its contribution by the due date, without being reminded for its payment. Pakistan being a member of

the above-said organisation, it was her duty, under the Charter, to remit the requisite contribution. *The Ministry was directed to look into the reasons for default and ensure the payment of the contribution by the due date, in future.*

1468. *Grant No. 156—Development expenditure of Manpower and Overseas Pakistanis Division (Page 188-AA).*—The utilisation of funds, provided under this Grant, was seen to be poor, as against the sanctioned grant of Rs. 27,660,000, there was an over-all saving of Rs. 10,110,436 (including an economy cut of Rs. 3,760,000). There was also no breakup of the provision, made for the Federal Programme for skill-Development, in the Accounts. The Committee, therefore, directed that details of the provision of Rs. 9 million, made for the Federal Programme for skill Development, and actual recovery of Rs. 8,920,000 there against may be furnished to it.

AUDIT REPORT

1469. *Irregularities in the expenditure from Grants-in-aid (Para 78, (16) Page 59-AR).*—No observation was made by the Committee on this para, which was treated as settled.

1470. *Points not Discussed to be Treated as Settled.*—The Committee did not make any observation on other paras/points in the Appropriation Accounts 1979-80 and the Audit Report thereon. These would be deemed as settled, subject to such regularisation action, as may be necessary under the rules.

LABOUR DIVISION

1471. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Labour Division. The following departmental representatives were present :—

(1) Mr. M.A. Kazmi, Secretary.

(2) Mr. S.S. Hoda, Joint Secretary.

(3) Mr. Ashraf Ali, Joint Secretary.

(4) Mr. Tanvir Ahmad, Social Secretary.

1472. *This Division, controlled the following grants* :

S. No.	Name of Grant	Grant No.
1.	Labour Division	92
2.	Other Expenditure of Labour Division	93

1473. *Reconciliation of accounts with Audit.*—The Committee direted that the outstanding re-conciliation of the figures of expenditure with those of Audit should be got completed within a month.

APPROPRIATION ACCOUNTS

1474. *Grant No. 92-Labour Division (Page 108-AA).*—The Committee did not make any observation on this Grant.

1475. *Grant No. 93—Other Expenditure of Labour Division (Page 109-AA) 443—Regulation of Labour-Management Relations.*—Audit had shown actual expenditure, in the Appropriation Accounts under this head Rs. 1,485,892. The Department, however, contended that, according to the reconciled figures, this should have been Rs. 1,456,278 involving a difference of Rs. 29,614, Audit in their comments explained that the difference was due to the C.A.O., Ministry of Foreign Affairs having booked the charges for the personal effects, paid to Mr. Rizwan-ul-Haq Ansari, Stenographer of the Liaison Officer. U.K. against this grant. Neither the Labour Division nor the Manpower Division were prepared to accept this expenditure for the reason that Mr. Ansari was presently serving in the Ministry of Religious Affairs Audit maintained that as the Stenographer was serving at the time with the Labour Division, the liability arose with the Labour Division and that, Division should justifiably accept this expenditure. The Committee observed that if Audit felt that the amount was not due to the official then there was a point for consideration otherwise it did not matter where the expenditure was booked so long it is accounted for as government expenditure.

1476. 470—*Social Security and Welfare Measures. 479-Other Welfare Services.*—The figures of Final Appropriation and Actual expenditure, appearing in the Appropriation Accounts, under this head were contested by the department, according to whom these figures should have been shown separately under two detailed functions as under :—

Object of expenditure	Final grant	Actual Expenditure	Saving Excess
	Rs.	Rs.	Rs.
479-Other Welfare Services			
(1) 479-640-Block Grant for Transfer to Workers, Welfare Fund	78,978,200	53,441,940	(—)25,536,260
(2) 479-640 Grant to Provincial Governments	80,876,500	79,134,700	(—) 1,741,800
	159,854,700	132,576,640	(—)27,278,060

According to the department the whole grant under above two functions was expended and there was no variation.

1477. Audit pointed out in their comments that their booking of Rs. 53,441,940 was according to rule which required this amount to match the actual receipt. As regards expenditure of Rs. 79,134,700. Audit confirmed that the variation between the Audit and departmental figures occurred, because the T.O., Lahore misclassified the charge (Rs. 1,741,800) under the Provincial Section. The rectification action was in hand. The Committee did not make any further observation in the matter.

1478. While discussing the provisions under this Grant, a Member pointed out that proper balance-sheet for the Workers' Welfare Fund up to a particular date should have been drawn up and placed before the Committee. The departmental representative explained that they had no regular account-knowing person, who could maintain the accounts and prepare a balance-sheet. He also complained that the Ministry of Finance did not agree to the creation of a post of Accounts Officer, for the maintenance of the accounts. The Chairman observed that the Ministry must be having a number of Section Officer, who were under worked. They could, by surrendering one of them, have one post of Accounts Officer sanctioned. This being a question of over-all administrative expenditure, the department should have made the necessary adjustments in this behalf. The Chairman further observed that the department could even create a post for six or nine months and set the job completed.

1479. *After further discussion, the Committee arrived at the conclusion that the basic responsibility for the maintenance of accounts of the Worker's participation Fund is that of the principal Accounting Officer, the Secretary of the Division.*

It was found that the accounts of more than Rs. 15 crores for the Worker's Welfare Service had not been maintained properly since 1971. Efforts were now being made to rectify the situation.

1480. *In the Committee's view, the Financial Adviser concerned should have role to play in this matter. The Finance Division may, therefore, consider issuing instructions, making the Financial Adviser responsible for over-seeing the state of Accounts of the Divisions under their charge and advise, where necessary, the Principal Accounts Officer and the Ministry of Finance about how to improve the same.*

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORTS FOR 1975-76 TO 1977-78.

1481. *Grant No. 97—Other Expenditure of Labour Division (Page 116-AA, Paras 344—347, Page 101, PAC Report, 1977-78).*—The Committee was not satisfied with the departmental explanation and directed that the Principal Accounting Officer should study the matter and, fixing a specific date therefor, say 31st December, 1982, submit a Report to the PAC stating as to :—

(i) What were and what should have been the assets and the balance in hand on that date and where was the difference ;

(ii) where were the cash and certificates etc. being kept ; and

(iii) what had been the disposal of interest or profit earned on the assets.

1482. *Point Not Discussed to be Treated as Settled.*—The Committee did not make any observation on other paras/points in the (i) Appropriation Accounts 1979-80 and (ii) the Audit comments on Compliances of PAC's Reports 1975-76 to 1977-78. These would be deemed as settled, subject to such, regularisation actions as may be necessary under the rules.

CENTRAL BOARD OF REVENUES

1483. The next Account to be taken up for its examination by the Committee that of the Appropriation Accounts etc., pertaining to the Central Board of Revenues. The following departmental representative were present :—

(1) Mr. Fazalur Rehman Khan, Chairman.

(2) Mr. Zafar Hussain, Member (Additional Secretary).

(3) Mr. Aetazazuddin, Member (Additional Secretary).

(4) Mr. K. Habibullah, Chief (IT).

(5) Mr. Aslam Shad, Secretary (Sales Tax).

(6) Mr. Aftabul Hasan Naqvi, Secretary (Admn).

(7) Mr. Baland Akhtar, Secretary (Income Tax).

(8) Mr. H.A. Shamsi, Secretary (Customs).

1484. This Board, controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Central Board of Revenue	45
2.	Sea Customs	46
3.	Land Customs and Central Excise	47
4.	Taxes on Income, Corporation Tax and Sales Tax	48
5.	Estate Duty	49

1485. *Reconciliation of accounts with Audit.*—The reconciliation statements, furnished by the department and the Audit, separately, showed wide variations. The Committee directed that the department should sort it out with Audit and *complete the outstanding re-conciliation within a month.*

1486. *Reconciliation of Departmental Receipts with Audit.*—The position of re-conciliation of figures of receipts by the department at treasuries was also not clear. The Committee directed that this be also expedited and that a joint study be got undertaken to ascertain whether the existing procedure for the reconciliation of receipts was working effectively. *Then a paper should be submitted by the department to the PAC, in consultation with Audit, highlighting the difficulties being experience with the Treasuries etc. and making suggestions for improving the system.*

APPROPRIATION ACCOUNTS

1487. *Grant No. 45-C.B.R.—Head 023-Tax Management—Board of Revenue (Page 59-AA).*—The net saving of Rs. 26,375, occurring under this Grant being within the permissible limit of 5% of the final grant, the Committee did not make any observation on the grant.

1488. *Grant No. 46—Sea Customs (Page 60-AA).*—It was explained that the saving of Rs. 1,107,710, occurring under this Grant, was mainly due to non-adjustment of the commission, payable to the Post Office Department for the collection of Customs Duty on inward postal parcels due to disputed rates of commission (Rs. 1,050,000) and non-receipt of telephone bills (Rs. 57,710). It was further stated that, in a meeting held in December, 1981 and attended by the representatives of C.B.R. and the Pakistan Post Office, it was decided that, as from July, 1981, the rate of commission may be fixed @ 12% of the Customs Duty/ Sales Tax, collected by the Post Office Department. With a view to make out this liability, a separate provision for the payment of commission to the Post Office was being made.

1489. After some discussion, the Committee observed that a commission of 12% to the Post Office Department for Customs work appeared to be high. *It may be examined* whether this rate was jutifiable. *Cost accounting could be one solution for it.*

1490. *Grant No. 47—Land Customs and Central Excise (Page 61-AA).*—According to Audit, a saving of Rs. 1,977,557 had occurred under function code '023' Tax Management Board of Revenue. It was within the permissible limit of 5 per cent. The Committee did not make any observation on this grant.

1491. *Grant No. 48—Taxes on Income etc. (Page 62-AA).*—After taking into account Economy cut (Rs. 2,850,000), and surrendered amount (Rs. 263,000), the Appropriation Accounts showed an excess of Rs. 2,442,002 under this Grant. In their written reply, the Department had explained that the excess was due to the incorrect booking of expenditure in the Punjab circle (CIT), Faisalabad Zone—Rs. 3,311,800). After the exclusion of the said expenditure, the actual reconciled expenditure would come to Rs. 53,015,202, involving a saving of Rs. 869,799 which was below 5% of the final grant and required no explanation.

1492. However, explaining the above likely saving, the departmental representative stated that Rs. 650,000 therefor was due to the non-adjustment of commission, payable to the Post Office Department for the collection of Sales Tax on inward postal parcels, due to some dispute in the rate of the commission. Audit confirmed the saving of Rs. 869,799, as explained by the Department, and added that rectification action in regard to the incorrect booking of Rs. 3,311,800 at Lahore had already been taken during 1981-82. The expenditure of Rs. 650,000 had not been booked, because it did not occur. In view of the dispute about the rate of commission, it was not claimed by the Post Office Authorities and the dispute was resolved on 13th December, 1981.

The Committee did not make any further observation on this grant.

1493. *Grant No. 49-Estate Duty (Page 64—AA).*—There was a net saving of Rs. 30,351 under this Grant. The department stated that this took place in the Punjab circle, due to the abolition of certain posts, consequent upon the repeal of the Estate Duty Act. The staff concerned remained busy in organising the new set-up of the Wealth Tax department. Hence the saving could not be surrendered. Questioned as to when would all the offices for the Estate Duty be finally closed, the departmental representative replied that this was expected by the end of June, 1983. The recovery process would, however, continue. After hearing the explanation, the Committee did not make any further observation.

AUDIT REPORT

1494. *Non-recovery of overpaid reward of Rs. 36,303 (Para 2, Page 19—AR).*—It had been brought out in the Audit Report that 5,383 yards of superior suiting cloth (woollen) was confiscated in a Customs Collectorate and its CIF Value was assessed at Rs. 199,171. An amount of Rs. 54,792 was paid as reward to the staff. Latter, on reconsideration, the assessed value of the cloth was revised to Rs. 53,957. Accordingly, the reward on the revised amount worked out to only Rs. 18,489. As such, Rs. 36,303 was overpaid and was recoverable from the staff, which fact was pointed out to the department and the C.B.R. in May, 1978. The amount had not been recovered so far. It was explained on behalf of the department that, in accordance with rule 7 of the Reward Rules, the value of the seized goods meant the CIF value of the imported goods and the FOB value of the exported ones. The scale of Reward had been laid down in rule 2 of the Reward Rules. Half of the admissible reward was payable immediately after the seizure and the balance after the case had been finally decided. It was the CIF value of the confiscated goods, assessed immediately after the seizure, that was to remain in force for the final Reward.

1495. Audit, however, maintained that any subsequent corrections in the original over-assessment would also call for a revision of the reward. This was supported by the fact that the Reward Rules provided that only half the reward was to be paid immediately and the balance on the finalisation of the case. The department should, therefore, take steps to recover the overpaid amount and to guard against such future over-payments. The departmental representative stated that the reward was given in December, 1973 and the goods were confiscated by the Government under a valid adjudication order.

1496. *After some discussion, the para was deferred and the Committee directed that another exercise be undertaken by the department to see whether the original assessment of the C/F price of Rs.* 199,171 *was excessive. The result should be reported to the Committee through Audit.*

1497. *Non-realization of Additional Duty—Rs. 242,504 (Para* 2 *(i), Page 63—AR).*—As reported by Audit, the additional duty recoverable from the Bannu Sugar Mills for 1974-75 was not charged by an Excise Authority. The Ministry

confirmed that the entire amount had since been realised from the Sugar mills. The Committee, therefore, decided that the para be *treated as settled.*

1498. *Non-realization of additional duty and penalty—Rs. 53,862* [*Para 2 (ii) Page 63—AR*].—Audit had pointed out that the additional duty and penalty, leviable due to the non-export of excisable goods, removed from certain Mills in June, 1974, was not realised. The Ministry stated that the entire amount of Rs. 53,862 had since been recovered from the Mills. As the Audit accepted the Ministry's reply, the Committee decided that the para may be treated *as settled.*

1499. *Non-realization of Additional Duty—Rs. 35,988* [*Para 2 (iii), Page 63—AR*].—The departmental representative explained that amount of duty had been deposited by the assessee in time and that additional duty was not leviable. The Committee decided the para to be *treated as settled.*

1500. *Non-realisation of Food Relief Surcharge Rs. 30,698* [*Para 2 (iv), Page 64—AR*].—As the amount involved had since been recovered, the para was *treated as settled.*

1501. *Non-realization of Sales Tax, Defence Surcharge and Rehabilitation Tax—Rs. 432,063* [*Para 2 (v), Page 64—AR*].—Audit had pointed out that Sales Tax, Defence Surcharge and Rehabilitation Tax, leviable under the law, were not realised from a manufacturer at Gujranwala for the assessment years 1969-70 to 1975-76. It was stated in reply that, on the basis of a fresh inquiry, a new order was passed on 25th June, 1981 and a total sales tax demand, amounting to Rs. 574,214, had been created. The Recovery Officer was directed to realise the Government dues by attaching the assets of the firm. Since the recovery was already in progress, the Committee decided that the para be *treated as settled, subject to varification of recovery by Audit.*

1502. *Non-realisation of Additional Sales Tax—Rs. 347,973* [*Para 2 (vi), Page 64—AR*].—Audit had contended that additional sales tax, leviable for the non-payment of sales tax within the prescribed time-limit, was not charged from ten assessees between December, 1974 to June, 1977. On being pointed out the omission, the department had intimated in October, 1979 that rectification notices had been issued to the assessees and the cases would be finalised by 10th November, 1979. However, upto January, 1980 the department reported the recovery of Rs. 756 in one case only. Thereafter, despite the lapse of a period of 3 years and issue of several reminders, no recovery appeared to have been made.

1503. The departmental representative reported that almost all the amount had since been realised from the assessees except for Messers Karimi Industries Limited, Nowshera. Demand notices had been issued to them, but the party had claimed a refund. The position was being looked into and the final recoverable amount was being determined.

1504. Audit then requested to be apprised of the particulars of the recovery of Rs. 34,577, stated to have been effected from Messers Telephone Industries, Haripur. This amount was, understandly, set aside in appeal in March, 1982. The additional Sales Tax of Rs. 6,654, Rs. 6,588 and Rs. 10,778, recoverable from Messers Telephone Industries, Haripur, had also not been deleted in the appeal, as stated by the department but its charge had been set aside, for rectification by the Sales Tax Officer. The departmental representative informed the Committee that the Telephone Industries had paid the due amount. As the amounts involved were small, the Committee did not make any further observation and decided that the para be *treated as settled.*

1505. *Non-realisation of Sales Tax—Rs. 68,000 (Para 2 (vii)-Page 64—AR).*—No observation was made by the Committee and the para was *treated as settled.*

1506. *Non-realisation of Additional Sales Tax Rs. 33,283 [Para 2 (viii), Page 64—AR].*—Audit had reported that additional Sales Tax, leviable under the law, was not realised from five parties in 11 cases, relating to the period 1972-73 to 1974-75. When this was intimated to the department, they said that necessary rectification was being made under section 28 of the Sales Tax Act, 1951. However, no progress appeared to have been made towards the realisation of the dues, despite a lapse of 3 years.

1507. In their reply, the department explained the position of recovery in respect of each assessee in detail. *The Committee observed that, as the recovery action was already in progress the para may be treated as settled. Audit should, however, keep track of the cases in question.*

1508. *Delay in disposal of Inspection Reports and Audit observations (Para 3, Page 65—AR).*—Audit complained that Inspection reports and Audit observations, issued to the department upto the 31st January, 1981 were not attended to though office-wise and year-wise details of the outstanding inspection reports/ Audit observations had been supplied to the field offices in December, 1981, for clearance.

1509. According to the information furnished by the department, the position of outstandings was as follows :—

	Outstanding on 1-4-1981	Outstanding on 31-1-1983	Outstanding on 31-1-1983 to which 1st reply was not sent.
I. Customs and Excise Department.			
(1) Inspection Reports (1974-75 to 1980-81)	640	501	46
(2) Audit Observations (1960-61 to 1980-81)	12,426	5,265	2,306
II. Income Tax Department.			
Inspection Reports (1974-75 to 1980-81)	480	112	—

1510. The Auditor-General requested the department to note that Audit requirements were that there should be substantial replies on the Inspection reports and the Board should advise their officers to check the replies minutely before sending the same to Audit. For example, in the case of Telephone Industries Ltd., it was said that Rs. 34,577 had been paid but, on investigation, it transpired that the same had not been paid.

1511. Questioned as to how were the Inspection Reports obtained and who received them, the departmental representative submitted that the respective Commissioners and Collectors received them. The Vice-Chairman remarked that the system did not appear to be reasonably effective. In fact, one person should receive these reports and be responsible to liaise with those concerned. The departmental representative there upon submitted that there was one Accounts officer, who was supposed to pursue the disposal Inspection reports/Audit observations.

1512. The Auditor-General suggested that the Commissioners and Collectors should be made responsible for attending to these reports within a reasonable time. Questioned about receiving any periodical reports from lower formations, the departmental representative informed the Committee that, as from the preceding financial year, the department had been receiving quarterly returns. During the last 3 years, all the departments of Income Tax and Customs have remained under a process of reorganisation, new zones have been established and new posts of Collectors created. *After some discussion, the Committee directed that* (1) *the C.B.R. should obtain periodic reports from the lower formations and come down heavily on the defaulters.* (2) *Each Member of the C.B.R. should be made responsible for these reports in respect of his jurisdiction.*

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1975-76 TO 1977-78.

1513. *Grant No. 52—Sea Customs* (Page *67—AA*) *Paras 787-788, Page 187, PAC Report, 1977-78*).—The Committee decided to drop this para subject to verification of recovery by Audit.

1514. *Grant No. 54—group head "D—Commission to Post Office Department for collection of Sales Tax on Inward Parcels" (Page 70—AA), Para 793, Page 188, PAC Report 1977-78*).—Having noted that the rate of commission had since been fixed, the Committee decided to drop the para.

1515. *Non-Adjustment of excess export rebate on reducing production capacity retrospectively* [*Para* 4(*iv*), *Page 41—AR*] (*Paras* 808—812, *Pages 190—191 PAC Report, 1977-78*).—The Committee observed *that, if any* instructions/rules required that reasons for departure from the operation of normal rules be stated in the order itself, these must be followed by the department.

1516. The para was dropped subject to the regularisation action in the light of above observation.

1517. *Non-realization of additional Wealth Tax* [*Para* 4(*x*), *Page 44—AR, Paras 820—822, Page* 192, *PAC Report, 1977-78*].—Questioned about the instructions for the payment of Tax, the departmental representative replied that, until 1981, the instructions were that payment of Tax should be made alongwith the return. In case anyone did not pay tax by that due date, additional tax would be levied from the date that the return was filed and not from the 15th of September. Audit was requested to check and find out again as to when was the Tax return filed and whether any additional tax was recoverable ?

1518. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points in the (i) Appropriation Accounts 1979-80 and the Audit Report thereon ; (ii) Audit comments on compliance of PAC Reports 1975-76 to 1977-78. *These would be deemed as settled, subject to such regularization actions, as may be necessary under the rules.*

MINISTRY OF SCIENCE AND TECHNOLOGY

1519. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Science and Technology. The following departmental representatives were present :—

(1) Mr. M. Masih-ud-Din, Additional Secretary-in-Charge.

(2) Brig. (Retd) Qureshi M. Aslam Hayat, Joint Secretary.

(3) Mr. S. A. Hafeez, O.S.D., (F & A).

1520. This Ministry, controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Science and Technology	112
2.	Other Expenditure of Ministry of Science and Technology	114
3.	Development Expenditure of Planning and Development Division (Partly).	159
4.	Development Expenditure of Ministry of Science and Technology	161
5.	Capital outlay of Ministry of Science and Technology	188

1521. *Reconciliation of accounts with Audit.*—The Committee noted that the Ministry had completed the reconciliation of accounts up to the first quarter of 1982-83. The departmental representative was advised to get the outstanding reconciliation also completed soon.

APPROPRIATION ACCOUNTS

1522. *Grant No.* 112—*Ministry of Science and Technology* (*Page 128—AA*).—According to Audit, a saving of Rs. 190,809 had occurred under this grant. It was also noted that there was an excess of Rs. 25,837 under the function Code "381-Administration (Secretariat)". The department had thus surrendered Rs. 82,646 without regularising the excess. The Ministry explained the reasons for excess as follows :—

(i) Payment of Rs. 22,928 was made by our Embassy in Tehran in October, 1979 to an officer of the Ministry, on his transfer back to Pakistan. The debit was received in the A.G.P.R. through the C.A.O., Ministry of Foreign Affairs and was adjusted by Audit in June (Final Accounts).

(ii) Another payment of Rs. 1,548 was made by our Mission in Vienna on behalf of the Ministry on account of freight and cartage charges. The debit was received in the A.G.P.R. through the C.A.O., Ministry of Foreign Affairs.

(iii) The remaining excess of Rs. 1,360 was petty. It related to the advertisement bills of the newspapers paid through the P.I.D.

1523. All the above-mentioned debits came to the notice of the Ministry after surrendering the saving.

1524. Audit confirmed that the excess expenditure was booked in June final. The Committee accepted the explanation and did not make any further observation on this grant.

1525. *Grant No.* 114—*Other Expenditure of Ministry of Science Technology* (*Page130—AA*).—As reported by Audit, there was an overall saving of Rs. 6,574,288 under this grant. The Ministry explained that the saving was due to the following reasons :—

(a) Rs. 279,188 due to non-adjustment of debit by Audit.

(b) Rs. 2,560,000 due to non-receipt of aid from the aid-giving agency.

(c) Rs. 2,580,000 due to economy cut on the budget by the Government.

(d) The remaining saving of Rs. 1,155,100 was due to the strict enforcement of economy measures and releasing funds to the organizations according to their actual requirement. The entire saving of Rs. 6,295,000 (Rs. 6,574,288—Rs. 279,188) was surrendered on the close of the financial year.

1526. The Committee accepted the above explanation and did *not make any further observation on this grant.*

1527. *Grant No. 159—Development Expenditure of Planning and Development Division* (*Page 193—AA*).—An excess of Rs. 251,644 had been reflected against the function Code " 032—lump provision for the project of Generation of DATA for Health Planning and Research ". The Ministry explained in their written reply that the project of Generation of DATA for Health Planning and Research was transferred to the Ministry of Science and Technology on 13th September, 1979. According to the Planning Division, a total expenditure of Rs. 106,520 had been incurred by them upto 30th September, 1979. The balance of Rs. 430,480 was surrendered by them in December, 1979. The Ministry further clarified that, after the transfer of the Cell (Project of Generation Data) to the Ministry of Science and Technology on 13th September, 1979, the A.G.P.R., was not supposed to make any payment to the Cell and to book the same against Demand No. 159—of Planning Division. The expenditure was to be booked under grant No. 161. But they continued to make payments against Demand No. 159 upto 31st December, 1979. The expenditure during the period 1st October, 1979 to 31st December, 1979 amounted to Rs. 71,293. Thus the expenditure upto 31st December, 1979 in respect of the Cell totalled Rs. 177,893 (Rs. 106,600 by the Planning Division + Rs. 71,293 by the Cell) and not Rs. 358,244, as reflected in the Appropriation Accounts. Audit pointed out in their comments that expenditure was booked according to the classification recorded on the bills of Pay and Allowances by the Department.

1528. The Committee *did not make any further observation on this grant.*

1529. *Grant No. 161--Development Expenditure of Ministry of Science and Technology (Page 196—AA). Function Code "389—Scientific Societies and other Scientific and General Research—Village level Food Processing Project* The Ministry in their written reply explained that saving of Rs. 644,200, under the above head, reflected in the Appropriation Accounts was due to non-adjustment by Audit of the U.S. aid, given for Village-Level Food Processing Project, for want of advice from the Economic Affairs Division. This position was confirmed by Audit. It was further confirmed that advice from the Economic Affairs Division has since been received and the expenditure adjusted in 1982-83. The Committee did not make any further observation.

1530. (ii) *National Centre for Transfer of Technology.*—It was noted by the Committee that, even though the Centre in question had not been set up, the provision of Rs. 83,600 made for it had been fully exhausted. *The Committee directed that a note be furnished to it explaining as to how and under whose orders and on what items was the said amount expended during the year.*

1531. *417—Archives, Libraries and Museum—National Museum of Natural History.*—It was noticed by the Committee that, while the Grant for the Museum was obtained for "National Museum of National History", the actual name of the Museum, as known outside, was different. The departmental representative informed the Committee that the correct name of the Museum was "National Museum of Natural History". Through an inadvertent type-graphical error, the word 'Natural' occurring in the Budget for 1979-80 got typed as "National" and so in the Appropriation Accounts for 1979-80. Thereupon, a Member asked as to how could the department obtain budget for National History and how did Audit pass the expenditure. At the instance of the Committee, *the Finance representative undertook to check it up from the NIS, which was the basis for all budgetary provisions.*

1532. *528—Other Irrigation and Drainage grants-in-aid to Irrigation, Drainage and Flood Control Research Council.*—It was noted that there was an excess of Rs. 2,956,000 under the above head. The department disputed the 'Actual Expenditure' and the 'Excess', as shown in the Appropriation Accounts. According to the department, the actual expenditure against the final grant of Rs. 4,730,000 should have been Rs. 9,646,000 and not Rs. 7,686,000. The difference of Rs. 1,960,900, was due to the non-adjustment of debit by the AGPR Sub-Office, Lahore and the excess of Rs. 4,916,000 over the final grant was due to adjustment of debits relating to previous years. Audit confirmed the explanation of the department. *The Committee therefore, did not made any further observation.*

1533. *Recoveries—528—Irrigation Research—Flood Control Research Council—Deduct amount met from Holland.*—More recovery of Rs. 4,526,000, shown in the Appropriation Accounts, was ascribed to the adjustment of foreign aid received from the Dutch Government during 1977-78 and 1978-79. The position was confirmed by Audit. *The Committee made no further observation.*

1534. *Grant No. 188—Capital Outlay of Ministry of Science and Technology (Page 233—AA).*—The overall saving of Rs. 7,260,317, occurring under this grant, was explained by the Ministry as under :—

(i) *Rs. 1,952,362* : due to Economy cut imposed by the Government.

(ii) *Rs. 3,058,317* : due to non-receipt of aid from Aid-giving Agencies. This amount was surrendered.

(iii) *Rs. 2,249,638* : due to strict economy measures by the Ministry whereby funds were released to organizations according to their actual requirements, resulting in savings, which were surrendered at the close of the financial year.

1535. *The Committee did not make any further observation on this grant but directed that annual reports of all the organizations under the Ministry of Science and Technology should be furnished to it. Secretary, Federal Council Secretariat requested that at least* 12 *copies each of such reports may be sent for use by the Committee.*

1536. *Points not Discussed to be Treated as Settled.*—The Committee did not make any observation on the other paras/points in the Appropriation Accounts 1979-80. These would be deemed as settled subject to such regularization actions as may be necessary under the rules.

MINISTRY OF RAILWAYS

1537. After completing the examination of accounts of the Ministry of Science and Technology the Committee took up for examination the Appropriation Accounts etc., pertaining to the Ministry of Railways. The following departmental representatives were present :—

(1) Mr. Abul Kalam, Chairman/Secretary, Railways.

(2) Mr. K. Shafqat Ali F-Member, Railways Board.

(3) Mrs. Suriya Hafiz, F.A. & C.A.O., Pakistan Railways.

(4) Mr. Khalid Rashid, Joint Director, (F & B).

1538. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
	CIVIL	
1.	Ministry of Railways	107
2.	Capital Outlay on Investment..	135
3.	Capital outlay on Pakistan Railways	187
	PAKISTAN RAILWAYS	
1.	Expenditure Charged to Railway Revenue	108
2.	Other Capital Expenditure of Pakistan Railways	136
3.	Capital Outlay on Pakistan Railways	187

1539. *Reconciliation of accounts with Audit.*—The Committee noted that reconciliation of Accounts had been completed upto 1981-82 and reconciliation work in respect of the year 1982-83 was also progressing satisfactorily.

APPROPRIATION ACCOUNTS

1540. *Grant No. 107—Ministry of Railways (Page 124—AA).*—The departmental representative explained that the provision under this Grant was for the usual expenses of the Ministry, which also now included the Railway Board, the latter having been amalgamated with the Ministry in April, 1982. The departmental representative added that the Railway Board had its own Audit, accounts and finance set-ups. The mode of future maintenance of Railways accounts was still under the consideration of the Ministry of Finance and certain preliminaries required advance settlement, after which the question whether the issue of an ordinance was necessary would be dealt with by the Government.

1541. The Audit representative intervened to suggest and the departmental representative agreed that the existing arrangements should continue until the Government decide upon a change therein. *The Committee made no further observation on this grant.*

1542. *Grant No. 135—Capital Outlay on investment in Railways (Page 155—AA).*—The department explained the saving of Rs. 10,725,103 against the function head "722—Non-financial Institutions—Investment in Pakistan Railways" by saying that they had anticipated that Rs. 53,138,000 would become payable from the General Revenues for repayment of foreign loans, raised for addition to and development of the Railways. As such, this amount would be added to the Government investment foi the purpose of payment of return by the Railways. Against this figure, the actual repayment, made by the Economic Affairs Division from time to time and advised to all concerned, including the Ministry, worked out to Rs. 42,412,897. This resulted in a saving of Rs. 10,725,103, which was mainly due to the conversion of U.K. credits in to Grants, including Rs. 196,103 on account of fluctuation in exchange rates, about which no information was furnished by the Economic Affairs Division to either the Railways or the Ministry etc., both at the time of preparing the budget and the revised estimates.

1543. After some discussion, the Committee directed that instructions should be issued by the Ministry of Finance clarifying :—

(i) *as to whom should the profits, if any, earned due to exchange rates, be credited* i.e., *the Railways or the Government.*

(ii) *as to how should a foreign loan, converted into a grant, be disposed of ; Whether the beneficiary for it should be the Central Funds or the Ministry concerned.*

1544. *Grant No. 187-Capital Outlay on Pakistan Railways (Page 232—AA).*—As reported by Audit, there was an excess of Rs. 5,760,000 under this grant. The departmental representative explained that this Grant provided for the following types of expenditure :—

	Rs.
(i) Expenditure net from Depreciation Reserve Fund ..	789,840,000
(ii) Capital Expenditure—Government investment	210,160,000
	1,000,000,000

1545. The Government Investment, provided for by the Finance Division from General Revenues, was intended to foot the Railways A.D.P. At the time of preparation of the Budget Estimates, it was anticipated that the Finance Division would be required to make an investment of Rs. 210,160,000. As per the actual trend of expenditure, the Finance Division, released an amount of Rs. 215,920,000. There was hence an excess of Rs. 5,760,000, which was only 2.7 per cent of the original provision and called for no explanation. A member of the Committee expressed his surprise to learn that no supplementary grant was asked for before releasing the additional amount.

1546. Questioned as to whether it was one Grant, the departmental representative said that it was one Grant and the whole amount appeared as 'Capital Expenditure met from Reserve Fund' at page 13 of Appropriation Accounts (Railways) but a portion of it relating to Government Investment in Pakistan Railways was also shown Appropriation Accounts-Civil (under discussion). Asked as to why was the total amount not shown in the Appropriation Accounts (Civil), the Audit representative informed the Committee that it was so reflected in the Budget book.

1547. *Finally, the departmental representative was directed that the total amount should have been shown in the Appropriation Accounts (Civil). This must be noted for the future. The Finance Division and the Audit should also consider it. A supplementary Grant should have been asked for in the present case by the Ministry to avoid any procedural flaw.*

AUDIT REPORT (RAILWAYS)

Expenditure Incurred in Excess of Grant/Appropriation (Paras-1—4—Page 2—AR—Railways)

1548. *Grant No. 108—Expenditure charged to Railway Revenues (Authorised).*—Audit had reported an excess of Rs. 71,094,809 under the grant No. 108—Expenditure charged to Railways Revenues (Authorised). The Ministry had explained in their written reply that, compared with the Final Grant, the excess would work out to about 2.5% of the total grant. The budget allotment was divided into 'Cash' and 'Stores' for internal control purposes. The year, 1979-80 was on an acute liquidity crisis for the Railways. All out efforts were then made to conserve cash. Resultantly, the Railways were able to save Rs. 38,333 million under the Cash, portion of the budget. However, there was an excess of Rs. 110,000 million under 'Stores', which was mainly due to the fact that, during the entire 1970s, inflation had substantially affected the cost of materials, both indigenous and imported, used on the Railways. This resulted in the net excess of Rs. 71.667 million which was further reduced to Rs. 71.095 by accounting the saving accruing under the Appropriation 'Improvement Fund'.

1549. *The Committee did not make any observation on this para.*

Chapter VI—Audit Observation on Important Financial Irregularities

1550. *Loss of revenue due to detention of Wagons (Para 6.1—Pages 16-17 AR—Railways).*—It was pointed out by Audit that, though a major portion of the Railway revenues was earned from freight traffic, efficiency of which depended on a quick turn-round of the freight wagons, instances of inefficiency and careless handling of the movement of wagons, resulting in revenue losses, came to their notice. Few such instances were—

(i) *A wagon*, containing about 21 tons of material and despatched by the Carriage Factory, Islamabad on 22nd July, 1976 for Steel Shop,

Mughalpura, Lahore was wrongly received in the Loco Shop and detained there for more than 2/1-2 years. Mr. Ishtiaq Ahmed and Tufail Butt, Yard Supervisers at that time, were held responsible for this unauthorised detention and awarded punishment. *No observation was made by the Committee on this instance.*

(ii) *A tank wagon*, containing H.S.D. oil, was booked from Keamari to Peshawar on 24th December, 1976. Before reaching the destination, its contents were transhipped twice and its haulage continued between various unconcerned stations. Once it reached Peshawar on 9th March, 1977, but remained unconnected and was again wrongly booked for Samungli Road, where from it was redirected to Peshawar, reaching there on the 5th January, 1979, *i.e.*, after a period of about two years, as against the normal transit period of ten days. The consignee refused to accept the material, as it was discoloured and contaminated, and preferred a claim of Rs. 32,137, which was settled for Rs. 31,200. The material was later auctioned by the Railways for Rs. 13,500 only, entailing a loss of Rs. 17,700. In addition, the Railways were deprived of a good amount of revenue, besides the haulage charges, due to this unnecessary engagement and haulage of the wagon. The Railway Administration admitted the loss and attributed it to the careless working of the Traffic Branch of the Railways. *After some discussion, the Committee directed that action should be taken against the staff at Peshawar, which was also responsible for the irregularity.*

(iii) *Four loaded wagons* were detached at the Okara railway station during November, 1978 and January, 1979—three on account of not axle and one due to Kacha seal. All these wagons required transhipment, for which private labour was to be employed under the sanction of the Divisional authorities. The sanction was accorded on the 22nd February, 1979, causing unnecessary detention of stock for over three months.

1551. The Ministry explained, in their written reply, that the matter came to the notice of an officer of the Lahore Division on 5th February, 1979 and sanction of the competent authority for engaging private labour was communicated to the Station Master, immediately. A member of the Committee observed that there was a system of permanent zone labour contracts and the Control Office, which should have immediately attended to it, did not do anything in the matter, which was left entirely to the clerical staff. The departmental representative submitted that the detention of wagons was one of the weakest points in the working of Railways. There was no system yet by which detention of wagons at stations could be avoided in a fool-proof manner.

1552. The departmental representative further informed the Committee that the officials responsible for this default had since retired and it was not possible to take any action against them. The Ministry, however, assured the Committee that if there was any delay in such cases in the future, the officers and not the Station Master would be held responsible.

1553. *After some discussion, the Committee directed that action should also be taken against the Control Staff, responsible for such occurrences.*

1554. (iv) 30 *loaded tank wagons* arrived at Peshawar City, as 'Unconnected' during 1979. These remained under detention for 10 to 237 days. The inordinate detention of the stock was pointed out to the Railway Administration in July, 1980 without any response. The Ministry explained in their written reply that, during the entire 1979, a total of 30 wagons were received at the Peshawar City Station without Card labels in the absence of such labels, they could not be connected. To connect a wagon in the absence of any information was a lengthy procedure. The period under which those 30 wagons were connected ranged from 10 to 237 days. However, this matter was receiving due attention of the Commercial and Operating Branches. Detailed instructions had since been issued to all the concerned staff to take expeditious action at all levels, in order to connect such tank wagons.

1555. After some discussion, the Committee concluded that :—

(i) *Inquiry should have been instituted and responsibility fixed for negligence in this case. The detention of 30 loaded Tank wagons for upto 237 days was a grave matter. It should be looked into again and a report submitted to the Committee.*

(ii) *As there are about 33,000 wagons with the Railways, it would be advisable if computerisation of wagons is introduced by the Department, as soon as possible, to effectively control and watch their movements.*

1556. *Irregular payments of pay and allowances etc. (Para 6.2, Pages 18—22—AR—Railways).*—Audit had reported that, while carrying out test audit, cases came to their notice where incorrect claims were preferred by the staff members and these were not properly scrutinised before their admission. As a result, avoidable expenditure was incurred in disregard of the Government rules. A few instances of such cases were brought out two of which are cited below :—

(i) *Payment of TA/DA.*—The staff was paid TA/DA, amounting to Rs. 9,770, for the dates they were actually present in office or on casual leave/L.F.P. or Rest and Recreation leave. On scrutiny, it was found that there was a tendency amongst the staff to draw TA/DA without performing duties outside their headquarters and the Controlling Officers were countersigning the claims as a matter of routine, without fulfilling the requirements of the rules.

The Ministry explained that, out of Rs. 9,770 pointed out by Audit, Rs. 6,973 had already been recovered and the balance of Rs. 2,797 was being recovered regularly every month. The Divisional Superintendent, Pakistan Railways, Lahore had been asked to fix the responsibility for fraudulent drawal of TA/DA by the staff concerned, take disciplinary action against them and also adopt remedial measures to prevent the recurrence of such fraudulent drawals of TA/DA in the future. Audit confirmed the recovery of the above amount, except Rs. 117. They, however, drew the attention of the Committee on the penalty of just warning, imposed upon the concerned staff, which was certainly inadequate, as the drawal of fraudulent TA/DA was a serious offence.

The departmental representative submitted that show cause notices had been issued to the staff, held responsible in the present case. *Thereupon the Committee directed that the Ministry should keep a greater watch over such irregularities and more severe punishment should be given.*

(ii) *Irregular payment of daily allowance.*—According to rules, the relieving staff, when required to relieve at a particular station for more than 6 weeks, is to be temporarily transferred to the new station and no daily allowance is to be admissible, at the new station. But, contrary to the rules, daily allowance amounting to Rs. 159,000 was paid to the relieving staff in the Sukkur Division during January, 1977 to December, 1978. The Ministry contended that none of the staff worked against clear vacancy for more than 6 weeks and the position had been accepted by Audit with the exception of a few cases, which are under clarification.

1557. *After some discussion, the para was dropped.*

(iii) *Irregular payment of mileage allowance.*—The para was treated as settled subject to verification by Audit.

(iv) *Infructuous expenditure on pay and allowance.*—As reported, the post of an Assistant Engineer was sanctioned in October, 1976 in connection with the track renewal of a section in Sukkur Division. One head trolly man and 3 trollymen were sanctioned for it from January, 1977, although no trolly was available with the Assistant Engineer, who was utilizing train services from Sukkur to the place of actual execution of the work. Thus the payment of pay and allowances, amounting to Rs. 16,081 made to the trollymen from January, 1977 to May, 1978, were rendered infructuous.

1558. The Ministry, in its reply, explained that these trollymen were sanctioned to enable the Assistant Engineer for travelling over the section, where renewals were in progress, to ensure that the renewals were carried out according to the standard practices and the renewed track was being maintained properly for normal sanctional speeds. The trollymen were not meant for the travelling of the Assistant Engineer by trolly from Sukkur to the place where renewals were being carried out, as had been presumed by Audit. In fact, there were two push trollies at site which were being shared by the A.E.N., P.W.I. and A.W.I. Since extensive trollying by all the three officials was essential in the interest of work, and this job was too strenuous for the already existing trollymen, the A.E.N. had to use his own trollymen, instead of borrowing these of his subordinates, along with the trolly

1559. Controverting the above argument ; the Audit representative pointed out that the posts of trollymen were discontinued in May, 1978, which was a clear proof that they were superfluous. *After some discussion, the Committee left the matter to be checked by the Ministry itself and have the position communicated to Audit.*

(v) *Irregular issue of privilege and complementary passes.*—Audit had pointed out the irregular issue of privilege and complementary passes, amounting to Rs 14,938 to the Railway staff and retired employees, in excess of the fixed yearly quota admissible under the rules. The Ministry explained that a sum of Rs. 1,565.60 has already been recovered from the staff. *The Committee directed that the recovery of the balance amount should be expedited and the para be treated as settled subject to verification of full recovery by Audit.*

(vi) *Irregular expenditure on Pay and Allowances.—The Committee decided to drop the para as regularisation action had been taken.*

(vii) *Extra expenditure on surplus staff.—The para was treated as dropped subject to verification by Audit.*

(viii) *Extra expenditure on surplus staff.*—Audit had reported that an extra expenditure of Rs. 1,730,000 was incurred on the creation of 55 posts of C&W staff and 145 posts of mechanical staff for railcar service at Sukkur. This service was discontinued in December, 1976 and transferred to the Rawalpindi Division. But only 21 posts of the mechanical staff, with their incumbents, were transferred to the Rawalpindi Division and the rest of the posts continued to be charged without budgetary cover.

The Ministry explained that, on the transfer of Railcar service from Rohri Shed, the staff sanctioned for the specific job was rendered surplus but, at the same time, no additional staff was sanctioned to meet the maintenance requirements of the additional locomotives there, which

had increased from 90 to 121. *After some discussion, the Committee directed the departmental representative to look into it and revert back to the Committee, if necessary.*

1560. *Extra expenditure of Rs. 42,000 due to splitting up works (Para 6.3, Pages 22-23—AR—Railways).*—It was conceded by the departmental representative that the conversion of narrow guage to broad guage line was totally unjustifiable. However, a report in the subject was under print.

1561. *The Committee decided to defer the consideration of the para.*

1562. *Loss of Railway material in transit (Para 6.4—Pages 23-24—AR—Railways).*—It was pointed out by Audit that, during local Audit, it was found that, occasionally, railway material despatched from one office to another did not reach the destination for years together. Some instances as below showed that, out of material worth Rs. 959,000 that costing Rs. 573,000 still remained to be traced :—

(i) Permanent way material worth Rs. 595,000 was booked by the Sukkur and Rai wind depots to the Permanent way Inspector (Development), Karachi in 1975-76. The material was neither received by the consignee nor its loss was investigated. The matter was taken up with the Railway administration during April, 1979. But in December, 1979, it was stated that material worth Rs. 386,000 had been traced and adjusted but the remaining material worth Rs. 209,000 still remained to be traced.

The Ministry, in their reply, stated that a fact-finding inquiry was in progress, the material in question had been traced out and there was no loss. The cost of the remaining material had also been written off. Thereupon, *the Committee decided to drop the para subject to such regularisation action as may be called for and verification by Audit.*

(ii, iii & iv) *15 Wagons.*—containing track material and scrap of permanent way materials, were despatched to various destinations. These did not reach there and remained untraced.

The Ministry explained that a fresh inquiry had been ordered. The Committee, therefore, deferred the consideration of the para with the observation that the inquiry should be got completed early and the wagons traced out. *A report should also be submitted to the Committee in the next meeting, stating the latest position.*

1563. *Suspected Mis-appropriation of hospital appliances amounting to Rs. 173,000 and shortage of article of tools and plant, costing Rs. 148,000 (Para 6.5, Pages 24-25—AR—Railways).*—It was pointed out by Audit that, in a Railway hospital at Lahore, appliances costing Rs. 222,871, supplied by a Medical Stores Depot, were not accounted for. In addition, tools and appliances valuing Rs. 148,000 were also found short during stock verification.

1564. The Ministry explained in their reply that the stocks were re-checked in the presence of stock verifier and, after scrutiny, it was found that lot of shortages, pointed out, were due to wrong nomenclature. All articles and tools and plant etc., were shown to have fallen short under the following three heads :—

(i) Articles, amounting to Rs. 145,444, since, traced out as a result of fresh checking.

(ii) Consumable items like plaster of paris and bandages etc., amounting to Rs. 24,365.

(iii) Articles, amounting to Rs. 151,796, not yet traced due to the relevant books being with the F.I.A.

Audit, however, maintained that the Ministry's contention that lot of shortages, intimated by the stock verifiers, were due to wrong nomenclature, could not find support from the relevent records. It was found, on verification by Audit, that, out of total shortages of 61 items, there were only 8 items whose nomenclature was slightly different.

1565. The Committee noted that, despite the gravity of the charge, no departmental proceedings were initiated to locate the responsibility. A member of the Committee observed that, even though a case had been registered, some departmental action also appeared called for, if warranted. Agreeing with the Member, the departmental representative said that a departmental inquiry was held, but the orders thereon had not been communicated yet, as the case was *sub-judice*.

1566. The Committee deferred the consideration of the para and directed the Audit to keep track of the case.

1567. *Mis-appropriation of Railway material worth Rs. 14,580 (Para 6.6—Page 25—AR—Railways).*—9,720 Lbs. of S.M. Rounds, valuing Rs. 14,580 were issued to a Head Train Examiner in June, 1976. A fictitious Material—Return Note was prepared by the Head Train Examiner, allegedly with the intent to mis-appropriate the material and get it acknowledged by the Sub-Store-Keeper. The Material-Return Note in question was not accounted for in the books of the Depots and was ultimately destroyed. Upon this coming to the notice of the District Controller of Stores in September, 1976, an inquiry was ordered. The Inquiry Committee finalised its finding in June, 1977, which was to the effect that 9,720 Lbs. of S.M. Rounds, issued to the Head Train Examiner by the Depots in June, 1976 were not accounted for by him and were mis-appropriated.

1568. In their written reply, the Ministry explained that the fact-finding inquiry Committee, comprising ACS-I/Mughalpura, A.O./Purchase H.Q. and A.M.E.-2, Lahore, held six employees responsible for this mis-appropriation.

Out of them 3 employees of the stores department were exonerated by the competent authority. Disciplinary action against the remaining three employees, held responsible, had been taken with the following result :—

1. Mr. Muhammad Yusuf, at present working in the Karachi Division, was awarded the punishment of withholding of Increment Permanently for 2 years and papers had been forwarded to the D.S., Karachi for the recovery of Rs. 2,716.
2. An amount of Rs. 2,716 was held to be recoverable from Mr. Abdul Majeed, Stores Clerk W/L, Lahore. Recovery @ Rs. 100 per month from his salary has been started *w.e.f.*, September, 1981.
3. An amount of Rs. 1000 was required to be recovered from Mr. Amir Muhammad, S.S. Fitter, Goods Shed Lahore. Recovery @ Rs. 50 per month from his monthly salary is being made *w.e.f.*, September, 1981.

1569. After hearing the above explanation and some discussion, the Committee came to the conclusion that a crime, like mis-appropriation, called for more severe action, to meet the ends of justice. *The adequacy of punishment, awarded to the officials, found responsible in this case, thus needed to be reviewed. The department was requested to look into it again for suitable action, according to the rules.*

1570. *Irregular payment of overtime (Para 6 .7, Page 26—AR —Railways).*—After some discussion, the *Committee decided to drop the para.*

1571. *Loss of Rs. 41,000 due to careless inspection (Para 6 .8. Pages 26—27—AR—Railways).*—It was pointed out that two purchase orders were placed with a firm for the supply of 155,220 cft. soft wood sleepers @ Rs. 27 per cft. in 1973-74. The firm supplied only 26,342 cft. and was paid 90% value of the quantity supplied, after inspection by an Assistant Works Manager (Carriage). On a complaint, the wood was re-measured, but without associating the contractor, and was found short by 1,519 cft., valued at Rs. 41,000. Audit held that official concerned defaulted in not associating the contractor, while re-measuring the sleepers, as this omission came out to be the main defence of the contractor against the recovery, to be effected from him. Audit also drew the attention of the Committee to the fact that the Inquiry Committee, set up in this case, waited for 2 years and gave its report after both the persons, held responsible for the loss, had retired.

1572. *The Committee directed that a warning should be administered to those, who may have delayed the inquiry without good reasons.*

1573. *Lack of Planning in the execution of Project (Para 6 .9, Page 28—AR—Railways).*—Audit had pointed out that a scheme for water supply arrangements at the Rojhan railway station (Section D.G. Khan), at a cost of Rs. 684,000 was

sanctioned in December, 1973. The contract was awarded in August, 1974 and work started on the 25th November, 1974. It was decided in July, 1975 to dieselise this section of the line and work was, consequently, dropped in August, 1976 after incurring an expenditure of Rs. 509,000. But cast iron pipes, costing Rs. 1.81 million and procured for this work, were not returned to the store. Out of this, 125 pipes, costing Rs. 100,000 were stolen in February, 1977.

1574. The explanation furnished by the Ministry was not found convincing and it was felt that disciplinary action against the defaulters should have been finalised and the loss got regularized.

1575. *Blocking of Capital of Rs. 637,000 for 7 years and wasteful expenditure of Rs. 68,000 (Para 6.10, Pages 28-29—AR—Railways).*—A running repair shed was constructed at Rawalpindi in 1971 at a cost of Rs. 637,000. The shed could not be put to use as the user, *i. e.*, The Mechanical Branch, demanded certain additions and alterations in the building, which were not covered by the approved plan. The case remained under dispute between the Mechanical and Engineering Branches for 7 years when, in May, 1978, it was decided to carry out the requisite additions and alterations, which resulted in a blockade of the Capital of Rs. 637,000 for 7 years with no return. As the building remained out of use for 7 years, it required repairs on which additional expenditure of Rs. 68,658 had to be incurred.

1576. The Ministry contended that the running repair shed as constructed in accordance with the original allocation, as sanctioned *vide* P.C.I. of CDL Shop, Rawalpindi. No additions/alterations in the shed, not provided in the PCI, could be validly undertaken. Notwithstanding the above, the running repair shed had been in operation since December, 1978. *The Committee accepted the departmental explanations and decided to drop the para.*

1577. *Un-renumerative expenditure of Rs. 192,000 on a work without proper assessment of cost benefits (Para 6.11, Pages 29-30 AR—Railways).*—The Construction of a goods siding station was approved by the Railway Administration in January, 1975, at an estimated cost of Rs. 250,000. It was anticipated that there would be a gain of Rs. 27,630 per annum whereas the station was sustaining a loss of Rs. 13,763 in its working. But execution of the work was started in April, 1975 and completed in 4 years. It was, however, noted that, though the siding was opened for traffic in June, 1979. There had been 'NIL' earning upto September, 1981. As such, providing of a goods siding at the station was not commercially justified.

1578. Justifying the decision commercially, the Ministry stated in their reply that the merchant community of Pir Muhammad Metlo areas had been requesting for the provision of a siding at the Pir Muhammad Metlo station, so that they could book their merchandise from there. Pir Muhammad Metlo

was a rice-growing area and well-known for its rice production in Upper Sind. This situation had arisen as the Federal Government had earmaked certain areas for the lifting of rice and its haulage by road by the National Logistic Cell. Without this decision, rice booking at the station would have been more than originally assessed, as rice production in the area had gone up in 1981 as compared to 1973, when the construction of this siding had been examined and found to be commercially viable.

1579. *The Committee decided to drop the para.*

1580. *Infructuous expenditure of Rs. 140,000 on the construction of Tube-well and H.S. Tank at Mari Indus (Para 6.12, Page 30—AR—Railways).*—It was pointed out by Audit that the installation of a Tube-well and High Service Tank at the Mari Indus station was sanctioned in June, 1968 to meet the requirements of additional water for locomotives and domestic use. The execution of the structural portion had been carried out during 1969 to 1973, at a cost of Rs. 140,000, but pumps, costing Rs. 29,550, were not installed. The amount of Rs. 140,000 thus remained blocked without any return for 7 years.

1581. The matter was taken up with the Railway Administration in August, 1979. They intimated in July and September, 1980 that procurement action for the pumping plant could not be finalised by the Purchase Branch and the funds provided during 1970-71 lapsed. No funds were provided thereafter.

1582. Explaining the position, the departmental representative submitted that estimates for the construction of the Tube-well and High Service Tank at Mari Indus were sanctioned by the Vice-Chairman/Engineering during June, 1968 and the execution of the structural portion was carried out during 1969—73. Funds to the tune of Rs. 26,000 were placed at the disposal of the XEN, Water Supply, Lahore during 1970-71 for the procurement of pumping plant. He placed the Material Requisition on the Vice-Chairman/Mechanical on 21st August, 1970 for onward submission to the C.C.S., Lahore through the D.C.O.S., Mughalpura, where it was received on 18th June, 1971 and when it was too late to utilize the funds.

1583. *After some discussion, it was decided to drop the para.*

1584. *Loss of earning on account of restriction imposed on the booking of port to port Area (Para 6.13, Page 31—AR—Railways)*—The Committee did not make any observation and the para was decided to be dropped.

1585. *Extra expenditure of loading and unloading of parcels and non-recovery of Rs. 21,000 (approx. from the handling contractor— Para 6.14 pages 31-32—AR—Railways).*—A contract for the loading and unloading of parcels at the Faisalabad station was awarded to a handling contractor in December, 1973,

and renewed, from time to time, until terminated in July, 1977 due to unsatisfactory performance. Dues amounting to Rs. 21,000 accumulated against him from May, 1975 onwards on account of detention of stock and damage caused to consignments by mis-handling. The work of handling was, thereafter, managed with van porters, who were rendered surplus due to the revised policy of booking "smalls" and the suspension of van and shunting trains. The category of van porters was abolished in October, 1978 and, instead of appointing a new handling contractor, some luggage porters from among the station coolies were engaged with effect from November, 1978 @ Rs. 355 p.m. per porter. The total monthly expenditure of Rs. 7,100 on such porters was arranged out of the station earnings. The luggage porters continued to work till March, 1980 when a new contractor was appointed @ Rs. 4,000 p.m. By this time, an amount of Rs. 112,300 had been already paid to the luggage porters.

1586. The matter was taken up by Audit with the Railway Administration in August, 1979. In November, 1980, Audit was informed that no recovery for the detention of the stock could be made, as there was no such provision in the agreement. Disagreeing with the departmental statement, Audit maintained that, in pursuance of clauses 10 and 11 of the agreement with the contractor, recovery of losses due to the mishandling and detention of or damage to the stock etc., was possible.

1587. As regards the appointment of luggage porters and arranging payment out of station earnings, which was not permissible under the rules, it was stated that, after the abolition of posts of van porters it was necessary to make some alternate arrangement without which work would have come to a standstill. Concerning the recovery of about Rs. 21,000 from the contractor, the departmental representative stated that the amount of Rs. 9,521.75, worked out as demurrage charged by the Audit party, was not in order and could not be recovered. As for the recovery of the balance of Rs. 11,478.25, the handling contractor was not found responsible for the loss amounting to Rs. 5,220, in respect of a consignment booked from Faisalabad. A sum of Rs. 4,839.05 had, however, been realised from the contractor. Action for the recovery of the balance was in progress. The departmental representative informed the Committee that, in the agreement with the new handling contractor, a provision now exists for the recovery of demurrage charges.

1588. After hearing the departmental explanation, *the para was treated as settled.*

1589. *Avoidable expenditure of Rs. 92,945 on late payment of electric bills (Para 6.15—page 32—AR—Railways).*—The WAPDA authorities had levied a surcharge on electric supply bills, which were not paid by the due dates. In Quetta Division, payments due to WAPDA for energy supplied to the Sibi and

Quetta stations, were usually delayed and Rs. 92,945 were paid as surcharge on bills from April, 1975, to August, 1979. This showed negligence on the part of those responsible for making payments. The above position was brought to the notice of the Railways by Audit in January, 1980. While the irregularity was conceded by the Railway Administration, the position did not improve and a further surcharge, amounting to Rs. 30,112, was paid on the bills from November, 1979 to July, 1980.

1590. The Ministry explained in their written reply that the Head Clerk of the Electric Branch, who was mainly responsible for the late submission of bills, was retired compulsorily from service. It was further argued that the procedure for payment of electric charges involved quite a number of offices. It was difficult to pin-point responsibility in each and every case, as the amount of Rs. 92,945, pointed out by Audit, actually pertained to the period 1968-69, though Audit had referred to it in their para as pertaining to the period from April, 1975 to August, 1979.

1591. Explaining the procedure for making payment of the bills, the departmental representative stated that the electric bills, issued by WAPDA are received by the concerned Electric Departments and, after verification and attestation, are forwarded to the Accounts Office who arrange payment and prepare cheques for the amount, after a close scrutiny of the bills. The cheques in question are then sent to the DPM who, in the case of WAPDA sends these cheques under registered cover to the nominated bank, which takes its own time in affording credit to WAPDA. At times the said procedure causes delay.

1592. *Noting that the existing procedure for the payment of Electric Bills is quite intricate the Committee concluded that there being need for simplification and streamlining the procedure and also decentralisation, the department should pay due head to it.*

Chapter VII—Other Topics of Interest

1593. *Unsanctioned Expenditure (Para 7.1—Page 33—AR—Railways).*— According to Audit, unsanctioned expenditure till the end of 1979-80 amounted to Rs. 206,034,000 including 94 cases in which the expenditure involved was Rs. 100,000 or more. Against the above, the latest figures of unsanctioned expenditure, as per the accounts for 1980-81 printed in March, 1982 stood at Rs. 195.229 million (Rs. 76.915 million pertaining to the period ending 1979-80 and Rs. 118.314 million added during 1980-81).

1594. In their explanation the Ministry stated that all out efforts were being made to achieve the maximum possible clearance by the field offices. Clearance to the extent of Rs. 80,051,000 out of the total outstanding of Rs. 206,034,000 had since been effected, leaving a balance of Rs. 125,983,000 only. Audit drew

the attention of the PAC to the fact that during its meetings held on 14th April, 1981, the Committee had taken a serious view of the unsanctioned expenditure of Rs. 116,464 million, which was outstanding for regularization at the end of 1978-79.

1595. *After some discussion, the Committee directed that this increasing excess of expenditure over sanctioned allocation, despite its maximum possible emphasis on financial discipline, should be looked into and must be checked effectively, as the excess increased from 0.58% of audited expenditure amounting to Rs. 7,290 thousands in 1973-74 to 2.94% of audited expenditure amounting to Rs. 131,152 thousands in 1979-80.*

1596. *Undercharges in traffic earnings (Para 7.2 page 35—AR—Railways).*—Audit had reported that the undercharges, outstanding for recovery, had increased from Rs. 3,547,747 at the end of the 1978-79 to Rs. 5,498,545 at the end of the year 1979-80. The residual balance, outstanding for recovery on 30th September, 1982, was, however, Rs. 1,753,875.

1597. After some discussion, *the Committee directed the departmental representative that the recovery of the outstanding balance should be expedited and the position reported back to Audit immediately.*

1598. *Losses due to remission and abandonment of claims to revenues (Para 7.3 Page 35—AR—Railways).*—The losses due to remission and abandonment of claims to revenues amounted to Rs. 4,799,844 during the year 1979-80, as against Rs. 3,199,188 during the preceding year, showing an upward trend in remission. It was explained by the Ministry in reply that, so far as the remission of demurrage and wharfage charges in the case of Food and Military Departments etc., was concerned, being Government Departments, leniency and special consideration, were shown to them in the recovery of the possible amount.

1599. Audit added that the demurrage and wharfage charges, outstanding for recovery at the close of the year, amounted to Rs. 10,915,085 as against Rs. 10,630,752 at the end of the preceding year, and the residual balance, outstanding on 30th September, 1982 was Rs. 8,764,755.

1600. *After some discussion, the Committee noted that the rate of clearance of demurrage charges etc., was very slow and directed that it should be improved.*

1601. *Other losses booked in accounts (Para 7.4 pages—35-36—AR—Railways).*—Other losses, as booked in the accounts during the year 1979-80, amounted to Rs. 1,314,917, out of which Rs. 814,137 represented losses on account of wastage of fuel. It was pointed that, while the figures of fuel wastage had shown improvement, consistently in-as-much as the fuel wastage came down from Rs. 1,033,273 in 1973-74 to Rs. 352,783 in 1978-79, it again rose, during the year 1979-80 to

Rs. 814,137, *i.e.*, more than double of the preceding year. Fuel wastages further increased to Rs. 2,012,334 during 1980-81. The Committee directed the departmental representative *to look into it and take remedial measures in order to check the increase in losses.*

1602. *Transfer Transactions (Para 7.5 page—36—AR—Railways).*—As pointed out in the Report, there were certain transactions which originated in the accounts of one accounting unit of the Railways, but were adjustable in the accounts of another unit through Transfer Certificates. The balance sheet showed a debit balance of Rs. 77.9 million, outstanding at the end of the year 1979-80, and the accounts for 1980-81 showed a still more gloomy picture, as such outstanding at the end of 1980-81 rose to Rs. 120.3 million.

1603. In its written reply, the Ministry explained that the officers concerned had been asked to take prompt action to clear all the outstandings in the light of the extent rules and orders. He further stated that only Rs. 60 million remained in suspense account for clearance. Thereupon, the *Committee directed the departmental representative to look into the matter and ensure prompt adjustment of the outstanding balance in the accounts.*

1604. *Bills Receivable (Para 7.6 page 37—AR—Railways).*—Audit had pointed out that this suspense head was introduced in 1957-58 to account for earnings in the year to which these related. The head is cleared on a subsequent realisation of the outstanding earnings. The balance under this head, at the end of 1979-80, stood at Rs. 789.8 million as against Rs. 108.7 million at the end of 1978-79. This abnormal increase in the balance was due to the accountal of an amount of Rs. 700 million, sanctioned by the Government to wipe out the Railways overdraft from the State Bank of Pakistan. As the amount was actually received by the Railways, through credit to the Railways Fund in the books of the State Bank of Pakistan, on the 25th January, 1981. It should have been accounted for in the Railways Account for 1980-81 and not 1979-80.

1605. The Ministry explained that the adjustment of Rs. 700 million under ' Bills Receivable ' in the 1979-80 accounts was done in keeping with the directive of the Ministry of Finance. *The Committee did not make any observation.*

1606. *Depreciation Reserve Fund (Para 7.7 pages 37-38—AR—Railways).*—This Fund is designed to provide for the cost of renewal and replacement of assets as and when these become necessary. For this purpose, an annual contribution from the Railways Revenues is made to the Fund, besides the accretions of Foreign Loans on Replacement Account and Cash Development loans from the Federal Government. Upto the year 1978-79, contribution from Revenues used to be made at the rate of 12% of the revenue receipts while, during the year 1979-80, this contribution was made on the basis of the revalued cost of the wasting assets.

The Fund, at the end of 1979-80, closed with a credit balance of Rs. 161.1 million. This para being only of an informative nature, the Committee did not make any observation on it.

1607. *Improvement Fund (Para 7.8 pages 38-39—AR—Railways).*—This Fund was created in 1955-56 to meet the cost of Works, for providing amenities to passengers and the Railway staff as well as works of unremunerative character. For this purpose, a development surcharge was levied on passenger fares. At the end of the year 1979-80, the Fund closed with a credit balance of Rs. 218.1 million as against Rs. 165.9 million at the end of the preceding one. Audit had pointed out that, against the Development surcharge of Rs. 54.9 millions realised from the passengers, only Rs. 28.9 million were spent, leaving a balance of Rs. 26 millions. It was, therefore, apparent that the surcharge was not being utilised fully for the specific purpose for which it was levied on the passenger fares, namely—provision of amenities to the passengers and the railway staff.

1608. *The Committee felt un-happy to know that the Improvement Fund, being charged by the Railways from the passengers, was not being used to provide them amenities. It, therefore directed that this should be examined and the omissions, if any, rectified.*

1609. *Results of Verification and Revaluation of Stores (Para 7.9 page 39—AR—Railways).*—It was pointed out by Audit that the Codal instructions provided that the net results of all the surpluses and deficiencies should be adjusted in the accounts of the year in which these are discovered and that, where the amount be very large, the adjustment might, with sanction of the competent authority, be spread over some years. The accounts revealed net deficiencies of Rs. 5,782,000 and Rs. 18,942,000 under stock verification and revaluation respectively and a net surplus of Rs. 7,590,000 under miscellaneous items. The deficiencies/surplus mentioned above were left unadjusted and thrown forward for adjustment in subsequent years, without obtaining the sanction of the competent authority. A similar position obtained during 1978-79 and the PAC, while examining these accounts, had directed that the Department should obtain the necessary sanction. This directive was conveyed to the Department on 27th June, 1981 but compliance thereof was not reported.

1610. The Ministry stated, in their written reply, that the deficiency of Rs. 5,782,000 under stock verification was minor and less than 1% of the total issues of stores, other than fuel and rationing, during the year.

1611. So far as the deficiency of 18,942,000 on the revaluation of inventory was concerned, a net deficiency of Rs. 76,239,000 at the close of 1979-80 was indicative of the upward revision of prices to reflect the escalation in costs of the imported as well as indigenous materials. According to the extent procedures,

the net surplus or deficiency on account of revaluation of stores was not charged over to the working expenses, to make the working expenses reflect the current prices of stores and materials.

1612. As regards surplus of Rs. 7,590,000 under miscellaneous items, efforts were being made to clear the entire amount in suspense under this head.

1613. The departmental representative further stated that corrective arrangements had been made for clearing the outstanding suspense balances, with the sanction of the competent authority.

1614. *The Committee finally observed that the revaluation of stores should not have resulted in any deficiency and this must be looked into thoroughly by the Ministry for suitable action.*

1615. *Non-Recovery of Rs. 1.9 million (Para 7.10 Page 39—AR—Railways).*—For executing a deposit work of extension of the Ek-Moria and Do-Moria Bridges and retaining wall thereof, the Lahore Municipal Corporation deposited with the Railways a sum of Rs. 5 million in 1973. An expenditure of Rs. 1,901,972 was incurred in excess of the amount deposited, and this was done without obtaining any additional deposit or even acceptance from the Lahore Municipal Corporation, as required under the rules. Despite the lapse of a considerable period, the amount of Rs. 1,901,972 had not been recovered from the said Corporation.

1616. Explaining the position, the department stated that revised estimates of the work was in the process of sanction and the Lahore Municipal Corporation authorities had been approached for the early payment of the due amount. Audit pointed out that the amount, now recoverable from the Lahore Municipal Corporation, would be Rs. 2,686 million. The General Manager (Engineering) had made a reference on 30th October, 1982 to the Secretary, Punjab, Local Government for the recovery of the amount from the Administrator, Lahore Municipal Corporation. *The Committee directed that the matter should be followed up and recovery of the dues from the Lahore Municipal Corporation expedited.*

1617. *Delay in disposal of Audit notes, inspection Reports and Specific Reports (Para 7.11 Page 40—AR—Railways).*—Audit reported that, against a balance of 2494, the position as on 31st December, 1981, of the outstanding audit observations etc., pertaining to the period upto 1979-80, was as under :—

Audit Notes Part-I	128
Inspection Reports Part-I	113
Specific Reports	103
Audit Notes Part-II	25
Inspection Reports Part-II	26
	395

The position of total outstandings, as in June, 1982, was reported to be 1235.

1618. In their reply, the Ministry outlined the following actions taken by them for the clearance of outstanding balance :—

(1) Efforts were being made to have the first reply to the remaining Audit objections sent without delay.

(2) To minimise the outstanding Draft paras, Specific Reports and Inspection Reports etc., work in the Headquarters Office had been centralised and effective steps had been taken as under :—

(i) Holding meetings in all the Divisional Headquarters and other offices, to discuss all these reports. The discussions were being held between the Divisional Superintendents, Deputy Secretary (Accounts), Ministry of Railways, DAOs, Deputy DRA and the Dy. CAO/I.A., in order to clear the reports on the spot.

(ii) Necessary instructions had been issued by the PA&CAO to all concerned for speedy and prompt replies of all the Draft Paras/Reports, to be submitted to the Audit offices, within the prescribed time-limits.

1619. *The Committee directed the departmental representative to ensure that the outstanding Inspection/Specific Reports etc., were, as best as possible, settled before its next session. The result of the exercise may be reported to the Committee at its next meeting*

1620. *Statement Showing Suspense Balances (Para 7.12 Page 41—AR—Railways).*—Audit had pointed out that—

(i) during 1980-81, the posting and balancing of the Suspense Registers of Miscellaneous Advance (Revenue) pertaining to the Workshop Accounting Centre was again incomplete ;

(ii) the amount of Sui Gas charges, outstanding for recovery from the Railway employees, as shown in the accounts for 1979-80, was Rs. 769,000. It was Rs. 2.076 million as per the accounts for 1980-81 ; and

(iii) the amount of advance payments for local purchases, outstanding for adjustment at the end of the accounts for 1980-81 was Rs. 1.482 million as against Rs. 1.680 million at the end of 1979-80.

1621. *The Committee directed the departmental representative to make special efforts to have the suspense balance cleared expeditiously.*

1622. *Over-draft from State Bank (Para 7.13 Page 41—AR—Railways).*—The balance Sheet as the 30th June, 1980 showed an over-draft of Rs. 666.3 million from the State Bank of Pakistan, as against an over-draft of Rs. 50.2 million at the end of the preceding year. The maximum of over-draft during the year figures around Rs. 931 million in May, 1980.

1623. As explained by the departmental representative, the two main factors responsible for this over-draft position in the Railway Fund were (i) operational losses and (ii) over-spendings, under Capital Suspense heads, during the seventies.

1624. As regards the operational losses suffered by the Railways in the past, a number of factors were responsible for it, in cluding more than anticipated price increase in stores, both imported and indigenous, under-budgeting of revenue expenses due to resource constraints, rise in Customs and Excise Duty burdens and increases in the wage bills due to Government decisions etc. On the other hand, rates and fares were not allowed to keep pace with the raising cost of Railway's operations and services, primarily on considerations other than commercial, Railways being a public utility service. The resultant operational losses under these conditions were further aggravated by the Government's insistence on partly realising their return on investment, due from the Railways, and advancing interest-bearing non-development cash loans to meet such losses. This took the Railways to a downward spiral, with ever-increasing operational losses in past years.

1625. As regards overspending under the Capital Suspense heads, these have to be reviewed in the perspective of expenditure under the final heads of account. The build-up of these balances under suspense heads, together with the booking of expenditure under final heads of accounts, remained more or less within the budget allotments and hardly had a cognizable impact on the overdrafts.

1626. A High-Powered Experts Committee headed by the Governor, State Bank of Pakistan, was appointed by the Government sometime ago to rationalise the financial relationship between the Government and the Railways. The Committee observed that there was no deterioration in the efficiency of the Railways during the last 10 years of its operations. However, the operational losses and other burdens had resulted from a number of factors, some of which needed rationalisation and corrective measures by the Government. The recommendations made by this Committee had been approved and implemented, to a large extent. As a result, the Railway Fund, which had been seeing a persistent overdraft position, was showing a credit balance since 26th February, 1981.

1627. As regards the operational losses, it was emphasised by Audit that all out-efforts were required to enhance the earning and to cut down the revenue expenditure, as far as possible, so that the gap between the revenue receipts and revenue expenditure could be bridged. Though the Government have accepted to cover the losses to the extent of cash deficits, considering Railways to be a public utility service, the need to keep the expenditure under control and maximize earnings, as desired by the Expert Committee, was still very much there.

1628. Regarding overspendings under Capital Suspense, not agreeing with the departmental reply, Audit affirmed that the authorization of expenditure

under Capital Suspense did not form part of the relevant grant under which expenditure was authorised for final heads only. Moreover, the two authorizations were different in character in-as-much as the expenditure under final heads was contributed by the Federal Government out of Civil grants while the expenditure under Capital Suspense, which also included costs of revenue stores, was primarily the responsibility of the Railways.

1629. *After having heard the explanations, the Committee decided to defer the consideration of this para to its next meetings in the presence of the Chairman of the Committee.*

1630. *Operational Losses (Para 7.14 Pages 41-43—AR—Railways).*—The Committee did not make any observation on this para.

1631. *Over-spendings under capital suspense (Para 7.15 Pages 43-44—AR—Railways).*—No observation was made by the Committee on this para.

1632. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points in the Appropriation Accounts 1979-80 and the Audit Report thereon. These would be deemed as settled, subject to such regularisation actions as may be necessary under the rules.

1633. The Committee deferred the examination of the Audit comments on compliances of PAC's Report for the years 1975-76 to 1977-78 to the following day and adjourned to meet at 9.00 A.M. on Wednesday, the 16th March, 1983.

M. A. HAQ,
Secretary.

Islamabad, the 15th August, 1983.

FEDERAL COUNCIL SECRETARIAT

Wednesday, the 16th March, 1983.

Eighth Sitting (PAC)

1634. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1979-80. The following were present :—

P.A.C.

(1) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. *Member (Acting Chairman)*

(2) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member*

(3) Mr. Yusuf Bhai Mian, Chartered Accountant .. *Member*

Federal Council Secretariat

(1) Mr. M.A. Haq, Secretary.

(2) Mr. I.H. Siddiqi, Deputy Secretary.

(3) Mr. S.M. Ahmed, Assistant Secretary.

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. Khalid Rafique, Deputy Auditor-General, (A&R).

(3) Mr. M.A. Lodhi, Accountant-General Pakistan Revenues.

(4) Mr. A.S. Ansari, Director-General of Audit, Defence Services.

(5) Mr. Jamil Ahmed Zaidi, Director-General, Audit and Accounts, Works.

(6) Mr. Munir Ahmed, Director-General, Railway Audit.

Ministry of Finance

Mr. Javed Talat, Joint Secretary (Budget).

1635. *Accounts examined.*—Accounts pertaining to the following Ministries/ Divisions were examined by the Committee during the course of the day :—

(1) Ministry of Railways.

(2) President's/CMLA's Secretariat.

(3) Defence Division.

MINISTRY OF RAILWAYS

1636. The examination of compliances on the PAC's Reports for 1975-76 to 1977-78 pertaining to the Ministry of Railways, which was deferred on the previous day, was taken up first. The following departmental representatives were present :—

(1) Mr. Abul Kalam, Chairman/Secretary Railways.

(2) Mr. K. Shafqat Ali, Member (Finance) Railway Board.

(3) Mrs. Suriya Hafiz, FA & CAO, Pakistan Railways.

(4) Mr. Khalid Rashid, Joint Director (F&B).

1637. *Grand Summary of Appropriation Accounts by Grants and Appropriation (Pages 2-3—AA—Railways—Para 239—240, Pages 62—63—PAC Report*, 1975-76).—There was an excess of Rs. 5,460,170 against the item "Interest on Foreign Loans", under the "Charged" section. The Committee had directed the departmental representative earlier to send a written statement in respect of this item also, clarifying as to what was the rate of interest on foreign loans for each item, separately.

1638. Explaining the excess, the Ministry stated that the amount was originally, provided for proposed new loans and credits, but was reduced in the revised estimates, as no new loans/credits could be made available to the Railways. Subsequently, more debits of unbooked expenditure, relating to previous years, were received and adjusted in the Accounts for 1975-76, resulting in the above excess. The rate of interest on foreign loans for each item was shown in an annexed statement. Audit commented that it was a case of injudicious re-appropriation.

1639. *Thereupon, the Committee directed that a more detailed note should be furnished to Audit, giving the requisite figures of the original amounts of loans in foreign currency and in rupee therein. Audit could bring it up again to the Committee, if necessary.*

1640. (Information as to the rates of interest on foreign loans, asked for by the Committee and furnished by the department, may be seen in Appendix 'F' to these minutes).

1641. *General Administration (Pages 2—3—AA—Railways-Paras 241-242, Page 63—PAC Report 1975-76*).—The Committee had previously noted that there were excesses of Rs. 653,015, Rs. 587,718 and Rs. 2,309,628 against the items 'Administration', "Executive Departments", and "General Departments" respectively. As these three categories of expenditure were susceptible to estimation, a supplementary grant should have been obtained to

cover the excess. The Committee had also noted a saving of Rs. 2,275,595 under the item "Miscellaneous Advances" and excess of Rs. 40,710,504 under the item "A-Permanent Way and Other Engineering and Structural Works".

1642. Since the F.A. & C.A.O. of the Railways was not then present and the department were not able to furnish a full explanation in his absence, the Committee had decided that detailed explanation in respect of all the excesses, appearing against various items in the Appropriation Accounts (Railways), should be furnished. Subsequently, also giving reasons as to why the excess could not be foreseen at the time of applying for supplementary demand.

1643. In compliance, the department furnished the following explanations for the first three aforementioned excesses :—

1. *Administration*

	Rs.
(i) More contingent expenditure incurred than expected ..	379,000
(ii) More payment of allowances than anticipated	180,000
(iii) Payment of other minor expenditure	94,000
Total ..	653,000

2. *Executive Departments*

	Rs.
(i) More allowances paid than expected	390,000
(ii) Un-expected arrears of telephone bills paid	36,000
(iii) Payment of other minor items	162,000
Total ..	588,000

3. *General Departments*

More expenditure on pay and allowances relating to stores departments	2,310,000

1644. The department regretted their inability to foresee the excess of Rs. 40,710,540 at the time of preparation of their Schedule for Supplementary Grant.

1645. *The Committee observed that the explanation was not very satisfactory, but decided to drop the para subject to more care being exercised by the Department in this matter in the future.*

1646. *Wasteful expenditure of Rs. 393,000 (Para 6.1, Page 16—AR—Railways, Paras 243—246, Pages 63-64—PAC Report 1795-76).*—In 1966, an electronic spectograph was purchased for the analysis of steel samples and was installed and commissioned in 1971. After sometime, it began to develop defects

and became inoperative. The departmental representative had undertaken to take a decision about the disposal of the Machine, if their negotiations with China and the Nuclear Institute to re-start it did not prove fruitful.

1647. Audit had pointed out that the Spectograph Machine had neither been updated, commissioned nor disposed of, as promised last by the Ministry before the PAC. After going through the departmental reply and some discussion, the *Committee directed that the Machine should be disposed of, to get rid of this un-workable equipment. The para was treated as dropped subject to this directive.*

1648. *Loss of Rs. 85,000 due to defect in new rails (Para 6.3 Page 17—AR—Railways Para 250, Page 65—PAC Report 1975-76).*—The Committee had, earlier, directed the departmental representative to find out as to why rails were sent to places, when these were not indented for and why were they not inspected? The departmental representative was also directed to supply a copy of the instructions, mentioned in their written reply, to Audit. Audit pointed out that none of the directives of the PAC had been complied with.

1649. *After some discussion, the Committee again directed that reasons for not inspecting the rails be supplied to Audit immediately and the latter may revert back to the Committee, if necessary.*

1650. *Extra expenditure of Rs. 180,000 due to delay in the execution of a work (Para 6.6, Page 18—AR—Railways—Para 253, Page 65—PAC Report 1975-76).*—The departmental representative was last directed to have the responsibility for delay in re-designing, which resulted in a loss, located for suitable action. The Committee's attention was drawn by Audit to the fact that the directive of the PAC had not been complied with so far.

1651. *After some discussion, the Committee directed the Ministry to look into it again and report back the result to the Committee in its next meetings.*

1652. *Irregular payment of overtime and daily allowance amounting to Rs. 33,718 (Para 6.9, Page 20—AR—Railways—Para 256 Page 66 PAC Report 1975-76).*—The Committee had last directed that deterrent punishment may be considered to be inflicted upon the persons, who had been found responsible for preparing bogus bills in the Divisional Superintendent's office. The Ministry explained in their reply that the staff and the supervising officials, responsible for the default had already been punished and the punishments, already awarded, could not be revised for enhancement. The Ministry further stated that the matter was investigated into in detail, to find out the persons with whose collusion the fraud could be possible, and none in the main office was found involved. Audit contended that the departmental reply was not correct, as subsidiary rule

(XIII) (D) of Rule 10 of Chapter 5 of the Personnel Manual clearly provided that the punishment, imposed by a sub-ordinate authority, could be enhanced by the competent authority even after it has been completely undergone.

1653. *After some discussion the Committee directed that Railways should consider reviewing the punishments prescribed under their Manual for various offences. There should be more deterrent punishment for serious irregularities.*

1654. *Statement showing balances outstanding under suspense [Para 7.11 (d) Page 27—AR—Railways—Para 260—Page 67—PAC Report 1975-66].*—Audit had pointed out that credits, amounting to Rs. 33.7 million, and debits of Rs. 27.4 million pertaining to the period prior to 1974-75 under the head "Purchases", were lying unlinked due to insufficient particulars. The Committee had, thereon, remarked that the question was as to how far had the unlinked credits and debits been cleared and what was the latest position, because the total amount to be linked was about Rs. 33 million.

1655. The Ministry, in their reply, affirmed that the entire unlinked credits and debits pertaining to the period prior to the year 1974-75 under the head "Purchase" and since been cleared and there was no outstanding. Audit confirmed this position.

1656. Accordingly, the para stood dropped.

1657. *Purchase of defective material costing Rs. 18,525 (Chapter VI, Para 6.9—Pages 20-21—AR—Railways—Para 119—Page 49—PAC Report 1976-77).*—The Committee had last directed the department to look into this case to see as to how such an order was placed fix responsibility for it ? Referring to their reply as to how a material could be defective as well as useful, the Ministry obviated that the material was defective in the sense that it did not conform to the prescribed specifications but, when put to use, the crucibles proved to be useful. Consequently, all the crucibles had been fully utilised in the Loco and Steel shops, Mughalpura. Audit contested the departmental contention on the plea that against 40 to 60 heats required, 12 out of 15 crucibles broke after 1—4 heats while the remaining 3 crucibles, each broke after 5, 7 and 11 heats respectively.

1658. So far as fixing responsibility was concerned, the departmental reply stated that the officer concerned had since retired. Audit indicated that the officer was retired on 17th November, 1981 about 22 months after the PAC had given the directive in January, 1980 to fix responsibility for taking action against the defaulter.

1659. The Committee, therefore, directed the departmental representative to find out how much was lost as compared to crucibles of low quality and why prompt action was not taken in the earlier directive of the Committee.

1660. *Loss of material worth Rs. 27,483 (Chapter-VI, Para 6.13 Page 23—AR—Railways—Para 122, Page 50—PAC Report 1976-77).*—On verification of stock records Audit observed that the same rails were issued twice by the SKW Sukkur. Annual stock verification should have revealed the excess but no such excess was depicted. The rails were probably misappropriated which needed investigation.

1661. The Committee requested Audit to verify the factual position.

1662. *Irregular payment of pay/leave-salary amounting to Rs. 47,537 (Chapter-VI, Para 6.14, Pages 23-24—AR—Railways, Para 123, Page 50—PAC Report 1976-77).*—The departmental representative informed the Committee that the cases were being checked. The Committee directed that similar check should be carried out in other Divisions as well.

1663. With the above observation, *the matter was* left to be taken care of by Audit.

1664. *Theft of permanent way material Rs. 346,078—(Para 1—Page 10—AR-Railways, Paras 509—510—Page 133*—PAC Report *1977-78).*—The Committee had last observed that no action for removing railway material by the department was taken in 193 cases and directed the departmental representative to find out as to who were responsible for this work at that time, whether any inquiry was held and, if so, what action was taken on the Inquiry Report and what steps were taken to ensure that such incidences did not recur in the future ? It should also be found out as to how many cases pertaining to that period were reported to the Police Station or different Police Stations ? A full report should then be submitted to the Committee.

1665. The Committee was informed by the department that the fact-finding inquiry had not been finalised as yet. This old case now involved 102 theft incidents, spread over the period for 1967 to 1970 :

(i) 78 cases were under trial in the Court of Law.

(ii) 26 cases had been filed after declaring them un-traceable.

(iii) 4 cases were not registered by the Police.

1666. Out of the 78 cases mentioned above, 11 related to the tenure of M/s. Abdul Aziz, S. Hassan Shah and Zakaria and 67 to that of Mr. Sardar Saeed, all the then PWIs RND. The theft cases were reported to different Police Stations of Lahore. On the finalization of the inquiry report, the persons found responsible will be dealt with suitably.

1667. *In view of the departmental explanation, the Committee did not make any further observation on this para.*

1668. *Fraudulent use of Concession Tickets (Para 5, Page 12—AR—Railways 1969-70, Para 515, Page 134—PAC Report 1977-78).—The para was dropped subject to verification by Audit.*

1669. *Grant No. 187—Capital Outlay on Railways (Page 211—AA—Paras 520-521—Page 135—PAC Report 1977-78).*—The Committee did not make any observation on this grant

1670. *Grant No. 108—Expenditure Charged to Railways Revenue (Para 1.4, Page 2—AR—Railways—Paras 522-526—Pages 135—136—PAC Report 1977-78).*—After hearing the departmental explanation, the Committee did not make any further observation.

1671. *Extent to which provisions remained un-utilized Grant No. 134—Other Capital Expenditure of Pakistan Railways (Para 1.5, Page 3—AR—Railways—Para 527, Page 136—PAC Report, 1977-78).*—The Committee was informed by Audit that the title of the Grant was being changed as under :—

"Demand No.————————Improvement Fund. Expenditure including repayment of Foreign Loans from DRF".

1672. The change had been accepted by the Ministry of Railways who had made a reference to the Finance Division in October, 1982.

1673. *The Committee did not make any further observation on this grant.*

1674. *Grant No. 187—Capital Outlay on Pakistan Railways (Para 1.5, Page 3—AR—Railways, Paras 528—529—Pages 135-137—PAC Report, 1977-78).*—Audit had pointed out that the department did not answer the Committee's observation as to why the entire saving was not surrendered ? After going through the departmental explanation, the Committee did not make any further observation.

1675. *Wasteful expenditure of Rs. 90,000 due to delay in carrying out repairs to vehicles (Para 6.6 Page 18—AR—Railways—Para 533, Page 138—PAC Report, 1977-78).*—Not being satisfied with the written reply of the Ministry, the Committee had directed that a revised explanation be furnished, covering all the points raised by Audit, including the necessity of the vehicles for Workshop.

1676. *In view of the fresh explanation that the Workshop had been placed under the charge of DSW Karachi, who was in a position to handle the vehicles properly, the Committee decided to drop the para.*

1677. *Non-recovery of Rs. 2,43,000 for water supplied to Government departments and private parties (Para 6.11, Page 21—AR—Railways—Para 536, Page 138—PAC Report, 1977-78).*—After hearing the departmental explanation, *the Committee decided to drop the para, subject to the verification of recovery by Audit.*

1678. *Points not Discussed to be treated as Settled.*—The Committee did not make any observation on other paras/points in (i) the Appropriation Accounts 1979-80 and the Audit Report thereon ; and (ii) audit comments on compliances of PAC's Reports for 1975-76 to 1977-78. These would be deemed as settled, subject to such regularization actions, as may be necessary under the rules.

PRESIDENT'S/C.M.L.A's SECRETARIAT

1679. The Committee then took up, for its examination, the Appropriation Accounts etc., pertaining to the President's/C.M.L.A's Secretariat. The following departmental representatives were present :—

1. Mr. H.A. Qureshi Joint Secretary.
2. Mr. M.A. Shah, Assistant Secretary.
3. Mr. Najaf Khan, Assistant Secretary.

C.M.L.A's Secretariat

1680. *This Secretariat controlled grant No. 10*—C.M.L.A.'s Secretariat.

APPROPRIATION ACCOUNTS (CIVIL)

1681. *Grant No. 10 (Page 27-AA).*—The Committee did not make any observation on this Grant.

President's Secretariat

1682. This Secretariat controlled Appropriation 'Staff, Houshold and Allowances of the President'.

APPROPRIATION ACCOUNTS (CIVIL)

1683. *Staff Household and Allowances of the President (Page 236—AA).*—It was observed that the department had not prepared the statement of Appropriation Accounts in the proper proforma. The Committee directed the departmental representative to have a revised statement prepared and to bring along the same the following day.

MINISTRY OF DEFENCE

Defence Division

1684. Thereafter, the Committee took up, for its examination, the Appropriation Accounts etc., pertaining to the Defence Division. The following departmental representatives were present :—

1. Mr. Asif Rahim, Secretary, Defence.
2. Mr. Anis Ahmed, Joint Secretary (N&AF).
3. Mr. S.M.H. Aslam, Deputy Secretary (Budget).
4. Mr. M.K. Yusuf Zai, Deputy Secretary (Admn).
5. Mr. Shah Muhammad, Finance and Accounts Officer.
6. Mr. Ashraf Baig, Section Officer (PAC/Assembly).
7. Mr. M. Ishaq Satti, ASMF.
8. Mr. Ibnul Hasan, M.A.G.
9. Brig. Ejaz Ahmed, DPP&A.

1685. This Division, controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Defence (Function 111-Defence Division)	29
2.	Survey of Pakistan	31
3.	Northern Area (Function 014-Kashmir Affairs-Partly)	121
4.	Other Expenditure of Kashmir Affairs and Northern Affairs Division (Function 014-Kashmir Affairs-Partly)	123
5.	Development Expenditure of Ministry of Defence (Function 382-Survey of Pakistan)	144
6.	Development Expenditure of Kashmir Affairs and Northern Affairs Division.	164
7.	Capital Outlay on Civil Aviation and other Works of Ministry of Defence (Function 586-Residential Buildings)	175

1686. *Reconciliation of accounts with Audit.*—It was seen from the statement produced before the Committee that the reconciliation of Accounts for the first and second quarters 1982-83 had not been completed. The departmental representative was directed that the pending reconciliation should be expedited and got completed within a period of two months.

1687. *Grant No. 29—Ministry of Defence (Defence Division—Page 44—AA).*—There was an overall saving of Rs. 57,395,584 against the final appropriation of Rs. 62,949,794 under function 111-Defence Division. Out of this, an amount of Rs. 5,892 million pertained to the Northern Light Infantry Division. It was further stated that debits, amounting to Rs. 51.393 million, were passed on by the MAG to the AGPR for adjustment, but they were not booked.

1688. The Committee did not make any further observation on this head of account.

1689. *Function head "Northern Light Infantry" (Grant No. 29—Page 44—AA).*—According to the Ministry there was a saving of Rs. 5,892 million against an allocation of Rs. 57,285 million under this functional head. It was explained by the departmental representative that the saving was primarily in pay allowances, stores and equipment, mainly because the Regt. remained under strength during the year and the stores and equipment, to be issued, were also not received in time.

1690. Audit confirmed that, out of the total awaited debits of Rs. 51,393,000, concerning N.L.I., expenditure of Rs. 13,906,383 was adjusted in 1980-81, Rs. 36,299,267 in 1981-82 and the balance Rs. 1,187,350 in 1982-83.

1691. The Committee finally observed that the department should have visualised the saving and surrendered it in time.

Survey of Pakistan

1692. *Grant No. 31 (Page 46—AA).*—It was pointed out that, while the department obtained a supplementary grant of Rs. 1,414,000 there was a net saving of Rs. 1,042,364 under this grant. The departmental representative submitted that they had requested the Finance Division to treat their schedule for supplementary grant as cancelled. As such, they contested that the Supplementary Grant of Rs. 1,414,000, as shown in Appropriation Accounts, should not have appeared.

1693. However, the above position could not be substantiated. The departmental representative thereon apologized and admitted that he had not been able to check with the records of the Ministry. *The Committee remarked that the departmental representative should, in future, ensure that the replies had been thoroughly checked.*

1694. *Recovery (Page 46—AA).*—Audit confirmed that there was a difference of Rs. 1,607,827 in the actual recoveries (Department Rs. 2,351,013 and Audit Rs. 743,186), but the same had been adjusted in the 12/82 (1982-83) account. The Committee did not make any further observation on this subject

1695. *Subsidiary Accounts.*—Audit had reported that the following subsidiary Accounts, which were due from the Controlling Officer, could not be appended, as these were not made available :—

(i) Accounts of Stores of the Survey of Pakistan for the years 1970-71 to 1972-73 and 1979-80.

(ii) Map Stores Accounts of the Map Record and Issue, Office of the Director, Map Publication, Survey of Pakistan Rawalpindi for the years 1972-73 to 1974-75 and 1976-77 to 1979-80.

(iii) Combined Comparative Statement, showing sales of Maps, Survey of Pakistan for the years 1972-73 to 1979-80.

(iv) The consolidated stores Accounts of the Lithographic Printing Office, Survey of Pakistan for the years 1977-78 to 1979-80.

1696. In their written reply the Ministry, explained the position as follows:—

(i) The Stores Accounts for the years 1970-71 to 1972-73 had been compiled and submitted to the Accounts Officers concerned and the stores for 1979-80 had also been compiled and were ready for Audit check.

(ii) & (iii) Map Stores Accounts and Comparative statements for all the years in question had been audited by the A.G.P.R's Audit Party.

(iv) The consolidated Stores Accounts of the Lithographic Printing Office, Survey of Pakistan for the year 1977-78 and 1978-79 had been audited by the A.G.P.R's Audit Party. As regards the consolidated stores Accounts for the year 1979-80, these had been prepared and were ready for 'Audit check'.

1697. Audit confirmed that the accounts of the Lithographic Printing Office for the years 1977-78 to 1979-80 had been received and printed in 1980-81 and the Stores Accounts of one party for 1980-81 and also been printed in 1980-81.

1698. The Committee was not satisfied with the existing pace of the preparation of these accounts *and directed that these Accounts should be got finalised for 1981-82 and sent to Audit immediately*, as the entire accounts for 1981-82 were now ready to be printed.

1699. *Grant No. 144—Development Expenditure—Survey of Pakistan (Page 167—AA).*—As reported in the Appropriation Accounts, a saving of Rs. 201,348 against the function head "Construction Works of Survey of Pakistan" and Rs. 109,466 against "Multi-purpose Geodetic Survey Works" had occurred against the Grant.

1700. Similarly, there was a dispute between the department and Audit about the Final Grant. Audit stated that the difference of Rs. 213,000 was due to the Economy cut not having been surrendered and the surrender order for Rs. 77,100 not having been received in the Office of the Accountant General, earlier.

1701. The Committee observed that the only point was that the calculation was not correct, but it was attributed to miscalculation by the Accountant.

Refreshers Courses of Accountants

1702. In view of the poor state of maintenance of accounts in the offices, *the Committee directed that* the Auditor-General should consider holding short Refresher Courses for Accountants of different levels.

1703. *Grant No. 121—Northern Area (Page 138—AA).*—According to Audit, a saving of Rs. 18,441,192 had occurred under the Grant No. 121—"Main Head 014—Kashmir Affairs (NAWO)". The Ministry explained in their written reply that the saving was due to the non-booking of expenditure by the Audit Department. The department, however, affirmed that, according to the department expenditure statement, the actual saving was only of an amount of Rs. 21,697 and not of the amount, reflected in the Appropriation Accounts.

1704. Audit pointed out in their comments that this was jointly controlled by Ministry of Kashmir Affairs and Northern Affairs and Defence. The grant was bifurcated as under :—

	Final Grant	Actual Expenditure	Variation
M/K & NA.	9,360,550	8,788,158	—572,392
M/Defence (NAWO)	17,868,800	—	—17,868,800

1705. The expenditure of NAWO was shown nil because debits were not received from MAG. The expenditure (Rs. 23,045,007) was received later and booked in 1981-82 (3/82). This expenditure was accepted by NAWO. Hence, Ministry of Defence statement that there was saving of Rs. 21,697 was incorrect as there would have been an excess if this expenditure was booked during 1979-80.

1706. The Committee directed the departmental representative to reconcile the discrepancy.

1707. *014—Kashmir Affairs—300—Construction Works.*—Against the final grant of Rs. 1,875,000 a sum of Rs. 320,000 was reported by the department as saving. Explaining the causes for the saving, the Ministry stated that certain works in the remote and un-approachable localities of the Northern Areas had to be suspended temporarily or abandoned totally due to the climatic conditions of the hilly Areas or disputes of locals.

1708. After some discussion, the Committee *directed that the department should furnish to Audit a list, giving in each case the details of the dates when the works were started, completed, abandoned totally suspended temporarily or not taken up at all due to disputes with locals and the amounts spent on those works.*

General

1709. *The Committee gave a general direction that all the Ministries should be requested to note that they must invariably furnish the details of excess expenditure, along with their replies.*

1710. *014—400—Repair and Maintenance of Durable Goods and works.*—An excess of Rs. 4,497,000 reported under the above major object was explained as being due to the organisation having requested for an allocation of Rs. 31,925 million in the revised estimates for the fiscal year 1979-80, against which only a provision of Rs. 16,521 million was made. Due to an acute shortage of funds at the end of the 3rd quarter of the year, a request for the supplementary grant of Rs. 12,415 million was made under the HQ letter No. E-5/104/80 dated 16th April, 1980 which was not accepted by the Finance Division (F.A.'s Organisation) *vide* their U.O Note No. 2 (19)-DFA (KAD)/8—1345 dated 3rd June, 1980, for the reason that the demand did not appear to be justified. The departmental representative maintained that, in view of the reasons stated below, the expenditure was inevitable and inescapable :—

(i) While making sanctions, heavy retrenchments were made in allocating funds against each functional classification of the demand. For example, against the Departmental demand for Rs. 19.050 million, a provision of only Rs. 10.298 million under the functional classification—470 Other—(Communications etc). was made. This sub-head pertained to the maintenance of roads, Bridges, Inspection Bungalows, Generation and distribution of Electric energy, Water supply, Irrigation channels, Workshops and Diesel Generators etc. It was notable that only the actual pay of the work charged staff, employed on the maintenance of the above works, amounted to Rs. 12,080 million.

(ii) During the currency of the year, Hydel stations at Manpin and Shingle were taken over from the N.C.C. with the prior concurrence of the KA&NA Division. Since the commission of these Hydel Power stations, their operation as well as maintenance charges had also to be borne, without any fresh supplementary grant by the NAWO.

(iii) Matured liabilities of outstanding dues, on account of purchase of Diesel/POL, lubricants etc., obtained from the Army sources, could not be cleared due to acute financial stringency. Similarly, the cost on account of purchase of spare parts for Generator sets also claimed a considerable high amount due to soaring prices in the local market.

(iv) Diesel Generators were being operated in Gilgit town to provide electricity to the Telephone communication net work, the Hospitals, Water pumping stations and to the public. For the running of these generators, diesel was used, which alone cost Rs. 1.100 million per annum.

(v) Maintenance/restoration of important facilities like road communications, power and water supply etc., at an adequate level could not be disregarded owing to the immense pressure of the local inhabitants of this remote and under-developed area. The expenditure (excess), therefore, under this sub-head of the grant was not only inevitable but also inescapable.

1711. After some discussion, *the Committee observed that there was a tendency to pay more attention to new projects rather than allocating funds for the maintenance of infra-structures. This needed to be carefully seen by the Finance Division at the time of funds for maintenance and new projects.*

1712. The Committee further observed that this grant was being jointly controlled by the Ministries of Defence and Kashmir Affairs and Northern Affairs. A saving may occur under the portion of the grant controlled by the one Division while excess may arise in the portion of the grant under the other Division, as an excess of Rs. 4,497,000 occurred in this case. The saving in such a case cannot, as at present, be allocated by re-appropriation to the other Division, controlling the same grant. *The Finance Division should, therefore, examine whether, in a case where a grant is controlled jointly by two Divisions, re-appropriation of savings, occurring under one Division, to meet the anticipated excess within the same grant controlled by the other Division was possible, with the concurrence of the Finance Division.*

1713. *Grant No. 123—Head 014—Chief Engineer for AK/NA (Page 141—AA).*—Audit had reported a saving of Rs. 1,194,262 under this functional head. Explaining the position, the departmental representative stated that the saving was mainly due to non-booking/not passing the debits to AGPR, by the Audit Department. He maintained that, according to the departmental figures, there was a saving of only Rs. 41,000. Thereupon, Audit commented that the expenditure, as confirmed by NAWO, was Rs. 1,160,847 and this amount was adjusted in 3/82, because the debit was not received from the MAG during 1979-80. The Ministry's contention that there was a saving of Rs. 41,000 would, therefore, appear to be incorrect, as there would have been a saving of Rs. 16,153 (Rs. 1,177,000—Rs. 1,160,847) only, if this expenditure were booked in time. The Committee did not make any further observation on this Grant.

1714. *Grant No. 164—function head 014—Kashmir Affairs and Northern Affairs Division—Development Scheme in Northern Area (Page 200—AA).*—A saving of Rs. 1,464,154 occurred under above function. The Ministry stated

in their written reply that it was mainly due to non-booking or not-passing of debits to the AGPR, by the Audit Department. According to the departmental explanation, there would be ordinarily an excess of Rs. 294,000, which was due mainly to accelerating the progress of certain important Hydel schemes, to overcome the acute shortage of power supply in Gilgit Town.

1715. Audit pointed out in their comments that this Grant related to Ministry of Kashmir Affairs and Northern Affairs who had explained it in their reply examined by the Committee in their earlier meeting held on 13th March, 1983. The Committee did not make any further observation on this Grant.

1716. *Grant No. 175—Capital Outlay on Civil Aviation and other Works of the Ministry of Defence (Page 209—AA).*—A 'Nil' expenditure against the grant of Rs. 360,000,000 was reported under function head 586—Civil Aviation (Residential Buildings) in the Appropriation Accounts. In reply, the Ministry explained that a sum of Rs. 360 million was allowed to the Army, Navy and Air Force for Capital Residential Works during 1979-80 as under :—

	Rs.
Army..	184,800 million
Navy	71,750 Do.
Air Force	103,450 Do.

It was budgeted under the above grant and decided that, initially, the expenditure would be booked in Defence Accounts and, subsequently, transferred to the AGPR, for debit against Residential Building under Demand No. 175—Capital Outlay Civil Aviation and other Works of Ministry of Defence. At the time of final closing of the accounts on Defence side, an amount of Rs. 355,563,609 was transferred to the AGPR. Audit confirmed that the above outstanding debit of Rs. 355,563,609 had been adjusted in the 1981-82 accounts.

AUDIT REPORT (CIVIL)

1717. *Blockade of money by unnecessary purchases (Para 3—Page 19—AA).*—In the Litho Printing Office of the Survey of Pakistan, consumable items, costing Rs. 2,178,310, were purchased unnecessarily as these remained lying unused in the stores for many years, resulting in a blockade of substantial amount of public money. It was also apprehended that the items, being perishable, might have lost value and shape with the passage of time. When this irregularity was brought to the notice of the department in May, 1980, it was stated that the items in question were procured for the offices located in East and West Pakistan. The consignment of paper was, however, received after the fall of the Eastern Wing. This answer did not appear to be tenable as bulk quantities of the items were purchased during 1971 and March, 1972 and were still lying unused. Therefore, Audit pointed to a need for departmental investigation in the matter.

1718. In their written reply, the Ministry confirmed that :—

(i) The stores were all in good condition and there was no likelihood of these items losing their value and shape, before they were actually consumed.

(ii) The stores in question were required by the department for future use and the major portion of the stores consisted of paper. Keeping in view the report from the Controller of Stationery and Forms, Karachi, contained in his D.O. No. S&T 1(4)/69-pt, dated 10th September, 1980 in which it was mentioned in clear terms that the life of the paper had been determined to be 700 years, there was hence no apprehension of the paper being damaged or rendered useless by the passage of time. This would, on the other hand, result in a saving of considerable amount, as prices of paper had shot up many a time since the paper was purchased and were likely to increase day by day. A major portion of the other stores had been already consumed.

(iii) It not being possible to fix the maximum limit of various items for use, due to the nature of work in the Litho printing office, it was normal that stocks for few years' consumption was kept in hand. The majority of stores were imported and it could never be predicated as to when a particular item would become non-available in the market.

(iv) An extensive and comprehensive inquiry had already been conducted at various levels, including the F.I.A., and it had been established that purchases were not unnecessary and that there was no negligence on any body's part.

1719. It was also confirmed that about 10% of the stores in question had already been consumed.

1720. *After some discussion, the Committee reached the conclusion that the process of purchase, in any case, needed to be streamlined and limits of the period of consumption laid down. Accordingly, the Committee observed that, if any exceptional purchases had to be made at any time, the Surveyor General of Pakistan or a senior Officer of that Department should take conscious decisions about such exceptional requirements purchases, with due regard to the special circumstances, if any, of each case and they should also record the reasons for these decisions.*

1721. *Overpayment of Exchange Compensation Allowances Rs. 19,655 (Para 4—Page 20—AR).—The para was treated as settled* subject to the verification of recoveries by Audit.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

1722. *Operational work instead of normal work Rs. 5,315,567—Navy (Item I (1) Page 4—AA—Defence Services).*—The Ministry explained, in its written reply, that the Government had since accorded sanction to regularise the execution of the 1st phase of the civil works amounting to Rs. 4,931,037 of the programme, as operational works under the provision of para 41-MES Regulations and the NHQ, in exercise of the power vested in them, had also accorded a covering administrative sanction for Rs. 766,000 in respect of phase II *vide* their letter No. WK/5449/II/WKS-3/NHQ dated 12th January, 1981 fulfilling the requirements of Audit.

1723. The Acting Chairman remarked that, according to rules, operational work had to be really of an emergent nature and, when ordered by the officer concerned, it had to be immediately reported to the Chief of the Service. It was explained by the departmental representative that the execution of these works as operational was undertaken under the direction of the President himself. The Committee observed that, in that case, this should have been intimated to the Ministry of Defence immediately for taking action to regularise it in time. The Committee was informed that the Secretary General and personally taken up this matter with the Service Chiefs and issued necessary instructions to the Services.

1724. In view of the above, *the para was dropped.* But, in so far as the claim of the department that they had fulfilled the Audit requirement was concerned, the Committee observed *that the execution of ordinary civil works, as operational work under the MES Regulations, had not been found to be very convincing. Audit should therefore, go into the sanctions and come back to the Committee, if necessary.*

1725. *Expenditure on 216 married Airmen quarters—Rs. 3,425,426—PAF (Item 2, Page 4—AADS).*—The Ministry admitted in its written reply that the excess expenditure of Rs. 3,425,426 on the construction of 216 Married Airmen quarters, which was administratively approved for Rs. 31,333,600, only, was incurred without the sanction of the Government or proper authority, as required under regulations. It was, however, stated that the formation concerned did not accept the objection on the ground that the excess expenditure incurred did not warrant a revision of the administrative approval, because it was incurred on the risk and cost of the defaulting contractor.

1726. Questioned as to whether the money had been recovered from the contractor, the departmental representative replied that the case was *sub-judice,* though the defaulting contractor had left the country.

1727. After some discussion, *the Committee decided to defer this case and directed the MAG, to come back to the PAC with full facts about the recovery from the defaulting contractor, as also whether any earnest money or retention money had been taken from the defaulting contractor.*

1728. *Payment to WAPDA on account of electric charges without C.A.—Rs. 2,468,118 (Item 3 Air Force, Page 4—AADS).*—The Committee was informed that the payment in question was made according to the agreement executed between the WAPDA and the Ministry. As such, the para was dropped.

1729. *Amount placed in deposit—Rs. 28,628—Air Force (Item 4—Page 4—AADS).*—It was pointed out by Internal Audit that a sum of Rs. 28,628 had been placed by the formation in deposit without the proper approval of the appropriate authority and was, therefore, irregular. In reply, it was affirmed that, on the verification of the Unit Accountant's Deposit Register, it transpired that Rs. 27,769 was lying outstanding therein. No Cheque could be issued to the contractor due to the shortage of cash assignment and the bill was kept in deposit for utilizing the funds of 79/80. On the receipt of cash assignment during the financial year 1980-81, a cheque was duly issued to the contractor.

1730. *The Committee observed that the cause of action adopted in this case was, in any way, irregular, but decided to drop the para, subject to verification by Audit.*

1731. *Payment of canal water without C.A.—Rs. 26,520—Air Force (Item 5—Page 4—AADS).*—Internal Audit had observed that, an expenditure of Rs. 26,520 had been incurred by the G.E. (Air), Maint. Shorkot, against payment for canal water, without concluding any agreement, which was not regular. The formation concerned explained that an agreement for the supply of canal water had already been concluded and submitted to the CAAF, Lahore for scrutiny under the Unit Accountant, GE (AIR), Maint. Shorkot letter No. SRD/GEM. SKT/75 dated 6th April, 1974 Personal contacts with the CAAF, Peshawar had been made, and he had promised to look into the case. The abnormal delay of about eight years in the scrutiny of the agreement was seriously taken note of by the Committee.

1732. *The Committee decided to drop the para subject to finalisation of the Agreement speedily and its verification by Audit.*

Provision of Additional POL tankage for 2 lac gallons (without allotment)—Rs. 1,757,300—Air Force [Item 6 (i)—Page 4—AA—Defence Services].

Provision of POL Tank (old) for 2 lac gallons Rs. 1,844,300—Air Force—[Item 6 (iv) Page 4—AA—Defence Services].

1733. In the accounts of GE (Air), Mianwali, Internal Audit had found an expenditure of Rs. 1,757,300 and 1,844,300 having been incurred on the execution of the above two jobs without the sanction of Government or approval of the proper authority. GE, Mianwali explained that the jobs involved were of an urgent nature and were sanctioned as operational works by the competent authority under the Ministry of Defence (Air) Rawalpindi letter No. AHQ/5500/2 Wks-Bgt—AF/3433/D—10/—AF—11, dated 3rd November, 1977.

1734. The Committee observed that the sanction was defective in-as-much as the amount involved was not given therein. Disciplinary aspect of the case should also be seen.

1735. *Provision of Appron for 18 Air Crafts (without allotment) Rs. 6,864,758 —Air Force [Item 6 (ii), Page 4—AA—Defence Services).*—GE (Air), Mianwali had incurred an expenditure of Rs. 6,86,64,758 without the sanction of Government or proper authority, as required under the rules. The formation maintained that the work involved was of an urgent nature and was sanctioned as operational works by the competent authority under the Ministry of Defence (Air) Rawalpindi No. AHQ/5500/2Wks—Bgt—AF/3433/D—10/AF—II, dated 3rd November, 1977.

1736. The Committee observed that the sanction in this case was also defective.

1737. *Provision of Blast Wall Steel Gate Rs. 2,464,305—Air Force [Item 6 (iii), Page 4—AA—Defence Services].*—Internal Audit had pointed that the GE (Air), Mianwali had incurred an expenditure of Rs. 2,464,305 against the job "Construction of rocket proof Blast Walls Steel Gates and Cloaking of covered Pans" without the sanction of Government or proper authority, as required under the regulations. The formation submitted that the work involved was of an urgent nature and was sanctioned as operational works by the competent authority under the Ministry of Defence (Air) Rawalpindi *vide* No. AHQ/5500/2/Wks-Bgt—AF/3433/D—10 (AF—11) dated 3rd November, 1977.

1738. The Committee held the sanction to be defective in this case also.

1739. *21/MW/CAP/OPS/77—78 Provisions of Winding of Runway—Rs. 1,061,409—Air Force—[Item 6 (v), Page 4—AA—Defence Services].*—The GE (Air), Mianwali incurred an expenditure of Rs. 1,061,409 against the above job without the sanction of the Government or proper authority. Explaining the position, the formation stated that the job, being of an urgent nature, had to be executed as operational works and had been sanctioned as such *vide* the Ministry of Defence (Air) Rawalpindi letter No. AHQ/5500/2 Wks/Bgt—AF—3433/D—10 /AF—11 of 3rd November, 1977.

1740. The Committee found the sanction issued to be defective in this case well.

1741. As the sanctions issued under items 6 (i) to 6 (v) were found to be defective, the Committee took the following decisions in respect of all the five sanctions :—

(i) *Sanctions or regularizations by the Ministry of Defence did not mention the exact amounts in some cases. This should be guarded against.*

(ii) *A fresh report should be submitted to the PAC about these cases.*

(iii) *Suitable action be taken against those, who issued the vague sanctions*

1742. *Excess over allotment—Rs. 1,994,108—Army (Item 7, Page 4—AA—Defence Services).*—The Ministry explained in their written reply that a sum of Rs. 3,180,000 had been placed at the diposal of the Garrison Engineer, Peshawar for payment of electric charges. Warsak and Shagai were also occupied by the Army due to changed circumstances and, as such, electric charges for the consumption of electricity in these stations had also to be paid to WAPDA. The electric charges for these stations amounted to Rs. 5,174,108. However, the additional funds requested for by the Garrison Engineer, Peshawar could not be allotted due to the non-availability of necessary funds. The department further stated that, meantime, rates of electricity had also been increased, but no additional funds to meet the increased rates were provided in the budget grant for that year. On the contrary, a compulsory cut of Rs. 30 million was made in the budget grant. On being pressed hard by WAPDA, the electric charges had to be paid by the Garrison Engineer without allotment of funds.

1743. The case for the regularisation of excess over the allotment had since been taken up with the admn financial authorities concerned. Asked as to whether the excess was due to increase in the consumption of electricity or enhancement or rates, the departmental representative could not furnish a convincing reply. *Thereupon, the Committee directed the departmental representative to find out full facts and submit a report to it.*

1744. *Excess over allotment Rs. 1,363,069—(Army—Item 8—Page 4—AA—Defence Services).*—It was stated by the department that, as against the actual electric charges of Rs. 3,898,111 and Rs. 915,158 a sum of Rs. 2,625,000 was placed at the disposal of the Station Headquarters, Nowshera and Rs. 825,200 at the disposal of the Station Headquarter, Cherat for the clearance of electric charges. During June, 1980, the Executive Engineer, Electricity, WAPDA had issued a final notice to the Garrison Engineer (Army), Nowshera that, in case the arrears were not cleared, power supply to the cantonments would be stopped. To obviate the disconnection of electric supply, WAPDA bills were paid off on the 30th June, 1980. The case for the regularisation of excess over the allotment funds had since been taken up with the Admn/Financial authorities concerned. As the explanation of the department did not satisfy the Committee, *the departmental representative was directed to submit a fuller report to the PAC.*

1745. *JOB No. 398/78-79-Rs.*—102,609—*Army/DW & E, Page*—4—*AA—Defence Services).*—The Ministry explained, in their written reply, that the correct job No of the project under objection was 390/78—79 and not 398/78-79 and that the Constructions of the Officers Mess at KHAIGALA (RAWLAKOT) in Azad Kashmir was sanctioned in August, 1979 for Rs. 506,100. The amount involved, without a pre-audit of the bill, was also Rs. 50,580 only and not Rs. 102,609, as

shown in the Appropriation Accounts. The department further stated that construction was being carried out by daily employed labour, to whom material was supplied through the Bazar Supply Contractors. The working period, available for the area/station in a year, was confined to the months of May, June, October and November only. Work remained at a stand-still during the remaining period of the year, due to heavy rains and snow-fall. Keeping in view the above position, it was decided towards the end of 1979 to procure the requisite construction period *i.e.* May and June, 1980. It was necessary to purchase the stores, as soon as possible, under the building materials contract then in force, though the existing contract was due to expire in March, 1980. It was, besides, feared that prices of material might escalate, if the purchase was delayed till for the supply of material, amounting to Rs. 50,580 only, was duly preferred to Internal Audit on 27th December, 1979. It was duly audited by the Unit Accountant and verified from the duplicate copy of the bill held by the formation concerned, but payment order was not endorsed because of non-availability of funds to meet the expenditure. The formation had placed demand for funds, but additional funds were not allocated to them for the reasons that a revision of the sanction was involved and the revised sanction for Rs. 830,700, was accorded later *vide* No. 3678/3810/Qtg—2B, dated 9th November, 1980.

1746. Questioned as to what did the term "Bazar Supply" mean, it was explained that this term was used for local purchases. The Committee noted that the cost of construction of the mess had exceeded the original estimate of 5 lakhs by Rs. three lakhs and desired to know the reasons therefor. The departmental representative promised to find out the same. He further stated that the payment of Rupees 3 lakhs was made without a pre audited of the bills. The Ministry was directed to look into this and furnish a proper explanation to the Committee.

1747. *Further consideration of the para was, therefore, deferred.*

1748. *JOB No.* 4/78—79, *Rs.* 18,572, *Army/DW and CE, Para* 10, *Page No.* 4—*AA—Defence Services*).—It was explained by the Ministry that the construction of Storage shed at Bhimber in Azad-Kashmir was originally sanctioned in August, 1979, for Rs. 395,100. The expenditure of Rs. 18,572, mentioned in the Appropriation Accounts, was due to the adjustment of cost of Stores, drawn by the formation concerned from the Central Stock, Kharian in October, 1979, for which a debit was received through the CMA, Lahore and adjustment was made by the Unit Accountant in May, 1980. The work had since been completed and handed over to the user.

1749. *The para was dropped.*

1750. *External Sewerage System Pt. I & II Job No.* 682 (73—74)—*Rs.* 3,035,245—*Army/DW & CE. (Para* 11, *Page* 4—*AA—Defence Services).*—The Ministry explained, in their written reply, that the project for the provision of External Sewerage System (Phase-1) in the Gujranwals Cantt ; was originally sanctioned on the 26th April, 1973, for Rs. 8,300,500. A payment of Rs. 3,035,245 on account of escalation award against this project was made in 1979-80, and this had already been catered for in the revised administrative approval for Rs. 16,269,500 accorded by the competent authority *vide* letter No. 3678/1517/Qtg—2 (B) dated 30th October, 1980.

1751. *The para was dropped subject to verification by Audit that the escalation award was in accordance with the Government instructions.*

1752. *Para* 3—*Army* (*Page 4—AA—Defence Services).*—According to Internal Audit, cases continued to recur in which consignees of the Defence Department Stores had not linked the goods, received by them, against the particular consignments notified as having been despatched to them and it was not possible for the internl audit to satisfy themselves that such consignments had actually been brought to account by the consignee.

1753. It was contended by department that the standard technical operative procedure, being followed by Ordnance was quite comprehensive and ensured a proper linking of various documents, pertaining to stores transaction between the consignees and the consignors. Special instructions on the subject were also issued, from time to time, to all concerned. No serious lapses on this count had been reported by any audit authority either.

1754. The Ministry further confirmed that the Air Store Depot head been directed to link up vouchers and produce the same to the audit authorities, for verification.

1755. Discussing the departmental reply, the Committee observed that the Department's contention that the standard Technical Operative Procedures, being followed, were quite comprehensive appeared to be contrary to the observation of the MAG. Questioned as to the total value of items, which were under suspense, it was stated that 158 invoices had since been linked in their ledgers. The Committee, thereupon, concluded that the pace of linking of the outstanding invoices was not satisfactory and directed that the same should be accelerated.

1756. *Warrants of Stores* [*Para 4 (ii) Navy, Page* 5—*AA—Devence Services*].—As reported by Internal Audit, Warrants of Stores in respect of Naval Establishments had not been issued by the Warrants of Stores Committee, formed under the instructions of the Government. The Store Establishments continued to draw their requirements as per the provisional Warrants of Stores, prepared by the Warrants of Stores Committee appointed by the NHQ and being implemented under the orders of the Chief of Naval Staff.

1757. It was explained that Warrants of Stores in respect of Navel Establishments, as approved by the Warrant of Stores Committee appointed by Government, had been issued, except for the Air Stores Depot Preparation of Warrant of Stores for Depots depends upon the role and quantum of tasks assignment. In the case of ASD, there had been many additions. The work was in its final stages and would be considered by the Warrants of Stores Committee soon.

1758. Internal Audit had also pointed out that certain PNS Ships did not have approved warrants. It was stated in reply, that, due to the inexperience of the running category of ships, pointed out by Audit, Warrants could not be completed in this stipulated time. The compilation of draft Warrants of Stores had, however, since been completed and submitted to COMPAK, which would be subsequently forwarded to the NHQ for scrutiny and submission to the Warrants of Stores Committee. The Ministry also stated that all efforts were being made to compile the draft Warrants of Stores as soon as possible after a ship was commissioned in the Pakistan Navy or a new shores Establishment was inducted.

1759. The Committee remarked that the ships were all in different sizes and, therefore, the quantum of stores in each case would be different. Accordingly, it might not be possible to maintain a uniform standard for all the ships. The Committee *directed the departmental representative to find out the correct procedures and let the Committee have a fuller report on the subject in the next meeting.*

1760. *Physical verification of Stock (Para 5—Army NAWO—Page 5—AA —Defence Services).*—It was reported that physical verification of stock was carried out by all the Units/Formations, except two Army Units and one Navy Unit, where no stock verification was carried out at all.

1761. In their written reply, the Ministry explained that the HQ NAWO, Gilgit *vide* their letter No. E-3 (12)/15239 dated 6 August, 1981 had intimated that, as per their record, the annual stock taking certificates in respect of both the sectors were forwarded to the Internal Audit authorities but, somehow, these could not reach their office. The HQ NAWO had then forwarded photostat copies of both the certificates to the Audit authorities for necessary action. The submission of stock verification cerificates implied that the stock verification had, in fact, been carried out by both the sub-sectors. It was due to the non-receipt of the Annual Stock Verification Certificates by the Internal Audit authorities that the objection was raised.

1762. The Ministry further stated that the HQ, NAWO, Gilgit had been asked to arrange the settlement of objection through mutual discussion with the Audit authorities.

1763. Questioned about whether the extent of verification was 1% or 1/2% of the value or quantity, whether any difference came to notice and, if so, the value of such difference, the Ministry stated that 100% Stock verification of stores, in the case of Navy, was completed in a cycle of two financial years, in accordance with para 2 (c) of the Ministry of Defence letter No. ST-P/9404/NHQ/278/D—4 (B), dated 26th February, 1971 which spelt over the stock taking procedure in the Naval Store Depot. Similarly, partial stock verification was carried out in the Air Store Depot during the financial year 1979-80 in the two year cycle ending on the 30th June, 1981.

1764. *The Committee directed that, in future, the certificate of verification should clearly indicate the percentage of verification actually carried out during the particular year to which the certificate related, also indicating therein the value or quantum of difference found as a result of stock verification.*

1765. *The Committee further directed that it should be explained in a note as to how the excesses and deficiencies, coming to light as a result of stock verification, were being accounted for in the Stock Registers.*

1766. *Loss of unpriced Inventory Book of Cattleyard—Army* [*Sl. No. I (iii), Page 7—AA—Defence Services*].—The Committee noted that requisite formalities of holding inquiry, imposing penalty and reconstruction of the lost documents had been completed.

1767. *The para was, therefore, dropped.*

1768. *Loss of duty slip Army/PP and A Dte.* [*Para I Item I (iii) 2, Page 7—AA —Defence Services*].—As the loss was regularised and remedial measures were also taken, the Committee agreed to drop the para.

1769. *Store short landed from abroad—Rs. 93,176—Army/MGO* (*Sl. No. II—7 —Page 7—AA—Defence Services*).—It was confirmed by the Ministry that the loss of Rs. 93,176 worth of stores, short landed, had since been regularized *vide* Government of Pakistan, Ministry of Defence (Army Branch) Letter No. 4231/1553/MG/OS—10-B/3482/D—5 (A—V)/79, dated 31st December, 1979. *Accordingly, the para was dropped.*

1770. *Store short landed from abroad—Rs. 150,810—Army/MGO,* [*Sl. No. II (i) 8, Page 7—AA—Defence Services*].—The Ministry confirmed that the total loss of Rs. 150,810 had since been regularized *vide* Ministry of Defence (Army Branch) letter No. 4231/1568/MG/OS—10-B/3273/D—5 (A—V)/79, dated 11th December, 1979. *The para was dropped.*

1771. *Barrack Damages* (*Item II—14—Page 7—AA—Defence Services*).—It was stated by the Department that the belated recoveries, amounting to Rs. 83,980, on account of barrack damages, outstanding against various units deployed in the

Peshawar area during the period from 1947 to 1956 and occurring in the books of Maintenance Engineer (Army). Peshawar were regularised *vide* Ministry of Defence letter No. 3643/67/Qtg-1 (B)/5/D3 (Army-III)/80, dated 2nd January, 1980. *The para was treated as settled.*

1772. *Over-payment to Construction Co. Rs.* 65,756 *Navy* [*Item-II (i)—15 Page 8—AA—Defence Services*].—Since the overpayment of Rs. 65,756 had been regularised *vide* Ministry of Defence (Navy) No. WK/0132/Wks. 3/1036/D-8 (Navy-II/80), dated May, 1980, *the para was treated as settled.*

1773. *Demurrage and wharfage Charges, Rs. 79,332—Army* [*Item-II (i) —16, Page* 8—*AR—Defence Services*].——It was explained by the Ministry that this case related to the regularisation of demurrage and wharfage charges of Rs. 79,332, paid to the Railway authorities for the removal of a Derelict Tank from the Railway Siding by 75 OMP, on Mil. Credit Note. The entire amount of Rs. 79,332 had since been regularised *vide* Ministry of Defence (Army Branch) letter No. 4248/280/MG/OS-10—B/899/D—5 (A—V/79), dated the 17th March, 1980.

1774. Audit informed the Committee that verification of the case was being carried out.

1775. After some discussion, the Committee decided to defer the para and directed the Director General of Defence Audit to submit a detailed report to the Committee.

1776. *Demurrage Charges Rs. 6,525 Navy* [*Sl. No. II (i) 19—Page* 8—*AA—Defence Services*].—In view of the departmental reply, *the para was treated as settled.*

1777. *Regularization of irregularities pertaining to pre-independence, Rs. 872,405* [*Sl. No II, (i) 23, Page 8—AA—Defence Services*].—As the losses in stores and cash accounts pertained to the pre-Independence period and had been regularised, *the para was treated as settled.*

1778. *Loss of enrolment Form* (*PAF--K—*1162) [*Sl. No. II (iii) 1, Page 8—AA—Defence Services*].—This case related to the construction of Enrolment Form in respect of Sepoy Nazar Hussain of 3 Baluch, which was lost during October, 1964. As the individual held responsible for it had been invalided out of service, no financial effect was involved, loss was regularised by Ministry of Defence and the necessary remedial measures and also been taken by the unit, *the para was dropped.*

1779. *Appendices 'B' and 'C' to the Appropriation Accounts* (*Pages 9—16—AADS*).—In view of confirmation by the Ministry that regularisation actions had been completed, in all the cases mentioned in Appendices 'B' and 'C' to the Appropriation Accounts of the Defence Services, remedial measures, wherever called

for taken and the needed disciplinary actions also completed, the Committee agreed to treat all *the items mentioned in the above Appendices as settled subject to following observations* :—

(a) Noticing difference in the provision of penalties in the Air Force and the Army for the same offence, the departmental representative was asked to state the reasons for such difference. He replied that he would look into it. The Committee directed that a note may be submitted to it about the reasons for notable variations between the penalties, prescribed under the Army Force Regulations, for various acts of misconduct.

(b) Observing a number of cases of damages to Helicopters, the Committee directed the departmental representative to give it a 'Note' about efficiency percentage of these machines.

1780. *Escalation awards to contractors against CAS mentioned in Appendix 'C' (Item 1 to 8—Appendix 'C' Page 16—AADS).*—The Ministry explained in its written reply that, as a result of devaluation of the Pakistan currency in 1972, prices of building materials, labour charges etc., went up abnormally, affecting the execution of contractors relating to various Defence Projects/Works. Under the orders of Government, Escalation Committees were constituted to determine the compensation to be allowed to affected contractors on this account. After a thorough examination of each escalation claim, the Escalation Committees granted *ex-gratia* awards.

1781. *After some discussion, the para was decided to be treated as settled subject to verification by Audit, to their satisfaction.*—The Committee further directed the departmental representative that, *in future*, copies, of all escalation awards should, invariably, be endorsed to Audit for examination.

AUDIT REPORT

(DEFENCE SERVICES)

Chapter I

1782. *Review of expenditure of Military Engineering Services (Para 3—Page 1—ARDS).*—Audit had pointed out that the Appropriation Accounts did not include a review on the expenditure on the Military Engineering Services for the year 1979-80, as complete Material had not been received by the Additional Secretary Military Finance, till the preparation of the Appropriation Accounts.

1783. It was pointed out by Audit in their comments that the 'Review' for 1979-80 was received in 1982. The Committee did not make any observation.

1784. *Suspense Account—National Logistic Cell—Rs. 47,301,446 (Para 4—Page 1—ARDS).*—Audit had pointed out that a sum of (—) Rs. 47,301,446, pertaining to the National Logistic Cell, which appeared in the Suspense Account for 1979-80, had not been cleared so far.

1785. The Committee made no observation after noting that the clearance of the Suspense Account by the NLC was already in hand.

Chapter II

1786. *Extra expenditure of 9.90 million rupees due to short recovery of steel's cost defective planning execution of works and excessive payments on R.A. Rs.—(Para 1—Page 2—ARDS).*—Audit had pointed out that an extra expenditure of Rs. 9.90 million, incurred by the department, was attributable to the following :—

	Rs. in Million
(a) Excessive assessment of work for making running payments.	2.10
(b) Undue financial aid to the contractor by issuing steel at concessional rates instead of market rates.	2.21
(c) Infructuous expenditure on the installation of temporary sewerage system.	2.51
(d) Grant of 19-26 extensions within a period of 5 years and escalation payments.	3.08
Total ..	9.90

1787. In their written reply, the department explained that running payments had been made for the work actually done by the contractor for the short recovery of cost of steel, for which a notice had already been served on him. The departmental representative further stated that the design of the Cantonment was approved by the Committee in 1968 without the design of the sewerage system therein. Contract for the buildings was concluded in 1969 and buildings were completed in 1970. Since they were to be occupied immediately after completion, laying of sewerage system in these buildings was essential and was provided as per the user's requirements. The amount spent on it, therefore, was not an infructuous expenditure. The Ministry further stated that a Court of Inquiry against the officers/staff, held responsible for the default, had been partially finalised. The army officers involved had been dealt with summarily and the allegations against civilian officers were being processed at a higher level.

1788. Questioned about the nature of punishment awarded, the departmental representative stated that the army officer concerned was awarded stoppage of two increments for lack of supervision and making certain over-payments.

1789. A member of the Committee observed that, in the first instance, the work was badly designed, then faultily executed and above all badly supervised. No real disciplinary action thus appears to have been taken against those in default.

1790. Asked if the department knew that, since they were unlikely to recover the difference from the previous contractor, it was necessary to obtain the prior concurrence of the Financial Adviser to incur additional expenditure in such cases, due to higher rates, the departmental representative admitted that it was a bad case and required the Committee's guidance. He added that the designing was done by the department and further designing was done by the Engineer-in-Chief, of Pakistan Army, which was approved in 1976. The original design was made by consultants from Karachi.

1791. The Auditor-General intervened to say that, in this particular case, work was started in 1974 which was to be completed in 1976. But it went beyond that period and the amount was paid. He suggested that this case should be examined at a higher level. Not being satisfied with the departmental reply, the Committee finally observed that *it was common knowledge that the cost of execution of work at the risk of a failed contractor was not found enforceable in a bulk of cases. It, therefore, considered that, in all cases of risk and cost execution, a Committee should be promptly set up to go into the designing and technical aspects of the works involved and the financial effect thereof. On the basis of report of such a committee, prior approval of the competent authority to the revised estimated cost of the works should be invariably obtained, before proceeding to execute the same. The Ministry of Finance should examine this matter advising for all the Ministries about it. The Committee also directed that Secretary Defence should look into this case and report back to the Committee.*

1792. *Construction of underground building in area effected by water seepage causing infructuous expenditure of Rs. 8.85 million (Para 3—Page 2—ARDS).*—It was reported by Audit that certain underground buildings, constructed during 1974—78, had been abandoned during or after their construction. These had been rendered unfit for use because the sub-soil water had risen 1-1/2 to 3/1-2 feet level in them. Thus an expenditure of Rs. 1.76 million had become infructuous, further a sum of Rs. 1.24 million was spent on the construction of the sub-base of a run-way. The main project having been abandoned subsequently, this expenditure also became infructuous. The remaining buildings and constructions, costing Rs. 5.85 million, had either to be left un-utilized or utilized by other agencies for purposes other than those for which they were originally intended. Thus, the entire expenditure of Rs. 8.85 million, became infructuous and had to be regularized.

1793. The department, in their written explanation, contended that the buildings were constructed in accordance with the drawings and specifications provided by the P.A.F. and had to be abandoned for operational reasons. Replying to a query, the departmental representative reiterated his earlier statement that the work was abandoned because of operational reasons and the buildings were being presently used by the National Logistic Cell. A member remarked that faulty planning and designing were the result of the abandonment of the project and not due to operational reason.

1794. After some discussion, the Committee treated it to be a bad case and directed the Secretary Defence to look into the case and *a report, about the circumstances under which the project was originally planned and then abandoned, should be submitted, bringing out whether the site was given up for faulty planning or for some other cogent reasons.*

1795. *Over-payment of Rs. 3.31 million on RAR's/by certification of exaggerated work (Para 3—Page 3—ARDS).*—After having gone through the departmental reply, the Committee directed that the *Ministry should examine the proposition that a Board of Officers should evaluate a left-over job, if it was to be undertaken after a considerable period had elapsed, in order to assess the escalations that may have got involved beyond the rates on which payments would otherwise have had to be made therefore.*

1796. *Abandonment of construction of 400 bedded hospital causing infructuous consultancy charges Rs. 1,818,684 (Para 4—Page—4—ARDS).*—According to Audit, a fully air-conditioned 400-bedded hospital was planned to be constructed at a station in 1971, for which a sum of Rs. 1,818,684 was paid to the Architect and Designing contractors for their consultancy and designing services from June, 1971 to May, 1973. It was decided by a higher administrative authority in May, 1977 to abandon the project and, instead, a 200-bedded hospital, on the basis of departmental designing, was planned to be constructed. Thus payments to the tune of Rs. 1,818,684, made to the designing contractors, became infructuous. Besides the regularisation of this expenditure, the responsibility for improper planning had also to be fixed.

1797. In their written reply, the Ministry had stated that the design, originally prepared and approved, was for a fully centrally air-conditioned two storeyed Hospital. Consultancy fee was paid in accordance with the terms and conditions of the contract. Subsequently, due to the enormous cost of the 400-bedded hospital and back up support for the maintenance of the air-conditioning plant, a 200-bedded, instead of a 400-bedded Hospital was decided upon on the 31st December, 1978 to be constructed. The payments made for the designing and consultancy services were thus not infructuous.

1798. The Audit representative pointed out that the project was abandoned after incurring an expenditure of Rs. 1,818,684. Its design etc., was not fully used on the substitute smaller hospital. The higher engineering authority, *vide* letter No. 205/30-A/41/E-w dated 17th May, 1977 also admitted the incurring of expenditure as infructuous, which needed to be regularized.

1799. *The Committee was not satisfied with the explanation and directed that the department should look into the matter and fix responsibility for suitable action, besides regularising the expenditure incurred.*

1800. *Loss of Rs. 1,026,852 due to defective designing of roof (Para 5—Page 4—ARDS).*—Questioned as to which Consultants designed the building defectively, it was stated that the Consultants were the M.E.S. (Army). Due to an error in designing, the roof of the building collapsed. The case was referred to an arbitrator who, after considering all aspects of the matter, gave an award of Rs. 272,310 in favour of the department, which amount had since been recovered in full from the contractor and deposited into the Government Treasury *vide* receipt No. H-263176 dated 20th August, 1980. As for disciplinary action, charge sheets had been served on the officers responsible for defective designing and writing off of the loss was in hand.

1801. Thereupon, no further observation was made by the Committee *and the para was treated as settled subject to verification by Audit.*

1802. *Extra expenditure of Rs. 669,858 due to non-acceptance of lowest tender (Para 6—Page—4—ARDS).*—In accepting the departmental explanation that it was a case of error of judgment, *the Committee decided to drop the para subject to* its being looked into by *the departmental representative and finalisation of the case, under intimation to Audit.*

1803. *Loss of revenue due to irregular cultivation of land by a formation—Rs. 354,600 (Para 7—Page 5—ARDS).*—The explanation offered by the department was accepted *and the para was dropped.*

1804. *Over-issue of stores to contractors and short recovery of their cost—Rs. 290,171 (Para 8—a to d—Pages 5-6—ARDS).*—Audit had pointed out over-issue of stores to certain contractors and short recovery of cost from them by the formations concerned. It was confirmed by the departmental representative that recoveries were being effected from the contractors involved. Disciplinary action against the individuals, held responsible, was also in hand and instructions had since been issued to guard against the recurrence of such irregularity in future.

1805. In view of the above statement, made by the departmental representative, the para was treated *as settled subject* to Audit following up the recoveries of the amounts involved and reporting back the progress of recoveries to the Committee, if the pace thereof was found to be un-satisfactory.

1806. *Non-replacement of defective medical stores Rs. 287,627 (Para 9—Page 6—ARDS).*—It was pointed out by Audit that medical stores worth Rs. 287,627, supplied by various firms from 1963 to 1978 to a medical stores depot, were found sub-standard within the warranty period of one year and consequently rejected. The stores were not replaced as required under the terms of the Agreement.

1807. The explanation furnished by the department was not found convincing by the Committee, who *directed the departmental representative to expedite the finalisation of the matter in respect of all the disputed* items and report back the progress in the next meeting of the PAC.

1808. *Avoidable expenditure of Rs. 260,630 as freight (Para 10—Page 6—ARDS).*—The departmental reply was not found acceptable and the departmental representative was directed to (i) expedite finalisation of the fresh court of inquiry, (ii) provide to Audit copies of the proceedings/findings of the previous court of inquiry and (iii) inform Audit whether or not accounts of the P.O.L. Deposit from May, 1974 to June, 1979 were subjected to post audit as recommended by the previous court of inquiry. If so, with what results. Audit was then to report back, if necessary.

1809. *Embezzlement of Rs. 220,800 (Para 11—Page 7—ARDS).*—The Committee directed the departmental representative to report the progress in the case at its next meeting.

1810. *Change of formula determing ratio between milk and concentrated rations to regularise over issue of separated milk in lieu of concentrate rations worth Rs. 173,873 (Para 12—Page 7—ARDS).*—The explanation given by the department was not found to be convincing. The Committee, however, directed the departmental representative to make available the relevant records to Audit. *Subject to their satisfaction, the para may be treated as settled.*

1811. *Over-payment to a contractor due to execution of work below specification—Rs. 173,800 (Para 13—Page 8—ARDS).*—As the revised departmental explanation was not available, the consideration of the para was deferred by the Committee with the *direction that it should be furnished at its next meeting.*

1812. *Over-payment to contractor due to incorrect application of rates—Rs. 161,061 (Para 14—Page—8—ARDS).*—In view of the departmental explanation, *the para was treated as settled.*

1813. *Over-payment due to incorrect pricing of additional work Rs. 100,804 (Para 15, Page 8—ARDS).*—The Committee noted that the case was sub-judice and *directed the departmental representative to report the progress, along with the revised reply of the formation concerned, to the Committee at its next meeting.*

1814. *Abnormal delay in finalisation of loss statements prepared against civilian contractors—Rs. 84,486 (Para 16, Page 9—ARDS).*—It was explained by the department that 32 loss statements, amounting to Rs. 68,131 had already been finalised and submitted to Audit for verification, Action to finalise the remaining loss statements was in progress.

1815. Audit was requested to verify the position in the light of the departmental reply. *Subject to the above, the para was treated as settled.*

1816. *Over-payment of hire charges due to incorrect rates Rs. 76,178 (Para 17, Page 9—ARDS).*—The Committee requested Audit to verify the recovery in the light of the departmental reply. Subject to the above, *the para was dropped.*

1817. *Loss of Stores in transit through Railway—Rs. 66,000 (Para 18, Page 9—ARDS).*—After having heard the departmental representative, the Committee observed that Audit should follow and report back to the Committee, if necessary. The departmental representative was directed to explain the reasons for delay in initiating the action.

1818. *Over-payment to MES contractors on various counts—Rs. 61,137 (Para 19, Page 10—ARDS).*—It was pointed out by Audit that certain over payments, amounting to Rs. 61,137, had been made to various contractors by an MES formation in 1972 and 1975 and these were accepted for effecting recovery.

1819. The department explained that recoveries, amounting to Rs. 10,589, had since been made from the contractors and this had also been verified by Audit. Recoveries, amounting to Rs. 32,886, were being processed, while the recovery of the balance amount of Rs. 17,686, had been disputed by the contractors and was referred for Arbitration. The Arbitrators had given a "NIL" award in favour of the department.

1820. Thereupon, the Audit representative pointed out that copy of the Arbitration award, stated to have been sent to Audit in February, 1981, had not been received in that Department.

1821. A member expressed surprise that, even on this having been pointed out by Audit in 1972 and 1975, no action was taken by the department. The delay in taking action called for an explanation from the department. The acting Chairman said that the main issue was as to when did the department initiate action.

1822. After some discussion, the Committee observed that the department took inordinately long to initiate action. As the information asked for was not readily available, the *departmental representative was directed to report back full details to the Committee through Audit.*

1823. *Non-credit of sale proceeds of grass to public account—Rs. 59,200 (Para 20, Page 10—ARDS).*—As final action (regularisation) was awaited in this case, the Committee directed the departmental representative to expedite it.

1824. *Mis-appropriation of Rs. 56,048 by fraudulent enhancement of contractual rates (Para 21, Page 11—ARDS).*—An operating Officer in a formation suspended a regularly concluded contract for the supply of firewood in 1976 and procured the balance quantity from the local market at higher rates, resulting in an excess payment of Rs. 15,240. He also mis-appropriated, during transactions with the local suppliers, an amount of Rs. 56,048 by paying only Rs. 42,160 against the drawal of Rs. 98,208 from his imprest by fraudulently enhancing the rate of procurement from Rs. 16 to Rs. 21 per 100 lbs. The competent authority decided in June, 1977, on the findings of a Court of Inquiry, to recover the fraudulently drawn amount of Rs. 56,048 from the operating Officer and to take disciplinary action against him along with certain others who had joined him in the fraud.

1825. The department submitted in their written reply that the Board of Officers had concluded that there was no mis-appropriation, over-payment or less to Government and no penal deduction was required. However, severe displeasure had been awarded to PA-9611 Capt. Muhammad Hassan Khan, A.S.C. for slackness in the performance of his duties.

1826. Replying to a query, the departmental representative submitted that, in September, 1977, after the first enquiry, the competent authority had directed that the summary of evidence should be recorded. This was done and sent to the Judge Advocate-General for his advice, who said that, in view of insufficient evidence against the officer, an additional summary of evidence should be recorded. The additional summary of evidence, as desired, was also recorded and again sent to the Judge Advocate-General, who again advised that there was still not sufficient proof against the officer. So the summary of evidence was prepared a third time. When the proceedings were sent to the Judge Advocate-General, he did not confirm it, but again observed that there was not sufficient evidence and, since a lot of time had elapsed, the case had become time-barred. The officer had, therefore, to be proceeded with administratively, was demoted to the rank of Captain and withdrawn from the Cadet Staff College.

1827. After hearing the departmental representative, the Committee directed that *the Ministry should furnish full facts to Audit, along with a copy of the findings of the Judge Advocate-General. Subject to the above, the para was treated as settled.*

1828. *Over-payment of Rs. 53,000 to a contractor by admitting excessive wastage of steel bars (Para 22, Page 11—ARDS).*—On reprint of the MES schedule of rates in 1970, the wastage allowed for the incorporation of steel in concrete works etc., was shown to be a maximum of 10%, instead of 5% through a misprint. The error was rectified in June, 1974. Notwithstanding the rectification, 10% tolerance was allowed against 5%, admissible in the consumption of steel, in a contract agreement, which was finalised five months after the issue of correction to the schedule. This resulted in an over-payment of Rs. 52,888.

1829. The department, in their written reply, contended that contract was awarded on 17th November, 1972 on the MES 1970 schedule of rates prevailing at that time. The MES schedule of rates was amended with effect from 22nd June, 1974 allowing 5% tolerance instead of 10% (Misprinted). As such, this amendment could not be made applicable to contracts entered into prior to that date. The Ministry further stated that it had been confirmed that the correct rate of tolerance *viz.*, 10%, had been applied by the Engineering-in-Chief and not by the authority exercising the technical check of the contractor's bill.

1830. The above contention was not found tenable by Audit for the reason that, keeping in view the long established convention of admitting tolerance upto 5% on teel, prescribed in the earlier schedule of rates and also in Engineer-in-Chief's Routine Instruction No. 377 of 1982, the misprint of figures (10%) in the M.E.S. Schedule of rates, 1970, should not have misguided the engineering staff. Either clarification should have been sought for from the Engineer-in-Chief's Branch or the department used their discretion judiciously, restricting the tolerance upto a maximum of 5%.

1831. Agreeing with Audit's view, the Committee directed *the departmental representative to look into the over-payment, which took place by allowing excessive waste of steel bars in this case, for suitable action.*

1832. *Short recovery of hire charge of tools and plants from a contractor—Rs. 41,594 (Para 23, Page 12—ARDS).*—Audit had reported that, while the recovery of hire charges for working hours in respect of the Marine Asphault Mixing Plant, issued to the contractor, was made in June, 1975 no recovery was effected for non-working hours, which resulted in a short-recovery of Rs. 41,594.

1833. In its written reply, the Ministry explained that the amount of over-payment had been circulated to the MES formations for realization against any dues payable to the contractor. Disciplinary action against the individuals,

responsible for the irregularity, was in process and remedial measures, to prevent the recurrence of irregularity of such a nature, had also been taken by the formation concerned.

1834. Replying to a query, the departmental representative informed the Committee that the matter was being pursued in a Court of Law, the next hearing of which was fixed in April, 1983. The departmental representative was *directed that the Committee should be kept informed of the progress in the matter.*

1835. *Over-payments to MES (Air) Contractors due to incorrect application of rates—Rs. 3,600 (Para 24, Page 12—ARDS).*—The Committee was informed that disciplinary action had been initiated against the persons, responsible for over-payments, and recoveries were being effected. Audit confirmed the verification of recoveries, amounting to Rs. 22,440.

1836. In view of the above, the *objection was dropped subject to verification by Audit of balance recovery and watching disciplinary action.*

1837. *Over-payment to a contractor by incorrect application of rates and calculation Mistakes—Rs. 26,490 (Para 25, Page 13—ARDS).*—The Committee took note of the departmental explanation and directed *that recovery/disciplinary action be expedited, wherever called for. Audit was also directed to pursue the matter.*

1838. *Over-payment to MES contractors—Rs. 22,334 (Para 26, Page 13—ARDS).*—Audit was directed to verify the facts in the light of the departmental explanation and report back to the Committee, if necessary.

1839. *Irregular expenditure on cleaning of P.O.L. Tanks—Rs. 20,572 (Para 27, Page 14—ARDS).*—The Committee decided for similar action as against para 26 above.

1840. *Mis-appropriation of 40 Tons of Cement worth—Rs. 19,800 (Para 28, Page 14—ADRS).*—The department confirmed that, as a result of a Board of Inquiry, Mr. Jan Mohammad was held responsible for the loss and it was recommended that the entire amount be recovered from the individual.

1841. Replying to a query, the departmental representative submitted that the individual, who had mis-appropriated the amount, had since been removed from service, after recovering some amount from his salary. Disciplinary action initiated against the individual responsible for financial irregularity would be finalised on receipt of recommendation of the Board of Inquiry. The Committee requested Audit to follow up the case.

1842. *Non-realization of long outstanding Government dues from the current payment made to a contractor—Rs. 19,719 (Para 29—Page—14—ARDS).*—Since it was confirmed by the department that the necessary recovery had been

effected, *the para was dropped subject to Audit verifying the same* and intimation of disciplinary action, taken against those responsible, being given by the department to Audit.

1843. *Payment for Stores Worth Rs. 19,350 not supplied by the contractor (Para 30, Page 15—ADRS).*—After hearing the explanation, the Committee directed the departmental representative *to look into the case again and report back the position to the Committee.* Audit was requested to follow this up.

1844. *Overpayment of Rs. 18,840 to a contractor against the terms of the contract agreement (Para 31, Page 15—ARDS).*—The Committee was informed that the recovery of Rs. 18,840 had since been effected from the contractor from his Bill No. 02/1075 dated 4th April, 1981 by G.E. (Navy)—Constn-I *vide* CBI No. 49 dated 6th April, 1981 and duly verified by Audit. *The para was treated as settled.*

1845. *Non-recovery of cost of wooden joinery from a contractor Rs. 18,692 (Para 32, Page 15—ARDS).*—The Committee was informed by the departmental representative that the action to constitute a Board of Officer, to investigate the circumstances leading to the irregularity, was in progress. Disciplinary action would be initiated against the defaulter soon after the result of the inquiry was known.

1846. *The Committee directed Audit to keep track of the case.*

1847. *Overpayment due to incorrect application of rates Rs. 17,487 (Para 33, Page 15—ARDS).*—It had been pointed out by Audit that, in an MES formation, an item of work carried out under a contract agreement was paid incorrectly @ Rs. 3.50 per metre instead of @ Rs. 2.60 per metre, as worked out in accordance with the applicable schedule in this case based on the description of work involved. The incorrect application of rate resulted in an over-payment of Rs. 17,487 to the contractor.

1848. In reply, it was stated that the formation concerned had already been directed to initiate recovery/regularisation action for Rs. 17,487. Further, a Court of Inquiry was also in progress and further action would be taken on its finalisation.

1849. Thereupon, *the Committee directed Audit to follow it up.*

1850. *Non-recovery of cost of demolished bricks Rs. 16,560 (Para 34, Page 16—ARDS).*—115,000 burnt bricks retrieved from the demolition of work laid in a mud mortar, were re-used in another work in a formation. The cost of the re-used bricks was not deducted while allowing payment to the contractor in January, 1975, which resulted in an over-payment of Rs. 16,560.

1851. The Ministry, in their reply, confirmed that the formation concerned had agreed to recover the over-payment from the contractors. The recovery had, therefore, been circulated to sister MES formations, for realization of the same.

1852. Disciplinary action against the individual responsible for the irregularity was also in hand.

1853. The Committee directed the departmental representative *to expedite the finalisation of the case* and Audit to keep watch over the realisation of the *amount*.

1854. *Un-necessary retention of a bungalow on hiring list—Rs. 13,740 (Para 35, Page 16--ARDS)*.—The Committee accepted the departmental explanation and the *para was treated as settled.*

1855. *Less recovery of compensation for delay in completion of works Rs. 13,520 (Para 36, Page 16—ARDS)*.—In view of confirmation by the departmental representative that the amount involved had since been recovered, it was *decided to drop the para subject to verification of recovery by Audit.*

1856. *Less recovery of risk and cost amount from a contractor Rs. 10,610 (Para 37—Page--16—ARDS)*.—After having gone through the written explanation of the Ministry, *the Committee directed Audit to look into the case again and report back to the Committee, if necessary.*

1857. *Short receipt of P.O.L. Rs. 9,631 (Para 38, Page 17—ARDS)*.—The departmental representative was directed to expedite the finalisation of the Court of Inquiry for an early regularisation of the loss. The departmental representative undertook to do so.

Short recovery of the cost of water meters omitted through deviation orders Rs. 9,399 (Para 39, Page 17—ARDS).

Overpayment for the work actually not done—Rs. 7,075 (Para 40, Page 17—ARDS).

Over-payment of Rs. 6,220 *(Para 41, Page 18—ARDS).*

1858. After having gone through the departmental explanations, the Committee observed that quick action should be taken by the department for *the speedy recovery/early finalisation/regularisation in these cases. Audit should also follow the cases.*

1859. *Extra expenditure of Rs. 5,853 due to a local purchase (Para 42, Page 18 ARDS)*.—In view of the departmental explanation, *the para was dropped subject to regularisation action by the department.*

1860. *Local Test Audit Inspection (Para 55, Page 24—ARDS).*—As the Local Test Audit of the units formations in question had been completed, the *para was dropped.*

Audit of Stores and Supply Accounts (Para 56, Page 24—ARDS).

Points outstanding from previous Report Outstanding Review of (MES) expenditure—(Chapter III, Page 25—ARDS).

1861. After a careful consideration, the Committee gave the following directions :—

(i) MAG should incorporate the details of the Test Checks of Stores in his report on the Defence Appropriation Accounts.

(ii) The linking of stores should be improved by the MAG as, out of 158, only 90 had been linked in 2½ years.

(iii) The Warrant of stores for the Navy should be got finalised soon.

1862. *Commercial Appendix Defence Services and Compliance Reports.*—The Committee decided to defer the consideration of Commercial Appendix Defence Services for 1979-80 and Compliance Reports for 1970-71 to 1977-78 in respect of the Defence Division to the following day.

1863. The Committee then adjourned to meet at 9.00 A.M. on Thursday, the 17th March, 1983.

M. A. HAQ,
Secretary.

Islamabad, the 1st September, 1983.

FEDERAL COUNCIL SECRETARIAT

Thursday, the 17th March, 1983

Ninth Sitting (PAC)

1864. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1979-80. The following were present :—

P.A.C.

(1) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. .. *Member (Acting Chairman).*

(2) Mr. Abdul Qadir, former Chairman, Railway Board .. *Member.*

(3) Mr. Yusuf Bhai Mian, Chartered Accountant .. .. *Member.*

Federal Council Secretariat

(1) Mr. M.A. Haq, Secretary.

(2) Mr. I.H. Siddiqi, Deputy Secretary.

(3) Mr. S.M. Ahmad, Assistant Secretary.

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan.

(2) Mr. Khalid Rafique, Deputy Auditor-General (A & R).

(3) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues.

(4) Mr. A.S. Ansari, Director General, Commercial Audit/Defence Audit.

(5) Mr. Jamil Ahmad Zaidi, Director General, Audit and Accounts, Works

Ministry of Finance

Mr. Javed Talat Joint Secretary (Budget).

1865. *Accounts examined.*—Accounts pertaining to the following Ministries/ Divisions were examined by the Committee during the course of the day :—

(1) Defence Division .. .. (only commercial Appendix Defence Services 1979-80 and Compliance Reports 1970-71 to 1977-78).

(2) President's Secretariat ..

(3) Aviation Division .. ..

(4) Defence Production Division.

DEFENCE DIVISION

1866. The examination of Commercial Appendix Defence Services for 1979-80 and Compliances on the PAC's Reports for 1970-71 to 1977-78 pertaining to the Defence Division, consideration of which was deferred by the Committee on the 16th March, 1983, was taken up first. The following, representing the Division, were present :—

(1) Mr. Asif Rahim, Secretary.

(2) Mr. Anis Ahmed, Joint Secretary.

(3) Mr. M. Ishaq Satti, Additional Secretary (MF).

(4) Syed Shaukat Hussain FA (Army).

(5) Mr. M. Ibrul Hassan, MAG.

(6) Brig. Ejaz Ahmed, DPP&A.

(7) Commodore Hadi Hussain CE (Navy).

(8) Col. Aftab Nasir, Director P&C (E-in-C).

(9) Lt. Col. Mohammad Afzal Khan, Commandant, NLI Centre.

(10) Lt. Col. Shamim Ahmed Javed, Director (Finance) FWO.

(11) Lt. Col. M. Asghar Hussain, NAWO.

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS OF THE DEFENCE SERVICES

1867. *Audit Comments on the Accounts of Military Farm* (*Para* 39, *Page 17—Commercial Appendix*).—Audit pointed out the disparities between the figures appearing in the commercial Appendix and the 14th (*i.e.* June Supplementary) Accounts for the year 1979-80. Nothing positive could be said about the accuracy or otherwise of the accounts unless the new format suggested by Audit was introduced by the department.

1868. After going through the departmental reply the Committee directed the MAG and the Director General of Defence Audit to sit together and resolve the issue.

COMPLIANCES ON THE POINTS CONTAINED IN THE PAC'S REPORTS FOR 1970-71 TO 1974-75

1869. Cases calling for regularisation action brought out in the PAC's Reports for 1970-71 to 1974-75 were tabulated by Audit in a Statement at pages 1—5 of the material of compliance report, categorising them into (i) outstanding cases of write off etc. (Rs. 1,603,392) (ii) *sub-judice* cases (Rs. 402,127 and, (iii) cases under Arbitration (Rs. 197,266). Reviewing the statement, the Committee observed that, since it was prepared a year ago, it might not be representing the

latest position. The delay in the finalization of these cases was stated to be due to various impediments beyond the control of the concerned departments. Taking up, as an example, the first item of the statement, (paras 390-391—PAC Report 1970-71) which involved an over-payment of Rs. 272,272 to various contractors by the Military Accountant General, the Committee observed that only a paltry amount of Rs. 17,000 had been recovered thus far and there was no likelihood of any further recovery.

1870. Not finding it to be feasible to take up each item of the Statement, the Committee decided that *a sub-Committee, consisting of the representatives, of the MAG, the Ministry and the Formation concerned, be set up to go into each case Audit and the MAG should then finalise all the outstandings and furnish a report to the Committee.*

1871. *Non-accountal of stores worth Rs. 20,000 (Para 15, Page 9—ARDS Paras 414—416, Page 90—PAC Report 1970-71).*—The Committee had strongly recommended in its Report, that Government should consider the desirability of amending the Arbitration Act, so that it became binding upon an Arbitrator to put down, in writing, the grounds, for his award. Replying to a query, the departmental representative clarified that, in the case of a difference of opinion between the arbitrators and the department, the proper course open would be to go to the Court to get the award quashed.

1872. After some discussion, the Committee directed that, so far as the Defence Division was concerned, *they should examine the question whether or not to revive the arbitration clause in the contracts.*

1873. *Short recovery of rent Rs. 13,902 (Para 19, Page 10-11—ARDS —Paras 420—422—Pages 91-92—PAC Report 1970-71).*—The Committee had directed earlier that the Ministry of Law should be requested to clarify the difference between a 'temporary lease' and a 'lease for long period' and Government should then amend the rules, clarifying whether continued actual lease was a long-term or a temporary lease. The advice tendered by the Ministry of Law, as pointed out by Audit, was that temporary occupation under a licence, renewed from year to year, would also be termed as lease. Accordingly, a short recovery of rent amounting to Rs. 13,902, from the cinema-owner would appear to be necessary. *Subject to the verification of recoverable amount by Audit, the para was treated as settled.*

1874. *Infructuous expenditure due to supply of inferior stores (Para 2, Page 3—Interim AR—Paras 449-452—Page 94—PAC Report 1970-71).*—The Committee was informed by the departmental representative that, in compliance with the Committee's direction, a fresh Court of Inquiry had been convened. As per the findings of the Inquiry, the design was prepared correctly in advance and the burstting of the pipe could only be attributed to defects in piping due to multiple handling and long storage in the Depot since before 1947.

1875. Audit observed that the departmental reply implied that the store was issued without proper inspection and accepted and utilized without checking, which was mainfestly incorrect.

1876. *The committee decided to drop the para with the observation that the department should exercise more care in the future.*

1877. *Loss of Rs. 158,600 due to set cement (Page 154 Paras 20—22 PAC Report 1968-69 and 1969-70—Para 464—Page 96—PAC Report 1970—71).*— The Committee termed the departmental explanation as not satisfactory. It, however, *decided to drop the para subject to Audit verifying the write-off Sanction.*

1878. *Non-recovery of Rs. 46,365 for defective work (Page 158—Para 47—PAC Report 1968—69 and 1969-70—Para 467—Page 96—PAC Report 1970-71).*—After hearing the departmental explanation, the para was treated as settled.

1879. *Irregular payment of Rs. 60,600 to contractors (Para 5—Page 67—PAC Report 1968-69 and 1979-70—Paras 468-469—Page 96—PAC Report 1970-71).*— The Committee had, previously, directed that a circular be issued to all the Ministries/Divisions reiterating that lump-sum contracts may, in future, be given only in case of emergency. The Committee noted that the direction had not been complied with.

1880. Accordingly, *it directed that the Finance Division should be conveyed this directive and requested to consider issuing a suitable circular to Ministries accordingly. The Committee should be informed of the out-come.*

1881. *Short recovery of Rs. 15,799 (Para 17—Page 70 PAC Report 1968-69 and 1969-70—Para 473—Page 97—PAC Report 1970-71).*—The departmental representative had, last, been directed by the Committee to see as to why was the case dismissed, *ex-parte*, by the Court and who was responsible for it ? Instead of replying to the query, the department had, in its written reply, stated that the official Arbitrator, appointed to finalise the dispute, had given a Nil award.

1882. Noting that, in case the award was not considered to be judicious, it would lead to a fresh Arbitration, the *Committee decided to close the case.*

1883. *Short recovery of the cost of water supplied to contractors (Rs. 21,768) (Para 4, Page 4—ARDS —Paras 417—422 Page 80—PAC Report 1971-72).*— Noting that, out of a total recovery of Rs. 21,768, Rs. 8,452 had been recovered so far from the contractor and action to recover the balance of Rs. 13,316 was in hand, *the para was treated as settled, subject to Audit watching the recovery thereof.*

1884. *Irregular expenditure of Rs. 21,102 on hiring of private accommodation (Para 9—Page 6 ARDS—Para 71—Page 33—PAC Report 1972-73).*—After going through the written explanation, the *Committee decided to drop the para subject to the satisfaction of Audit.*

1885. *Non-recovery of extra expenditure amounting to Rs. 10,315 from a defaulting contractor (Para 12—Page 8—ARDS—Paras 73—74, Page 33—PAC Report 1972-73).*—The Committee decided to treat the para as settled subject to the loss being regularised in accordance with the rules.

1886. *Loss to State to the extent of Rs. 221,087 due to re-tendering (Para 17, Page 10 ARDS—Paras 79-80, Page 34—PAC report 1972-73).*—The Committee decided to *drop the para subject to the satisfaction of Audit.*

1887. *Non-recovery of Rs. 43,540 on account of rent of a leased land (Para 21 Pages 11-12 ARDS—Paras 83—85—Page 35—PAC Report 1972-73).*—The Committee had desired that efforts be made to recover the short realisation of rent, amounting to Rs. *43,540.* One of the members had also proposed that the question should be got re-considered locally and then put up to the Committee in its next meetings.

1888. The Ministry stated in their reply that the matter was referred for a ruling to the Ministry of Law, who had advised that the ground rent could be charged only from the date of execution of the lease deed on 31st July, 1956 and not from that of handing over the possession to the Society *i.e.*, 25th August, 1954 there being a clear provision in the lease deed that the rent would be charged from 15th July, 1956.

1889. The committee observed that, since the Law Division had given the opinion that rent would be recoverable from 15th July, 1956 and not from an earlier date, the *para, stood dropped. However, the Committee wanted a note to be furnished to it about whether the Defence Housing Cooperative Society was, in any way, responsible to the Ministry of Defence and accountable to the Government and through them, to the PAC.*

1890. *Loss of Rs. 46,616 to Government (Paras 2829, Page 155 PAC Report 1968-69 and 1969-70—Paras 823-824 Page 149—PAC Report 1972-73).*—The Committee had decided not to proceed with the objection, pending the receipt of the police report. Audit drew the Committee's attention to the fact that the irregularity related to 1968. The departmental representative had stated before the Committee in 1975 that the case had been returned by the Anti-corruption department for taking departmental action. The departmental reply, in compliance, stated in April, 1979 that the case was under police investigation. Hence the case was deferred by the Committee. The reference in hand was thus to the said police investigation rather than the departmental inquiry.

1891. The departmental representative informed that Committee that the Inquiry Officer had not been able, as yet, to carry out the inquiry as the records were still lying with the police. A member remarked that it amounted to a refusal to do any thing in the matter.

1892. *The Committee, finally, directed that the Ministry should contact the Commissioner, Gilgit, and recover the papers from him, for instituting a departmental inquiry.*

1893. *Mis-appropriation of Wheat worth Rs. 54,802 (Para 31—Page 36—AR Civil—Paras 839—841, Page 151 PAC Report 1972-73).*—The Committee had last directed the departmental representative to take action quickly and requested Audit to keep watch over the progress of the case.

1894. The department stated in their reply that, out of 629 maunds of wheat, 330 maunds valuing Rs. 23,956, had already been accounted for. For the remaining 279 maunds, a Court of Inquiry had been ordered. They completed their findings and recoveries had been effected.

1895. Audit had observed in their comments that the records relating to the accountal of 330 maunds of wheat had not been produced to them, so far, despite repeated reminders dated 22nd January, 1980, 8th May, 1980 and 1st April, 1981 and the Audit representative's visit to the site in September, 1979.

1896. *The Committee decided to drop the para.*

1897. *Infructuous expenditure of Rs. 21,623 (item 4, Page —13AADS—Paras 490—491, Page 95—PAC Report 1973-74).*—The departmental representative informed the Committee that the infructuous expenditure had since been regularised *vide* the Ministry of Defence (Army Branch letter No. *654/1/E 6//3262* D-*3*(a)*73/* dated *25*th August, *1973*. The file in question called for by Audit could not, however, be made available to them, it had been destroyed in accordance with the instructions on the destruction of old record.

1898. *Subject to verification of the above statement by the Secretary, Defence, the para was dropped.*

1899. *Non-return of machinery issued on hire and non-recovery of hire charges—Rs. 249,911 (Para 1—Page 3—ARDS—Paras 494—496—Pages 96-96—PAC Report 1973-74).*—The Committee had, earlier, directed the departmental representative to check whether, as pointed out by Audit, the pumping set stated to have been permanently transferred to Sargodha was a different one and not the one referred to in the audit objection, and also whether responsibility had been duly fixed for the loss and suitable action taken.

1900. In reply, the department had informed the Committee as under :—

(i) *Heaters Bitumen.*—A Court of Inquiry is in progress. Disciplinary action will be initiated as per the recommendation of the Court.

(ii) *Pumping Set.*—The pumping sets (including the one, referred to in the Audit objection), were permanently transferred to the CMES (PAF), Sargodha. The regularisation/write-off action for the outstanding hire charges was under reference to the CMES (PAF).

(iii) *Tar Boilers.*—The loss statement on account of cost of Tar Boilers being processed for Government sanction.

1901. The departmental representative confirmed that the Court of Inquiry had finalised the Inquiry and, so far as writing-off of the pumping set was concerned, action had to be initiated by the PAF.

1902. *The Committee finally directed that the Ministry should co-ordinate and see that all the requisite actions were completed expeditiously. Audit was requested to follow it up.*

1903. *Subject to the above the para was treated as settled.*

1904. *Loss of revenue (Para 10, Page 5—ARDS—Paras 504—506 Page 97—PAC Report 1973-74).*—After going through the written explanation, the Committee did not make any observation and *decided to drop the para.*

1905. *Extra payment of Rs. 21,447 to contractors by allowing higher rates (Para 6—Page 6—ARDS—Paras 712—Pages 139-140—PAC Report 1974-75).*—The Committee had directed the department to recover the balance amount and take disciplinary action against the defaulter. The departmental representative confirmed that partial recovery had already been made and action to recover/regularise the balance was in progress. Audit also confirmed the verification of the part recovery.

1906. The Committee decided to drop the para subject to verification by Audit of the recovery/regularisation action in respect of the balance amount.

1907. *Delayed recovery of Rs. 18,704 spent on rectification of defects in the work (Para 8—Page—7—ARDS—Paras 714—716—Page 140—PAC Report 1974-75).*—The Committee was informed that full recovery had since been effected and also verified by Audit. *The para was, therefore, treated as settled.*

1908. *Infructuous expenditure of Rs. 141,097 on account of rent and allied charges (Para 12—Page 9—ARDS—Para 720—Page 141—PAC Report 1974-75).*—The Committee had previously desired to know the circumstances due to which the department did not want to recover these charges from the individuals concerned.

1909. On confirmation by the departmental representative that the occupants were, in fact, chowkidars and the quarters actually remained vacant, *the para was dropped.*

1910. *Loss of revenue due to under-charging of water charges (Rs. 32,244) (Para 13—Page 9—ARDS—Para 721—Page 141—PAC Report 1974-75).*—The Committee had last observed that, if the meters were damaged or defective, recovery should have, in all fairness, been made on the basis of the last bill subject to any adjustment later. It had also desired that amendment of the rules, to meet this situation might be examined.

1911. The departmental representative confirmed that the rules had been revised since, according to which the recovery of water charges would be at a flat rate if the meters were found to have been defective. Asked about the flat rate, it was stated that presently it was Rs. 6 per month.

1912. *The Committee, thereupon, decided to drop the para subject to satisfaction of Audit.*

1913. *Conclusion of contracts on single tender basis resulting in extra expenditure of Rs. 24,845 (Para 14—Page 9—ARDS—Para 722—Page 141-142—PAC Report 1974-75).*—The Committee had come to the conclusion that the oral explanation offered was at variance with the written one. The departmental representative was, therefore, asked to submit a fresh reply through Audit, giving full details of the case. The Committee was informed that in compliance with its directive, details of 32 items of various contracts had been submitted to Defence Audit for verification.

1914. Audit maintained in their comments that details of all the 32 contract agreements, concluded on a single tender basis and furnished by the Department had, on scrutiny, revealed that only three out of 32 agreements were of an emergent nature. The rest could be executed after limited/open tendering, as most of them could not be commenced within 2 to 8 months of their sanction.

1915. The Committee observed that this was a matter of details which Audit should take up with the department concerned and come back to the Committee with full facts, in case the results were found to be unsatisfactory.

1916. *Subject to the above remarks, the para was treated as settled.*

1917. *Short recovery of cost of imported stores sold to Government employees—Rs. 6,029 (Para 16—Page—11—ARDS—Paras 724-725—Page 142—PAC—Report 1974-75)*—As the case for making a suitable amendment in the relevant clause of the MES Regulations had already been initiated by the Department *the Committee decided to drop the para.*

1918. *Irregular payment of rent of quarters and a bungalow—Rs. 16,354 (Para 20—Page 12—ARDS—Para 730—Page 143—PAC Report 1974-75).*—After going through the departmental explanation, the Committee did not make any observation and the para was treated as settled.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC'S REPORTS FOR 1975-76 TO 1977-78

1919. The cases, calling for regularization action and brought out in the PAC's Reports for 1975-76 to 1977-78, were tabulated by Audit in a statement at pages 1—3 of the material of compliance report categorizing them hereafter (i) two cases, in which disciplinary action has not been finalised (Rs. 33,548) six *sub-judice* cases (Rs. 1,331,280) and (iii) six cases in which recovery/regularization action was outstanding (Rs. 1,799,004).

1920 *The Committee decided that action similar to the one proposed in para 1869 in respect of the Compliance Reports for 1970-71 to 1974-75 may be taken in respect of these Reports as well.*

1921. *Overpayment to cantractors due to calculation mistakes—Rs. 64,958 (Paras 1, 2 & 5—7—Pages 4-5—ARDS—Paras 575—577, Page 124—PAC Report 1975-76).*—Having noted abnormal delays of 5—9 years in the disposal of the cases, the Committee had earlier taken a general decision that some procedure should be evolved so that decision-making in such cases was made to be more prompt. The Committee had further observed that, where a recovery might not remain possible from a contractor due to delay, the responsibility for the delay should be fixed and those responsible called upon to make good the loss.

1922. The departmental representative confirmed that all the Corps HQs had been requested to ensure prompt action in the disposal of such cases. He further confirmed that recoveries, where due, were in progress. Audit pointed out that while recoveries were being watched by them, the position of recovery cases, pertaining to the PAF, had not been intimated by the Ministry. He also drew the attention of the Committee to the fact that the Ministry had not as yet intimated about any procedural changes, introduced by them for a prompt decision-making in cases of over-payment.

1923. *The Committee directed the departmental representative to look into the matter again and furnish a full reply, as required by Audit.*—He was also directed to expedite the outstanding recoveries in the case of PAF.

1924. *Issue of excessive stores to contractors and less recovery of cost of stores retained by them—Rs. 78,822 (Para 14—Page 9—ARDS—Para 583—Page 125—PAC Report 1975-76).*—The department took the position in their written reply that, since the issue involved in the present case required an interpretation of rules, the matter was referred to the E-in-C Branch, who decided

that the tolerance limit of 10% in the wastage of steel would continue to apply in all the contracts concluded prior to 22nd June, 1974. A member pointed out that it was difficult for contractors to secure 7% wastage now when the percentage being allowed in the present case was 10%.

1925. *The Committee considered that 10% wastage was too high and desired that the Ministry should have looked into it again closely for suitable action, with intimation to Audit.*

1926. *Less recovery of cost of stores and overpayment to a contractor—Rs. 33,039 (Para 15—Page 10—ARDS—Paras 584-585—Page 125—PAC—Report 1975-76).*—The Committee decided to drop the para subject to an expeditious finalisation of disciplinary action.

Grants No. 77, 78 and 140 (Pages 95-96 and 163—AA) (Para 488—Page 111—PAC Report 1976-77).

Grant No. 14 (Page 29—AA—1975-76) Para 491—Page 111—PAC Report 1976-77).

1927. Having come across large variations between departmental and audit figures in Grants No. 77, 78 and 140 and a notable excess of Rs. 11,606,007 in Grant No. 14, the Committee had directed the departmental representative to conduct a proper inquiry, in association with Finance and Audit, for placing correct figures before the Committee.

1928. The department had stated in their reply that the concerned sub-Sectors/Section H.Q., had been directed to carry out a reconciliation with Audit and intimate the reasons for the difference. Audit pointed out that neither the promised reconciliation had been carried out nor an inquiry conducted, to establish the responsibility for an excess of Rs. 11.6 million by the department, despite a lapse of two years.

1929. The Committee, thereupon, directed the departmental representative that *action should be taken regarding the inquiry in terms of its directive. Audit was requested to follow up.*

1930. *Non-recovery of secured advance of Rs. 8,112 from a contractor (Para 8—Page 25—AR—Paras 493—496—Page 112—PAC Report 1976-77).*—The Committee had requested Audit to verify if a proper security against the so-called advance from the contractor was available. If so, it should be adjusted against the advance irrespective of any other claims that the department might have against him. The departmental representative was also directed to report back the position to the Committee.

1931. The Department had informed the Committee in their reply that a secured advance of Rs. 8,112, instead of Rs. 9,976 as depicted in the original Draft Para, was allowed to the contractor. Against the security advance of Rs. 8,112, a recovery of Rs. 1,864 had already been effected. A further amount of Rs. 3,712, as dues of the contractor, had been withheld for adjustment. Recovery of the balance amount of Rs. 2,536 was in progress. The details of the recoveries, mentioned above, had already been submitted to Audit by the Sector HQ, Gilgit.

1932. Audit commented that the Ministry had stated before the Committee in January, 1980 that recovery would be made from the contractor from his other bills. Neither complete recovery had been made nor any documents in support of even partial recovery had been supplied to Audit, despite reminders during the last 2 years. Besides, the material, against which secured advance was paid was also not available with the department and no records had been produced by the department to enable Audit to verify :—

(i) the exact amount involved in the para *i.e.* Rs. 8,112 and not Rs. 9,976 and) ;

(ii) the claimed recovery of Rs. 1,864, despite issue of reminders upto September, 1982.

(iii) the progress in the adjustment of amount withheld *i.e.* Rs. 3,712, and recovery of Rs. 2,536.

1933. The department was requested to explain the latest position to the PAC. During the discussion that followed, the Auditor-General requested the Committee to take note of the reluctance of the department to produce the relevant records to Audit, who were to assist them.

1934. *Agreeing with Audit, the Committee directed the departmental representative to have all the relevant records produced before Audit, to enable them to verify these cases. The departmental representative undertook to do the needful.*

1935. *Overpayment to contractor due to calculation Mistake—Rs. 123,425 (Para 1, Page 4—ARDS—Para 516—Page 115—PAC Report 1976-77).*—The Committee was informed that the Court of Inquiry had been finalised in October, 1982 and that disciplinary action against the person concerned was being taken. The departmental *representative was directed to supply to Audit a copy of the Inquiry Report, for verification and ensuring follow-up action.*

1936. *Extra expenditure due to acceptance of a defective work—Rs. 82,350 (Para 5—Page 5—ARDS—Paras 520-521—Page 115—PAC Report 1976-77).*— Observing earlier that the retention money was for the period of maintenance the Committee had directed that the procedure needed to be tightened up and clear interpretation of rules made known to all concerned. It should also be stipulated in the contracts that they were subject to the rules.

1937. The department explained in their written reply that revised comprehensive instructions had been incorporated in the PAFW-2249 (Revised), forming part of each contract agreement, for taking due care of the above requirement.

1938. Questioned about the disciplinary aspect of the case, the departmental representative informed the Committee that annual increments of the SDO had been withheld for two years and that of the Overseer for one year, with cumulative effect. Another person Mr. Mahmood Ahmed, Overseer, was served with a charge-sheet but he had absented himself.

1939. The objection was dropped by the Committee, subject to verification by Audit of the position stated by the department.

1940. *Extra expenditure due to purchase of stores at higher rates—Rs. 1,304,930 (Para 7—Page 6—ARDS—Para 523—Page 115—PAC Report 1976-77).*—The departmental representative explained that there was an error of judgment in this case. The Committee directed the department to supply a copy of report of the Court of inquiry for verification by Audit who would come back, if necessary.

1941. *Un-necessary purchase of an item of furniture costing Rs. 62,800 (Para 10—Page—8—ARDS—Para 527—Page 116—PAC Report 1976-77.)*—The Committee decided to drop the para subject to production of the relevant records to Audit for verifying the departmental reply.

1942. *Non-recovery of rent and electricity charges of more than Rs. 1,24,261 from a commercially run Cinema (Para 16—Pages 10-11—ARDS—Para 533—Page 117—PAC Report 1976-77).*—After some discussion, the Committee concluded that *the Ministry should give their final ruling about the issue of recovery of rent and electricity charges and then suitable action should be taken promptly according to that ruling The para was dropped subject to satisfaction of Audit.*

1943. *Undue financial aid to a contractor for Rs. 30,581 (Para 1—Page 21—AR—Para 152—Page 66—PAC Report 1977-78.)*—An undertaking that the result of the Court of Inquiry would be intimated to Audit in due course had been given earlier by the department. On being pointed out by Audit, the Committee noted with concern that neither the records, pertaining to the verification of the recovery of Rs. 19,583 nor a copy of the Inquiry Report and orders passed thereon, recommending a write off in this case, had been produced to Audit so far, despite reminders.

1944. The Committee, thereupon, directed the departmental representative that, as a rule, a *copy each of the reports of Courts of Inquiry, set up in consequence of an Audit Para, must be invariably furnished by the department or organisation concerned to Audit.*

1945. *Loss of Ordnance stores—Rs. 60,032,918 [Item I (103) Page 13—ARDS—Para 186-187—Page 71—PAC Report 1977-78].*—The Inquiry Report was seen by the Committee. After discussing various aspects of the case in detail, the Committee directed the departmental representative that copies of instructions, issued in implementation of recommendations of Courts of Inquiry if not secret, must invariably be furnished to Audit.

1946. In view of the quantum of loss involved, the Committee wondered whether the punishments inflicted therefor were considered to be adequate. The matter was left to be examined by the department, for suitable action in their discretion according to the rules.

1947. *Over-payment to M.E.S. contractor—Rs. 43,432 (Para 8—Page 7—ARDS—Paras 207—209—Pages 74-75—PAC Report 1977-78).*—The departmental representative explained that recovery used to be made at the stock book rate. After sometime it was decided that recovery should be effected at the market price prevailing at the time of completion of work. Accordingly, the rule was changed but the case had become time barred. After hearing the explanation of the departmental representative, the Committee decided to drop the para, subject to verification by Audit of the Departmental explanation.

1948. *Over-payment of Rs.* 45,006 *to contractor by allowing rate in excess of the terms of agreement (Para 11—Page 9—ARDS—Para 212—Page 75—PAC Report 1977-78).*—The explanation given by the department was accepted and *the para was treated as settled.*

1949. *Points/Paras not discussed to be treated as settled.*—The Committee did not make any observation on the other points/paras in the Appropriation Accounts (Civil/Defence), Audit Reports (Civil/Defence), Commercial Appendix to Appropriation Accounts (Defence Services) 1979-80 and compliances on PAC's Report for 1970-71 to 1977-78. These would be deemed as settled subject to such regularising action as may be called for under the rules.

———

PRESIDENT'S SECRETARIAT

1950. The examination of the Appropriation Accounts for 1979-80, pertaining to the President's Secretariat, was carried out by the Committee, the previous day. Not being satisfied with the form in which replies on the Appropriation Accounts were submitted to the Committee, it had directed the departmental representative to appear before it, the following day, along with replies in the appropriate form. In compliance, the departmental representative, Mr. M. A. Shah, Assistant Secretary, appeared before the Committee on the 17th March, 1983.

APPROPRIATION ACCOUNTS

1951. *"Staff, Household and Allowances of the President."* (*Pages—236-237—AA*).—Taking up the revised replies on the Appropriation Accounts, the Committee noted that savings of Rs. 53,123 and Rs. 8,974 had occurred against "Tour-expenses of the President" and "Staff and Household of the President" respectively under the functional head "012—President of Pakistan". The savings were explained as having been due to the non-receipt of debit from the Railway authorities for the maintenance of railway saloon and changes in the Staff respectively.

1952. Similarly, an excess of Rs. 2,013,596 had occurred against the functional head "Grants", which was attributed by the department to the fact that, although supplementaries under the President's contingent Grant were approved at Rs. 3,667,347, only Rs. 1,500,000 was included in the Book of Supplementary Grants. The explanation given by the departmental representative was not considered to be satisfactory and he was *directed to submit a revised detailed explanation to Audit for the excess, with a copy to the Federal Council Secretariat, who may report back to the Committee, if necessary.*

AVIATION DIVISION

1953. After the completion of examination of the accounts of the President's Secretariat (Personal/Public), the Committee took up for its examination the Appropriation Accounts etc., pertaining to the Aviation Division. The following departmental representatives were present :—

(1) Mr. Asif Rahim, Secretary.

(2) Mr. Abdul Jalil, Joint Secretary.

(3) Mr. Z. A. Shah, Deputy Secretary.

(4) Mr. Asif Mirza, Section Officer (F & A).

(5) Brig. Ayaz, M.D. (ADA).

(6) Sh. Jamil Ahmed, Director Finance (ADA).

(7) Mr. L. J. Contractor, General Manager (PIAC).

(8) Brig. Hussain Ahmed, Director Finance (CAA).

(9) Mr. H. U. Qidwai, Director General (MS).

1954. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Defence (Function head 586 only)	29
2.	Meteorology	30
3.	Aviation	32
4.	Development expenditure of Ministry of Defence (Function head 387 only)	144
5.	Capital Outlay on Civil Aviation and other works of Ministry of Defence (Function head 586. Major works, Equipment, Establishment and Airport Development Agency)	175

1955. *Reconciliation of Accounts with Audit.*—The Committee noted that reconciliation work of the Division was not up-to-date. The departmental representative was directed to get the outstanding reconciliation of figures of expenditure with Audit completed within a month, at the latest.

AUDIT REPORT

1956. *Expenditure incurred on the works in anticipation of technical sanction (Para 5, Page 20—AR).*—The position of estimates sanctioned and the balance on 12th October, 1981, as reported by the departmental representative, were as follows :—

No. of works as per Audit para	Estimates sanctioned	Balance
142	114	28

The remaining 28 estimates were under sanction. Audit pointed out that this was a recurring phenomenon and the up-to-date position had been given in the Audit Report for 1980-81.

1957. In view of the above, the Committee *directed the department to complete the formalities in respect of the remaining works expeditiously, to the satisfaction of Audit, and also to avoid incurring expenditure on works, in anticipation of technical sanction.*

1958. *Non-recovery of cost of stores Rs. 154,652 (Para 6, Page 20—AR).*—A Division of the Airport Development Agency paid an advance of Rs. 71,111 to a contractor in January, 1972, on the security of 95 tons of bitumen and 15,115 cft. of bajri, brought to site for the execution of an Air Force Work. After the consumption of 3.5 tons of bitumen and 600 cft., of bajri, the work was stopped at the instance of the P.A.F. The remaining material (*viz*-91.59 tons of bitumen and 14,515 cft. of bajri) became a disputed matter. Meantime, the bitumen began deteriorating and leaking out of the drums. The situation was pointed out by Audit to the ADA in February, 1975. In March, 1976 it was reported that the material had been taken over by the P.A.F. who had, as stated by the departmental representative, paid Rs. 58,850 and this still required verification.

1959. *The department was directed to effect the recovery of the balance from PAF and have the total recovery verified by Audit.*

1960. *Overpayment of Rs. 117,413 (Para 7—Page 21—AR).*—In a Division of an autonomous body, an item of site clearance and grubbing was provided in the schedule of quantities, attached with five contract Agreements, inspite of the fact that, under clause 72 of these Agreements, site clearance was the responsibility of the contractors and nothing was to be paid to them on this account. This resulted in an excess payment of Rs. 117,413 to five contractors.

1961. In reply, it was explained by the department that the item of work "clearing & grubbing" was provided in the estimates, after examining the site conditions. The same was included in contracts as a special case and not the routine "site clearance & grubbing", referred to in the audit objection. The item "clearing & grubbing" in its scope included the complete removal of roots of all types of growth, with their total destruction, as per the directives of the Engineer-in-charge. The site had to be prepared in a way that no further growth could develop on the same area. Clause 72 of the Agreement, quoted by Audit, did not envisage meeting the above requirements, under the item of "Clearing & Grubbing". If this were not included in the estimate/N.I.T. and tender document, contractors would not have complied with the above-said requirements. While tendering the rates, the contractors must have taken into consideration, the provision made for this item of work and the rates being competitive, there was no question of any over-payment on this account.

1962. Audit maintained that clause 72 of the Agreement covered the removal of roots of all types of growth as well. Hence, the provision of an Additional item of "clearing and grubbing" in the estimates, NIT and Agreement, was not in order.

1963. After a detailed discussion, the Committee finally directed that *clause 72 of the Agreement should be again looked into. It should not be deleted, but suitably modified. The para was treated as settled.*

1964. *Infructuous expenditure of Rs. 23,553 (Para 8, Page 21—AR).*—A Division of the Airport Development Agency hired some machinery in December, 1972. It was not used and Rs. 23,553 was paid as idle charges for it. The departmental representative explained that the plant remained idle, partly for want of ready surface for laying bitumenous carpet and partly due to heavy rains.

1965. *The Committee accepted the departmental explanation and the para was treated as settled.*

1966. *Excess Payment of Rs. 5,015 to a Contractor (Para 9, Page 22—AR).*—An Agency's works Division made payment to a contractor during July, 1976 for an item of work, for which payment had already been made to the original contractor, who had left the work incomplete. This duplicate payment of Rs. 5,015 was brought to the notice of the Agency Authorities by Audit in November, 1976. The departmental representative explained that the work of "Extension of P.A.F. old Runway at Chaklala", costing over Rs. 22 lac, was awarded to M/s. Pak Construction Co., but the same was left incomplete by them and the remaining portion of the work, costing Rs. 2 lac, was got done by another contractor, M/s. Yaqoob & Brothers. The departmental representative further stated that Rs. 5,015 had been recovered in the final bill of M/s. Pak Construction Co., but they had gone in for arbitration. The Committee did not make any further observation on it and *the para was treated as settled.*

APPROPRIATION ACCOUNTS

Grant No. 29—Ministry of Defence Function head 586 (Page 44 AA).

Grant No. 30—Meteorology (Page 45 AA).

Grant No. 32—Aviation (Page 47 AA).

Grant No. 144—Development Expenditure of Ministry of Defence Function head 387 (Page 167 AA).

Grant No. 175—Capital Outlay on Civil Aviation and Other works of Ministry of Defence—Function head 586—Major work, equipment, Establishment and Airport Development Agency (Page 209 AA).

1967. There was no material point for consideration by the Committee under the above-mentioned Grants.

COMMERCIAL ACCOUNTS

1968. *Mis-appropriation of Rs. 180,999 (£ 7,735) (Para 23, Page 29—ARCA).*—Audit pointed out that a sum of Rs. 180,999 (£ 7,735) was drawn from the imprest account of a London Office of PIAC through a cheque in May, 1973, without showing the same in the station disbursement report, and it was mis-appropriated. The Mis-appropriation remained undetected until the reconciliation of figures in February, 1974 and was greatly facilitated by the loose accounting control and delayed reconciliation of accounts at the Head Office. The departmental representative explained that high-powered Team carried out a detailed investigation of the mis-appropriation. However, due to the removal of original supporting documents, individual responsibilities could not be fixed. Therefore, the Management, apart from terminating the services of the Station Accountant, transferred/replaced suspected local staff of the London Office from sensitive positions. As regards adopting remedial measures, it was stated that, in the light of the out-come of this mis-appropriation, various corrective measures were introduced, which were being regularly reviewed and up-dated, to ensure that no back-log of reconciliation/processing was created. Some of the measures implemented were as under :—

(i) Communication of confirmation of the Imprest Account and reconciliation, at the end of each month, to the Head Office, latest by the 7th of every following month has been made mandatory.

(ii) Monthly submission of specially devised format, to ensure authenticity of reconciliation of all accounts, both in respect of Capital and Revenue.

(iii) Induction of computerization at the London Station, for prompt processing, thereby enabling the available manpower to carry out checking and reconciliation of accounts on a regular basis, and

(iv) Establishment of a Cell in the Station Control Section to ensure the monitoring of Head Office requirements and station returns on the schedule dates, regularly.

With the implementation of above measures, no incidence had recurred after the above one.

1969. *In the light of the above explanation, the para was treated as settled.*

1970. *A Member observed that PIAC Account were not incorporated in the compilation of Commercial Accounts 1979-80. It was stated that it was a matter of periodicity of audit. The Committee, therefore, gave a general direction that the Accounts, received by Audit from various Corporations, etc., but not yet audited should be mentioned in the Audit Report on Commercial Accounts and their Balance Sheets produced to the Committee.*

1971. *Loss of Rs.* 78,176 *on account of fine* (*DM 21265*) *and infructuous expenditure of Rs. 15,740*—(*DM 4167.75*) (*Para 24—Page 29—ARCA*).—After seeking some clarification, the *Committee decided to drop the para, subject to verification by Audit.*

1972. *Avoidable expenditure of Rs.* 68,418 *on maintenance of flight Kitchen* (*Para 25—Page 30—ARCA*).—After hearing the departmental explanation, *the Committee decided to drop the para, subject to verification by Audit.*

1973. *Infructuous expenditure of Rs. 28,530 on un-serviceable neon-signs* (*Para 26—Page 30—ARCA*).—It was reported by Audit that the PIAC had contracted with a firm for the neon-sign display at Beirut on an annual rental, renewable every year. Despite a report from the Station Manager that the neon-sign remained out of order during 1971 to 1973, payment of £ 8059.75 (Rs. 28,530) was made therefor. When pointed out by Audit in September, 1975, it was stated verbally that all the relevant papers were with the Foreign Station Manager, to whom the matter was referred. The Management, in their reply dated the 30th August, 1976, stated that the neon-signs at three different locations had not gone out of order completely. Payment of electric charges established that the neon-signs were functioning, though electric charges were paid to the advertising agency, on the basis of their own invoices. On Audit pointing out that these invoices did not indicate the actual consumption of electricity, the department stated, that, as given in the written reply, the relevant records, having been destroyed during the civil war in Beirut, investigation of the case could not be carried out. However, Neon-Advertisement had since been stopped.

1974. After hearing the departmental explanation, *the Committee remarked that this appeared to be a bad case and the explanation was not satisfactory.* However, there being no other means to go further into the matter, the committee decided to drop the para.

1975. *Loss of Rs. 100,250 due to undue favour to a contractor* (*Para 27—Page—32—ARCA*).—It was reported by Audit that the PIAC contracted with a firm in September, 1975 for the fabrication of five flight vans @ Rs. 38,000 each. The job was to be completed within 12 weeks after the delivery of the chassis to the firm, failing which they were liable to pay a penalty of @ Rs. 75 per day per van. The firm was also to furnish a Bank Guarantee of Rs. 10,000. The chassis were handed over to the firm on 12th September, 1975 and they were also paid 20% *i. e.*, Rs. 38,000 as advance in October, 1975. They, however, failed to complete the job by the stipulated date and, on 13th May, 1976 expressed their inability to fulfil the contract. The department did not take any effective action, either to recover the advance of Rs. 38,000 or impose a penalty of Rs. 62,250. The Bank Guarantee of Rs. 10,000, provided for in the Agreement, had also not been obtained from the firm.

1976. The departmental representative submitted that it was after obtaining Rs. 10,000, as Bank Guarantee that the advance payment was given to the contractor. Moreover, on the failure of the contractor, the guarantee of Rs. 10,000 was encashed and the minimum value of the work done by the contractor on the chassis was estimated to be Rs. 3,000. All possible efforts were being made to recover the amount by pursuing the matter in a court of law. A claim for Rs. 84,625 (including the amount of penalty) had been filed. The expenditure incurred on the fabrication of the chassis in question was Rs. 40,950.

1977. After hearing the departmental explanation, the Committee finally observed that the advance was not jusitified and the explanation was also not satisfactory. Audit was directed to keep watch on the progress of recovery. Subject to the above, the para was treated as settled.

1978. The Committee further directed that *the procedure for granting advance, with insufficient guarantee, needs to be reviewed by the appropriate authority. The Finance Division may also be informed of this decision, for issue of suitable instructions, as necessary.*

1979. *Loss of Rs. 50,966 due to un-authorized Insurance Cover (Para 28—Page 33—ARCA).*—Being satisfied with the explanation, *the Committee decided to drop the para.*

1980. *Points/Paras not discussed to be treated as settled.*—The Committee did not make any observation on other paras/points, in the Appropriation/Commercial Accounts for 1979-80 and the Audit report thereon. *These would be deemed as settled subject to such regularization action as may be necessary under the rules.*

DEFENCE PRODUCTION DIVISION

1981. The Committee, lastly, took up for its examination the Appropriation Accounts etc., for the year 1979-80, pertaining to the Defence Production Division. The following departmental representatives were present :—

(1) Mr. M. A. Jabbar, Joint Secretary (DP).

(2) Mr. Talib Hussain, OSD/Section Officer.

(3) Syed Shaukat Hussain, F.A., Army.

(4) Mr. Ghazanfarullah Khan, F.A. (DP) F.A. (Procurement).

(5) Col. Asghar Ali, DDP-II.

(6) Lt. Col. Ansar Ahmed Zuberi, DD (Signs).

(7) Mr. Hasan Ehtisham, DIVR and Member of POF Board.

(8) Mr. M. Sarwar, M.D., (WIL).

(9) Col. F. N. Jaffary, DW & CE (DP).

1982. This Division controlled the following grants :

S. No.	Name of Grant	Grant No.
1.	Ministry of Defence (Function head 112 only)	29
2.	Capital Outlay on Civil Aviation and Other Works of Ministry of Defence. (Function head 586-Other Works)	175

1983. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Division was not up-to-date. The departmental representative was directed to get the outstanding reconciliation of figures of expenditure with Audit completed within one month at the latest.

APPROPRIATION ACCOUNTS (CIVIL)

1984. *Grant No. 29 (Page 44—AA).*—There was no material point for consideration under this grant.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

1985. There was no material point for consideration under above Accounts. The Committee decided that all the observations in the Appropriation Accounts may be treated as settled, subject to verification by Audit.

AUDIT REPORT (DEFENCE SERVICES)

1986. *Loss of stores in transit Rs. 605,900 (Para 43, Page 18—ARDS).*—34 railway wagons, containing 650 tons and 1339 Lbs of wheat and despatched by certain units during June, 1972 to December, 1975, were not received by the

consignees upto February, 1978. The compensation claim against the Pakistan Railways, preferred in February, 1976, after the lapse of the prescribed period of six months, was repudiated by the Railways, resulting in a loss of Rs. 605,907.

1987. Commenting on the written reply of the department, Audit pointed out that, although 27 wheat wagons, booked in 1972—75, did not reach the consignees so far, not even a court of inquiry had been set up. The department had also not explained as to why was the claim not preferred with the Railways in time. Audit further added that investigations made by them through the Railways Audit showed that the records available with the department were incomplete and the movements of the wagons involved were not traceable.

1988. The departmental representative informed the Committee that, of the 34 wagons, 7 wagons had been received by the consignees in February, 1976, leaving 27 wagons, reducing the amount of the alleged loss from Rs. 605,907 to Rs. 579,920.

1989. *The explanation of the Ministry not having been found to be satisfactory, the Committee directed that responsibility should be fixed for the delay in lodging claim with the Railways and the result and loss inquired into, for necessary action. The Committee should be informed of the result as soon as possible.*

1990. *Extra expenditure of £ 18,001 due to careless handling of an indent (Para 44—Page—19—ARDS).*—It was pointed out that an indent for the procurement of 4850 gallons of Hydraulic Fluid Petroleum Recoil Special was sent to the Pakistan Embassy, London through a signal dated 17th June, 1976. The indent, with a covering letter, was erroneously despacthed to the Pakistan Embassy in Washington. Both the Embassies signed contract agreements with two different suppliers at £ 1.39 per IG and US $ 3.64 per US gallon on the 29th/30th June, 1976, under intimation to the purchase Agency, who advised the Embassy at Washington in July, 1976 to cancel the contract and forward the indent, with the covering letter to the Embassy in London, for whom it was actually meant.

1991. No decision was communicated by the Ministry of Defence to the London Embassy for two and a half year, whereafter the agreement was modified, involving an extra payment of £ 18,001 for the supply of 2850 IG at a rate of £ 1.39 per litre, instead of £ .39 per gallon, thus raising the cost of the supply beyond 2000 gallons more than 4 times the original tender.

1992. After hearing the departmental representative and adjudging this *to be a bad case, the Committee directed that a detailed explanation should be furnished to Audit within a week. Audit should then report back to the PAC, if necessary.*

1993. *Procurement of contracted stores below specification without financial adjustment of Rs. 157,293 (Para 45—Pages 19-20—ARDS).*—It was pointed out that a procurement agency concluded a contract with a firm for the supply of

1010 batteries of size 574 mm × 243 mm × 279 mm @ Rs. 1,648 each. The firm supplied batteries below the specifications (580 mm × 243 mm × 250 mm), yielding to them a saving of 9.45% on account of less material and labour consumed. This should have resulted in a reduction of the price, which did not come about. It was departmentally stated in reply that the firm was asked to reduce the rates, but they regretted to do so and intimated that the same batteries had already been procured against contract No. 3850/DP(A)/P-1, dated 10th December, 1977 @ Rs. 1675 per bettery, including 25% excise duty, while under this contract they had charged Rs. 1648 per barttery, including 25% Excise duty, which was Rs. 27 cheaper than the last purchase rates. The case was, therefore, again referred to the Financial Adviser (Procurement), who agreed to the proposed amendment in the dimensions of the batteries *vide* their u.o. No. 217/PW-V, dated 10th May, 1980, without any reduction in price. Besides, there was an urgency for the stores, as GHQ were also pressing hard for finalising the contract due to serious situation about the supply of batteries.

1994. Audit, however, maintained that the argument that the firm's rates were lower than the last purchase rate of 1977 by Rs. 27 per battery, had no relevance, as the market was always fluctuating and the firm themselves had quoted Rs. 27 less than their last contract rate, without any pressure or demand from the purchase agency.

1995. *After some discussion, the Committee observed that it was a bad case and directed that the Ministry should look into the supply of these batery stores below specifications and satisfy themselves in the first instance, about the purchase procedures followed and the reasons for incorrect specifications. Further suitable action may then be taken in this case.*

1996. *Infructuous expenditure on the procurement of obsolescent stores Rs. 110,000 (Para 46—Page—20—ARDS).*—The facts, as made out by the department, were that, on 8th October, 1970. the CPO (A&S) pointed out that the DGP (Army) had been requested *vide* letter dated 4th February, 1969, for the cancellation of the contract, as the item in question had been declared obsolescent. The CPO (A&S) was informed *vide* signal dated 9th February, 1971, that their letter dated 4th February, 1969 was not received/traceable and the firm were also informed *vide* letter dated 14th November, 1970 that the delivery period of the subject contract had already expired and the stores were no longer required by the Indentor. Hence, the contract in question was being cancelled, without financial repercussion on either side.

1997. On 13th November, 1973, M/s. Mughal Industries, Rawalpindi represented against the cancellation of the contract and appealed to the DGDP *vide* their letter dated 17th November, 1973, that the case for cancellation without financial repercussion on either side should be decided upon through arbitration

or, alternatively, the stores already manufactured/tendered by them should be accepted. The DGDP *vide* his letter dated 13th February, 1974 rejected the firm's appeal and clearly informed them that, due to the main equipment having been declared " OBSOLETE " and the firm having also failed to tender stores within the delivery period, the cancellation would stand.

1998. The firm thereupon filed an arbitration *vide* their letter No. MI/DP/78 dated 4th March, 1976. The Arbitrator did not accept the right of the department to cancel the contract without financial repercussion on either side and gave the award that the firm was entitled to a compensation representing the price of stores manufactured under the contract. Since the stores had not been accepted by the Inspecting Agency, this compensation was not necessarily to be based on the contractual price of the stores. According to the arbitration award, the factor of delay in payment by the respondents and the suffering caused to the claimant firm on that account were required to be considered. The arbitrator assessed the compensation and damages at Rs. 110,000, which was required to be paid to the firm immediately.

1999. Commenting on the reply, Audit wanted to know (a) as to why did the Purchase Agency cancel the contract on the plea of stores having been declared obsolete, when the same could be safely cancelled due to the default of the suppliers, and breach of contract.

2000. (b) Since only 3774 out of 8400 items were tendered for inspection by the supplier upto the 15th October, 1970 and the purchase Agency knew by this time that, the item having become obsolete, it could cancel the contract for the un-supplied quantity (4626 Nos.) at the risk and expense of the contractor or without any financial repercussion on either side, as to why did that Agency not adopt this course.

2001. The firm in this case (Moghal Industries) were involved in 4 other contracts, involving escalation. These cases were examined in January, 1980 when the PAC noticed that " in all those cases only, one firm was involved, who were compensated for more than the cost of contracts ". The Committee had then "suspected some foul play " and directed the departmental representative 'to call for and examine the records of all those cases and furnish a complete report to the Committee'. The Ministry had promised in December, 1980 to submit a final reply in the next meeting of the Committee. The promised report had, however, not been received by the Committee as yet.

2002. After some discussion, *the Committee finally directed that the Ministry should submit a detailed report about the obsolescent stores to the Committee within two months.*

2003. *Over-payment to the supplier by purchasing medicines without whole saler's discount. Rs. 78,375 (Para 47—Page 20—ARDS).*—After hearing the departmental explanation, the Committee directed the departmental representative that care should be taken about it in future. *Subject to the above, the para was treated as settled.*

2004. *Withdrawal of demand by indentor resulting in non-recovery of risk and cost amount Rs. 32,060 (Para 48—Page 21—ARDS).*—As the Ministry had admitted the irregularity and taken remedial measures to avoid a recurrence of such irregularities, in future, *the para was treated as settled.*

2005. *Over-payment of Rs. 15,395 on incorrect fixation of pay of retired Military Officers on re-employment (Para 49—Page 21—ARDS).*—Since the recoveries had been effected any verified by Audit, *the para was treated as settled.*

2006. *Extra expenditure due to rejection of first technically accepted offer on first tendering Rs. 13,300 (Para 50—Page 22—ARDS).*—The explanation of the department was accepted and *the para was dropped.*

2007. *Irregular grant of escalation in price on the supplies made within first six months of contract Rs. 12,500 (Para 51—Page—22—ARDS).*—After a detailed discussion, the Committee did not find the explanation to be satisfactory and *directed that responsibility should be fixed for the irregular escalation and necessary action taken against those found at fault.*

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS

(DEFENCE SERVICES)

2008. *Extra expenditure of Rs. 251,328 on letting out Government accommodation and hiring private houses (Para 8—Page 5—Commercial Appendix).*—According to Audit, the main issue in this case was the provision of accommodation to outside agencies at rates much lower than those at which accommodation was requisitioned for its own employees of equivalent entitlement. After 30th September, 1978, this position was reversed *i.e.*, the rent charged from the employees of outside agencies became higher than those paid for the requisitioned houses. A considerable portion of the extra expenditure of Rs. 188,748 could have been avoided if the rent, charged from the out side agencies, had been enhanced from time to time with reference to the market conditions during the period from 1965 to 1978.

2009. After hearing the departmental explanation, the Committee directed the departmental representative to ensure that such instances did not recur in future. With the above observation, *the para was treated as settled.*

2010. *Irregular tendering causing extra expenditure of Rs. 32,742 (Para 9—Pages 5-6—Commercial Appendix).*—Audit pointed out that the competitive rates could not be obtained in this case, as the first tendering did not mention that only approved contractors could bid. This omission was repeated in the 2nd tendering also. Besides, tender documents were issued to un-approved contractors as well. This repeated omission needed to be investigated.

2011. After hearing the departmental explanation, the *Committee decided to drop the para*, as the department admitted that the tender should have been invited from the approved contractors only.

2012. *Loss of Rs. 60,700 in the sale of Brass Swarf through negotiation (Para 10—Pages 6-7—Commercial Appendix).*—Audit confirmed that they had verified the reply locally which was found to be correct. Accordingly *the para was dropped.*

2013. *Infructuous expenditure of Rs. 850,620 on the import of a Ball Costing Machine (Para 11—Page 7—Commercial Appendix).*—After hearing the departmental explanation and noting that the machine became obsolete in 1975 and would be offered to Wah Industries Ltd., for disposal, the Committee *decided to drop the para.*

2014. *Infructuous expenditure of Rs. 544,918 on Security equipment (Para 12—Pages 7-8—Commercial Appendix).*—Bad planning having been admitted by the department and the inquiry also having been completed, *the para was treated as settled.*

2015. *Extra expenditure of Rs. 127,900 due to irregular award of a contract (Para 13—Pages 8-9—Commercial Appendix).*—The view, held by Audit in this case was that the Ministry's statement, that the workability of the lowest rates was doubtful, was not tenable because, while processing the tenders, no such reasoning was recorded. Besides, the lowest tenderer had completed various works in the P.O.'s successfully.

2016. The Committee directed Audit to check that the reasons for not accepting the lowest tender were duly recorded and whether Messers Imam Din Janjua, who was awarded the contract, was an approved contractor. *Subject to the above, the para was deferred.*

2017. *Loss of Rs. 200,900 by keeping residential accommodation and shops, etc., vacant (Para 14—Page 9—Commercial Appendix).*—After hearing the departmental representative, a member remarked that it was really a case of bad planning and not loss. *The para was dropped.*

2018. *Procurement of sub-standard Zinc Ingots costing £ 45,657 (Rs. 1,095,768) (Para 15—Pages 9-10—Commercial Appendix).*—After hearing the departmental representative, *the para was dropped.*

2019. *Non-recovery of risk purchase of Rs. 781,702 (Para 16—Page 10—Commercial Appendix).*—After hearing the departmental representative, *the para was treated as settled.*

2020. *Over-Payment of Rs. 39,498 as emoluments to an Officer (Para 17—Pages 10-11—Commercial Appendix).*—It was confirmed by the departmental representative that the case was under the examination of the Ministry and he would report back the result to the Committee in due course. *Further consideration of the para was, therefore, deferred.*

2021. *Non-recovery of water charges from a society Rs. 859,185 (Para 18—Pages 11-12—Commercial Appendix).*—After hearing the departmental representative, *the para was treated as settled with the observation that the recovery of the balance may be expedited.*

2022. *Blockade of funds due to un-planned purchase of locomotives, Rs. 1,660,000 (Para 19—Page 12—Commercial Appendix).*—Audit had drawn the attention of the Committee to the fact that some locomotive engines, procured in 1971, had been commissioned on 31st March, 1980 and 14th April, 1980. After considering the detailed written explanation of the department for this abnormal delay in commissioning the engines, and particularly the fact that these engines were special type of locomotives, which could not be brought into use until the factory, then under construction and completed in 1980 had started working, *the para was dropped.*

2023. *Blockade of funds on purchase of cheque writing machines, Rs. 119,980 (Para 20—Pages 12-13—Commercial Appendix).* —Two cheque writing machines were purchased in November, 1975. They had still not been used. Explaining the circumstances for this purchase, it was stated in the departmental reply that the purchase formed part of the over-all plan. The machines were delivered to the Cost Office, Pakistan Ordnance Factory, Sanjwal during the middle of 1976. At that time, only a token Cost office was functioning at the Pakistan Ordnance Factory, Sanjwal. The bulk of payment and audit work was still being done by the main office at Wah. The operation of the cheque-writing machine, also required a special skill. The COFA, who was approached for the posting of a Cheque Machine operator during the last quarter of 1977, expressed his inability to start a D-Section at Sanjwal. It was confirmed by the departmental representative that a separate D-Section would be soon functioning at Sanjwal and the machine would remain no longer idle for long.

2024. Not being satisfied with the departmental explanation, the Committee *directed that responsibility for the purchase of the cheque writing machines should be fixed by the Ministry, for necessary action.*

2025. *Financial Review on the Working of the POF's for 1979-80—Recoveries due (Para 52—Page 31—Commercial Appendix).*—As pointed out by Audit, the following amounts were due to the Factories on the 30th June, 1980 :—

	Rs.
(a) Work done for private parties	82,859,647
(b) On account of sale of stores	19,356,435
(c) On account of Rent Etc.	861,612

2026. The Ministry, in their written reply, explained that the total amounts realised up to 28th February, 1982 against the above three heads were (a) Rs. 82,614,078 (b) Rs. 19,322,626 and (c) Rs. 685,979. While confirming the above recoveries, the Audit stressed the need for strenuous efforts being made to effect the recovery of the balance amount.

2027. Observing that the pace of recovery was not very satisfactory, as the balance at the end of the year was still large, *the Committee directed the departmental representative to see that current accumulations did not take place and that efforts be made to be up-to-date, so far as the current accounts were concerned.*

2028. *Financial Review on the Working of POF's for the year 1979-80 (Paras 53-54—Pages 32-33—Commercial Appendix).*—It was pointed out by Audit that Rs. 175,655,086 and Rs. 172,472,146 appeared on the Assets side of the Statement of Assets and Liabilities as being " the value of machinery invoiced but not received " and " payment made during the year, but stores awaited ".

2029. Similarly, an amount of Rs. 378,018,823 appeared against the head " Amount due from the Factories-Amount remained unpaid ", on the liabilities side of the Statement referred to above.

2030. *After some discussion, the Committee directed that the Ministry should adopt adequate measures to watch progress of recoveries.*

2031. *Production Account of Pakistan Ordnance Factories for the year 1979-80 (Para 58—Pages 41-42—Commercial Appendix).*—The Committee was not satisfied with the Accounts, as reflected in the Commercial Appendix to the Appropriation Accounts, and observed that hardly anyone in the department appeared to be conversant with the preparation of such accounts. The balance sheet, in the Committee's view, did not make much sense.

2032. The Accounts of Wah Industries Limited were also not considered to have been correctly prepared. *The Committee further directed that the Accounts of Wah Bofors should also be printed along with those of Wah Industries.*

COMPLIANCE ON POINTS RAISED IN PAC'S REPORTS ON THE ACCOUNTS FOR 1975-76 TO 1977-78

2033. Ex-gratia *payment Rs. 1,353,746 (Item 41—Page 10—AA—Appendix 'C'—AA—Defence Services—Paras 633—635—Page 132—PAC Report 1975-67).*—The Committee was informed that the case was under process and a final compliance report would be submitted during the next meeting of the PAC. It was noted that, although the department were directed about three years back to take action, they had not done so as yet. *The Committee felt displeased at this and directed that replies in respect of the above paras should be furnished to it by 30th April, 1983.*

2034. *Statement of* ex-gratia *payment exceeding Rs. 20,000 in each case (Items 8-9, 11—13—Page 11—AA—Defence Services—Paras 560-561, Page 120.—PAC Report 1976-77).*—The departmental representative stated that the case had since been called for a detailed examination and a final compliance report would be submitted to the Committee during its next meeting. Noting the same position of compliance in this case as in the previous one, *the Committee directed that replies in respect of the above paras should also be furnished to it by 30th April, 1983.*

2035. *Over issue of stores to contractors and short recovery of cost of stores retained by them. Rs. 16,075 (Para 11—Page 8—ARDS—Para 563—Page 121—PAC Report 1976-77).*—The Committee after going through the Audit comments that the letter of Cement Company, produced by the Department quoting the market rate of Rs. 9.95 was prevailing in November, 1973 and the actual market rate in June, 1974 was Rs. 12.65, directed the department to look into Audit's contention and report back the factual position to the Committee.

2036. *Loss of about Rs. 16 million due to non-acceptance of lowest tender (Paras 10—14—Pages 5—7—Commercial Appendix—Paras 112-113—Page 58—PAC Report 1977-78).—Audit was directed to give their detailed comments on the Ministry's reply, after consulting the records.*

2037. *Extra expenditure of Rs. 110,750 due to delay in acceptance of the lowest offer (Para 24—Page—14—ARDS—Paras 693—696—Pages 168-169—PAC Report 1977-78).*—The Committee was informed that the case was under process and a final compliance report would be submitted during the next meeting of the Committee. *The Committee directed the departmental representative that replies in respect of the above paras should be furnished to it by 30th April, 1983.*

2038. *Cases of serious irregularities [Para 25.6 (a) (i) to (v)—Pages 16—19—ARDS—Para 697—Page 169—PAC Report 1977-78].*—After hearing the departmental representative, the Committee was of the view that the irregularities appeared to be serious. *It, therefore, directed that the Division should furnish their reply taking into account the two factors* i.e., *weight and price, through Audit by 30th April, 1983.*

COMPLIANCE ON PAC'S REPORT 1978-79

2039. *Extra expenditure on purchase of stores (Paras 431-432—Pages 92-93—PAC Report 1970-71) (Para 1639—Page 448—PAC Report 1978-79).*—The Committee *directed the department to supply a copy of the letter, received from our Embassy in Washington, to Audit by 30th April, 1983.*

2040. *Points/paras not discussed to be treated as settled.*—The Committee did not make any observation on the other paras/points (i) in the Appropriation/ Commercial Accounts and Commercial Appendix Defence Services 1979-80 and the Audit Reports thereon, and (ii) Compliances on PAC's Reports 1975-76 to 1977-78. These would be deemed as settled subject to such regularisation actions, as may be called for under the rules.

2041. The Committee thereafter adjourned *sine die*.

M. A. HAQ,
Secretary.

Islamabad, the 1*st September*, 1983.

ANNEXURE II

STATEMENTS NOS. 1—5

ANNEXURE II

STATEMENTS NOS. 1 - 5

STATEMENT 1

(*See* Para 14 on Page 6 of the Report)

SUMMARY OF RESULTS OF APPROPRIATION AUDIT

(Appropriation Accounts, 1979-80)

(*In Million of Rupees*)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (—)	Percentage
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	
Other Than Charged					
Expenditure met from Revenue :					
Civil	15,596.0	17,467.8	14,727.7	—2,740.1	15.69
Defence	11,700.0	12,484.9	12,484.9	—	—
Pak. P. T&T ..	995.8	1,057.4	969.0	—88.4	8.36
Pak. Railways ..	2,602.0	3,000.9	3,009.2	+8.3	0.28
Total ..	30,893.8	34,011.0	31,190.8	—2,820.2	8.29
Expenditure met from Capital :					
Civil	11,261.2	14,239.2	11,548.1	—2,691.1	18.90
Defence	—	—	—	—	—
Pak. P. T & T ..	496.5	505.5	503.8	—1.7	0.34
Pak. Railways ..	789.8	789.8	1,046.1	+256.3	32.45
Total ..	12,547.5	15,534.5	13,098.0	—2,436.5	15.68
Disbursement of Loans & Advances	8,831.7	8,913.0	5,297.6	—3,615.4	40.56
Total (Other than Charged)	52,273.0	58,458.5	49,586.4	—8,872.1	15.18
Charged					
Expenditure met from Revenue :					
Civil	7,861.3	8,122.2	7,899.5	—222.7	2.74
Pak. P. T & T ..	205.0	205.0	168.1	—36.9	18.00
Pak. Railways ..	298.4	393.0	405.2	+12.2	3.10
Total ..	8,364.7	8,720.2	8,472.8	—247.4	2.84
Expenditure met from Capital :					
Civil	0.5	0.5	0.1	—0.4	80.00
Disbursement of Loans & Advances	3,269.0	3,298.9	2,677.2	—621.7	18.85
Repayment of Debt ..	130,358.0	134,364.4	131,300.1	—3,064.3	2.28
Total ..	133,627.5	137,663.8	133,977.4	—3,686.4	2.68
Total (Charged) ..	141,992.2	146,384.0	142,450.2	—3,933.8	2.69

1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	
Total Expenditure met from Revenue	39,258.5	42,731.2	39,663.6	—3,067.6	7.18
Total Expenditure met from Capital	12,548.0	15,535.0	13,098.1	—2,436.9	15.69
Total Disbursement Loans and Advances ..	12,100.7	12,211.9	7,974.8	—4,237.1	34.70
Total Repayment of Debt	130,358.0	134,364.4	131,300.1	—3,064.3	2.28
GRAND TOTAL ..	194,265.2	204,842.5	192,036.6	—12,805.9	6.25

STATEMENT 2

ANALYSIS OF SAVINGS AND EXCESSES BY MAIN DEPARTMENTS *i.e.* CIVIL, DEFENCE, POSTS, T & T AND RAILWAYS

(In Million of Rupees)

	Final Grant	Expenditure	Excess(+) Saving (—)	Percentage
1	2	3	4	5
	Rs.	Rs.	Rs.	
(a) As compared with Gross Grants including surrenders or withdrawals within the Grants/Appropriations :				
Civil	186,406.0	173,450.3	—12,955.7	6.95
Defence..	12,484.9	12,484.9	—	—
Pak. P. T&T	1,767.9	1,640.9	—127.0	7.18
Pak. Railways	4,183.7	4,460.5	+276.8	6.62
Total ..	204,842.5	192,036.6	—12,805.9	6.25
(b) As compared with Net Grants excluding surrenders or withdrawals within the Grants/Appropriations :				
Civil	179,903.4	173,450.3	—6,453.1	3.59
Defence..	12,484.9	12,484.9	—	—
Pak. P. T&T	1,610.6	1,640.9	+30.3	1.88
Pak. Railways	4,065.1	4,460.5	+395.4	9.73
Total ..	198,064.0	192,036.6	—6,027.4	3.04

STATEMENT 3

ANALYSIS OF THE SAVINGS AND EXCESSES UNDER REVENUE, CAPITAL AND LOANS AND ADVANCES

(In Million of Rupees)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess (+) Saving (—)	Percentage
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	
Civil					
Expenditure met from Revenue :					
Authorised	15,596.0	17,467.8	14,727.7	—2,740.1	15.69
Charged	7,861.3	8,122.2	7,899.5	— 222.7	2.74
Total ..	23,457.3	25,590.0	22,627.2	—2,962.8	11.58
Expenditure met from Capital :					
Authorised	11,261.2	14,239.2	11,548.1	—2,691.1	18.90
Charged	0.5	0.5	0.1	—0.4	80.00
Total ..	11,261.7	14,239.7	11,548.2	—2,691.5	18.90
Disbursement of Loans and Advances :					
Authorised	8,831.7	8,913.0	5,297.6	—3,615.4	40.56
Charged	3,269.0	3,298.9	2,677.2	—621.7	18.85
Tota ..	12,100.7	12,211.9	7,974.8	—4,237.1	34.70
Repayment of Debt :					
Charged	130,358.0	134,364.4	131,300.1	—3,064.3	2.28
Total (Civil) ..	177,177.7	186,406.0	173,450.3	—12,955.7	6.95
Defence					
Expenditure met from Revenue :					
Authorised	11,700.0	12,484.9	12,484.9	—	—
Pakistan Post Office, Telegraph and Telephone Departments					
Expenditure met from Revenue :					
Authorised	995.8	1,057.4	969.0	— 88.4	8.36
Charged	205.0	205.0	168.1	— 36.9	18.00
Total ..	1,200.8	1,262.4	1,137.1	—125.3	9.93

1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	
Expenditure met from Capital :					
Authorised	496.5	505.5	503.8	— 1.7	0.34
Total (Pak. P. T & T)	1,697.3	1,767.9	1,640.9	—127.0	7.18
Pakistan Railways					
Expenditure met from Revenue :					
Authorised	2,602.0	3,000.9	3,009.2	+ 8.3	0.28
Charged ..	298.4	393.0	405.2	+ 12.2	3.10
Total ..	2,900.4	3,393.9	3,414.4	+ 20.5	0.60
Expenditure met from Capital :					
Authorised	789.8	789.8	1,046.1	+256.3	32.45
Total (Pak. Railways).	3,690.2	4,183.7	4,460.5	+276.8	6.62
GRAND TOTAL ..	194,265.2	204,842.5	192,036.6	—12,805.9	6.25

STATEMENT NO. 4

STATEMENT SHOWING EXCESSES OVER AUTHORISED GRANTS WHICH REQUIRED TO BE REGULARISED

(*See* Para 14 on Page 6 of the Report)

Sl. No.	No. and Name of the Grant	Final Grant	Actual Expenditure	Excess
1	2	3	4	5
		Rs.	Rs.	Rs.
Civil :				
1.	3—Disaster Relief and Rehabilitation ..	27,321,000	31,979,822	4,658,822
2.	11—Federal Inspection Commission ..	1,700,000	1,739,873	39,873
3.	17—Other Expenditure of Ministry of Commerce	1,298,892,000	1,424,755,333	125,863,333
4.	41—Superannuation Allowances and Pensions	70,366,000	103,689,780	33,323,780
5.	42—National Savings	21,150,000	24,434,988	3,284,988
6.	111—Other Expenditure of Ministry of Religious Affairs & Minorities Affairs.	16,830,000	18,568,845	1,738,845
7.	129—Capital Outlay or Purchase of Newsprints	15,000,000	48,731,920	33,731,920
8.	132—Federal Miscellaneous Investments ..	142,324,000	164,045,770	21,721,770
9.	133—Other Loans and Advances by the Federal Government	208,835,000	226,382,125	17,547,125
10.	146—Development Expenditure of Finance Division	1,032,872,000	1,390,256,000	357,384,000
11.	168—Capital Outlay of Ministry of Commerce	2,500,000	6,403,000	3,903,000
12.	175—A-Capital Outlay of Ministry of Education	—	4,500,000	4,500,000
13.	186—A-Investment in Agrarian Management	—	76,678,469	76,678,469
14.	187—Capital Outlay on Pakistan Railways.	210,160,000	215,920,000	5,760,000
Pakistan Post Office & Telegraph & Telephone :				
15.	170—Capital Outlay on Pakistan Telegraph and Telephone Department.. ..	484,000,000	487,936,515	3,936,515
Pakistan Railways :				
16.	108—Expenditure charged to Railways Revenue	2,837,877,000	2,908,971,809	71,094,809
17.	187—Capital Outlay on Pakistan Railways.	789,840,000	1,046,112,360	256,272,360

STATEMENT NO. 5

STATEMENT SHOWING EXCESSES OVER CHARGED APPROPRIATIONS WHICH REQUIRED TO BE REGULARISED

(*See* Para 14 on Page 6 of the Report)

Sl. No.	No. and Name of Appropriation	Final Appropriation	Actual Expenditure	Excess
1	2	3	4	5
		Rs.	Rs.	Rs.
Civil				
1.	—Servicing of Domestic Debts ..	2,166,486,000	2,506,760,574	340,274,574
Pakistan Railways				
2.	136—Other Capital Expenditure of Pakistan Railways	86,936,000	99,376,095	12,440,095

APPENDIX " A "

COMPOSITION OF AD HOC PUBLIC ACCOUNTS COMMITTEE AND NINE MEMBER P.A.C.

(509-510)

Appendix 'A'

(See para 6 of the Report)

(1) *AD-HOC* PUBLIC ACCOUNTS COMMITTEE

(October, 1978 to 24th August, 1982)

1. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Chairman*
2. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. .. *Member*
3. Mr. Mushtaq Ahmad, former Auditor General of Pakistan. *Member*
4. Mr. Abdul Qadir, former Chairman, Railway Board .. *Member*

(2) PUBLIC ACCOUNTS COMMITTEE

(with effect from 25th August, 1982)

1. Mr. Ghulam Ishaq Khan, Minister for Finance, Commerce and Coordination .. *Ex-Officio Chairman*
2. Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman*
3. Mian Zaka-ur-Rehman (Punjab) Member, Federal Council .. *Member*
4. Syed Saieed Hasan (Sind) Member, Federal Council .. *Member*
5. Nawabzada Azmat Ali Khan (NWFP) Member, Federal Council *Member*
6. Mir Jam Ghulam Qadir Khan of Lasbela (Baluchistan) .. *Member*
7. Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan .. .. *Member*
8. Mr. Abdul Qadir, former Chairman, Railway Board .. *Member*
9. Mr. Yusuf Bhai Mian, Chartered Accountant .. .. *Member*

(Finance Division Notification SRO 811 (I)/82, dated 25-8-1982).

APPENDIX "B"

FUNCTIONS OF THE PUBLIC ACCOUNTS COMMITTEE

(513-514)

Appendix 'B'

(*See* para 7 of the Report)

FUNCTIONS

1. Federal Accounts

(1) In scrutinising the appropriation and other accounts of the Government and the reports of the Auditor General thereon, it shall be the duty of the Committee to satisfy itself—

(a) that 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 ;

(b) that the expenditure conforms to the authority which governs it ; and

(c) that every re-appropriation has been made in accordance with the provisions made in this behalf under the rules framed by the Ministry of Finance.

(2) It shall also be the duty of the Committee—

(a) to examine 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 the President may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme or concern or project and the report of the Auditor-General thereon ;

(b) to examine the statement of accounts showing the income and expenditure of autonomous and semi-autonomous bodies the audit of which may be conducted by the Auditor General either under the directions of the President or under an Act of Parliament ; and

(c) to consider the report of the Auditor-General in cases where the President may have required him to conduct the audit of any receipts or to examine the accounts of stores and stocks.

(3) If any money has been spent on any service during a financial year in excess of the authorised grant or appropriation for that purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendations as it may deem fit.

[*Finance Division Notification No. SRO 811 (I)/82, dated 25th August,* 1982].

II. Evaluation of Public Sector Enterprises

"There is a widely held belief that the desired degree of accountability in the public sector enterprises has been lacking.

Therefore.....it has been decided to establish on a permanent basis a special unit to evaluate, on a continuing basis, the performance of public sector commercial enterprises.

To ensure the independence of the unit it will form part of the Auditor General's set-up and its reports will be submitted not only to Government in Ministry of Finance but also placed before the Public Accounts Committee".

(Excerpt from the speech of the Secretary General-in-Chief delivered on September 2, 1977).

APPENDIX " C "

DETAILS OF THE STAFF AND FUNCTIONS OF THE CENTRAL BOARD OF FILM CENSORS

Appendix "C"

(*See* Para 353 of Annexure I)

GOVERNMENT OF PAKISTAN

CENTRAL BOARD OF FILM CENSORS

Page 49 (Para 164).—As desired by the Public Accounts Committee in para referred to above the details of staff and the functions of the Central Board of Film Censors are given as under :—

2. The Central Board of Film Censors, Islamabad with its branches at Lahore and Karachi is an Attached Department of the Culture, Sports and Youth Affairs Division. The Board functions under the Motion Pictures Ordinance, 1979 and the Censorship of Films Rules, 1980. The Chairman is the head of the Department who sits in Islamabad. The Lahore Office of the Board is headed by a Vice-Chairman while the Karachi Office is headed by a Secretary.

3. The films produced in the Provinces of Sind are censored at Karachi. The films produced in the Province of Punjab are censored at Lahore while the imported films including films produced in Pushto language and those belonging to Foreign Missions are censored at Islamabad. The producers of local films have, however, an option to get their films censored at Islamabad instead of Karachi and Lahore.

4. The Members of the Board are Honorary who are paid Conveyance Allowance/Fee at rate of Rs. 22 per attendance.

5. For the purpose of examination of films the Board charges fee at the rate given below :—

Examination Fee

Size of Film	Length of film	Sale of Fee
1	2	3
35 MM	(a) 900 meters or below	Rs. 20 per 300 meters or a fraction thereof.
	(b) Exceeding 900 meters	Rs. 80 per 300 meters or a fraction thereof.
16 MM	(a) 300 meters or below	Rs. 20 per 100 meters or a fraction thereof.
	(b) Exceeding 300 meters	Rs. 80 per 100 meters or a fraction thereof.
V.C.R.	(a) Upto 30 minutes duration.	Rs. 30 per 10 minutes or a fraction thereof.
	(b) Exceeding 30 minutes duration.	Rs. 100 per 10 minutes or a fraction thereof.

1	2	3
	Screening Fee	
35 MM, Cinemascop 2-D, 3-D, Vistavision.	(a) 600 meters or below (Trailers, shorts, documentaries and Newsreels).	Rs. 100.
	(b) Exceeding 600 meters.	Rs. 500.
16 MM	(a) 600 meters or below.	Rs. 40.
	(b) Exceeding 600 meters	Rs. 100.
V.C.R. etc.	(a) Upto 20 minutes duration.	Rs. 40.
	(b) Exceeding 20 minutes duration.	Rs. 100.

In all there are 12 posts of officers in grade 16 to 20 as per details given below. The Officers of the Board have to perform duties mentioned against them :—

Sl. No.	Designation of post	No. of post	Grade	Duties
1	2	3	4	5
1.	Chairman	1	20	1. To attend the Censorship of films. 2. To preside over the meetings of the Board. 3. To co-ordinate between the Administrative Ministry, Provincial Government and the Board. 4. To guide and supervise the overall working of the Board as a head of the Department.
2.	Vice Chairman ..	1	18	1. To look after the work in the absence of Chairman on tour and on leave. 2. To co-ordinate the administrative and legal work and give directions to the Film Inspectors, Hon-Film Inspectors for proper checking of Cinema Houses and control over exhibition of uncertified films. 3. To perform protocol duties pertaining to the visits of VIPs to the Projection Hall. To attend the meetings of the Board.
3.	Secretary	3 (1 held in abeyance)	17	1. To be present at examination of films. 2. To assist the members in the examination of films by bringing to notice the Censorship Code and the instructions from time to time issued by the Federal Government. 3. To keep the Board informed of the action taken in cases of contravention of the Ordinance and the Rules made thereunder. 4. To perform such other functions as the Chairman and the Vice-Chairman direct.

1	2	3	4	5
4.	Film Inspector ..	8	16	1. To make out-door checks for the purpose of ensuring that the Ordinance and the Rules are being observed in the cinema houses and to report to the Chairman and the Vice-Chairman or Secretary if any of such provision are being violated. 2. To do any other work that may from time to time be entrusted to him by the Chairman, Vice-Chairman and the Secretary.

7. The staff position of the Board is given below :—

Sl. No.	Post	Grade	Sanctioned strength
1.	Superintendent	16	1
2.	Assistant	11	5
3.	Stenographer	11	1
4.	Stenotypist	8	3
5.	U.D.C.	7	5
6.	Projectionists	7	5
7.	Telephone Operator.	7	1
8.	Care-Taker	7	1
9.	Caligrapher	7	1
10.	L.D.C.	5	2
11.	Driver	4	1
12.	D.M.O.	4	3
13.	D.R.	3	2
14.	Naib Qasid	1	9
15.	Farash	1	1
16.	Mali	1	1
17.	Sweeper	1	1
18.	Chowkidar	1	2
19.	Daftry	1	1

APPENDIX "D"

NOTE SUBMITTED BY THE STATE BANK OF PAKISTAN IN COMPLIANCE WITH THE DIRECTIVE OF AD HOC PUBLIC ACCOUNTS COMMITTEE

Appendix "D"

(*See* para 1174-A of Annexure-I)

NOTE SUBMITTED BY THE STATE BANK OF PAKISTAN IN COMPLIANCE WITH THE DIRECTIVES OF *AD-HOC* PUBLIC ACCOUNTS COMMITTEE

During the course of discussions on State Bank's Accounts for the year 1978-79 in the meeting of the *Ad-hoc* Public Accounts Committee held at Islamabad on the 15th April, 1981 one of the members of the Committee raised the following points :—

(i) The appreciation on account of revaluation of gold has been treated as an income and included in the regular income of the Bank thereby affecting the Income and Expenditure Account and Profit and Loss Account and then transferred to the Reserve Account of the Bank. The member desired to know as to why the figure of appreciation on revaluation of gold was not shown separately in the Accounts and transferred to the Reserve Account.

(ii) As a result of revaluation of gold and appreciation in its value the value of gold on the 'Assets' side of the Issue Department increased. The member desired to know whether this increase on the 'Asset' side was utilised for increasing the circulation of notes, by issuing notes as an addition to those already held in circulation on the relative date.

(iii) On a reply to the question raised at (ii) above that as a result of appreciation in the value of gold and increase in the value of the 'Assets' of the Issue Department the circulation of notes was not increased but adjustments were made in the Issue/Banking Department Accounts, the member desired to know the mechanism of such adjustments and also why two sets of Accounts under 'Issue Department' and 'Banking Department' were maintained separately.

2. Although the position in respect of each of the points mentioned above was explained in detail to the Public Accounts Committee, the members desired that the clarification may be made available to them through a brief-self-contained note. The position in respect of the points is discussed *seriatim* as under :—

(i) The question of appropriating the unrealised appreciation in the value of gold held by the Bank in the books of accounts, was duly considered at the time when the transactions relating thereto were first put through in June, 1978. The unrealised appreciated value used to be held in the books of Banking Department under the head "Issue Department Revaluation Suspense Account" under 'Other Liabilities' pending adjustment at the end of the financial year. While closing the annual account

of the Bank for the year 1978 the question of adjustment/appropriation of the appreciated value of gold held in the aforesaid account was discussed with the Bank's External Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants and it was agreed that the most appropriate manner in which we could transfer the amount of appreciation on gold to our Reserve Fund Account was through the channel of Profit and Loss Account which was also in accordance with the provisions of section 41 of State Bank of Pakistan Act which reads as under:—

"41.—*Reserve Fund.*—The securities of the value of three crores of rupees contributed by the Federal Government for the purpose shall be held by the Bank as part of its Reserve Fund which may also receive such appropriations out of the annual profits as the Bank may, with the prior approval of the Federal Government, from time to time decide." The Profit and Loss Account is built up through the transfer of balances held under all the Income and Expenditure Heads. Therefore, the income of the Bank under any head, whether realised or unrealised has to find a way to the Profit and Loss Account through the prescribed heads. The balance held in the Issue Department—Revaluation Suspense Account on account of unrealised appreciation had accordingly to be transferred to the Profit and Loss Account through one of the Income Heads *i.e.* the Commission Account.

The suggestion of the PAC that there should have been a separate head of account (Income Account) to book the income on account of appreciation in the value of our gold so that it was not mixed up with the regular income of the Bank has been examined in consultation with the Bank's External Auditors M/s. Ferguson and Co. and it is now proposed to establish a separate Reserve Fund Account for recording the transactions on account of revaluations of gold so that adjustments as a result of revaluation either towards appreciation or depreciation are made without routing the transactions through the Income and profit and Loss Account. The implementation of the above suggestion involves amendment in the State Bank of Pakistan Act, 1956 which matter is being processed separately.

(ii) Increase in the value of gold on the 'Assets' side of the Issue Department does not affect the 'Liabilities' side *i.e.* there is no corresponding increase in circulation of notes. To account for the increase/decrease at the time of revaluation of gold, Government of Pakistan Securities, held as assets of the Issue Department, of the equivalent amount are transferred from Issue Department to Banking Department or *vice versa* and as such the increase in the value of Gold does not affect the volume of 'Notes in Circulation'.

(iii) The mechanism of adjustments in the Issue/Banking Department Accounts as a result of revaluation of gold and appreciation/depreciation in its value has been explained in sub-para (ii) above. As regards the reason for maintaining two sets of Accounts under "Issue Department" and "Banking Department", a reference is invited to section 26 (1) and section 32 (1) of the State Bank of Pakistan Act, 1956, which read as under :—

"26—(1) The issue of Bank Notes shall be conducted by the Bank in an Issue Department which shall be separated and kept wholly distinct from the Banking Department and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the Issue Department as hereinafter defined in Section 32."

"32—(1) The liabilities of the Issue Department shall be an amount equal to the total of the amount of the Bank Notes for the time being in circulation."

The law requires that issue of Bank Notes be conducted by the Bank in an 'Issue Department' which shall be separated and kept wholly distinct from the 'Banking Department' and the liabilities of the Issue Department shall comprise only of the total amount of Bank Notes for the time being in circulation. The maintenance of separate set of Accounts for the 'Issue Department' is thus a statutory responsibility of the Bank. The rationale appears to be that note issuing function of the Bank may be kept distinct from its 'banking functions' properly so called.

APPENDIX "E"

NOTE SUBMITTED BY THE STATE BANK OF PAKISTAN IN COMPLIANCE WITH THE DIRECTIVE OF AD-HOC P.A.C.

Appendix "E"

(See para 1175 of Annexure-I)

NOTE SUBMITTED BY THE STATE BANK OF PAKISTAN IN COMPLIANCE WITH THE DIRECTIVES OF *AD HOC* PUBLIC ACCOUNTS COMMITTEE

The *Ad hoc* Public Accounts Committee at its session held at Islamabad on the 15th April, 1981 while discussing the accounts of the State Bank of Pakistan desired among others to have a note about State Bank's deposits etc., in the former East Pakistan. The position in respect of the deposits of the Bank in the former East Pakistan as incorporated in the Bank's Balance Sheet is explained hereunder:—

(i) On the occasion of the fall of East Pakistan relevant information about the transactions at the Bank's Office in East Pakistan was not being received in the Central Directorate. The accounts of the Bank had, therefore, to be compiled incorporating therein whatever information was received in the C.D. from the offices in former East Pakistan keeping in view the situation then prevailing. The accounts were thus built up in the basis of the telegrams or the statements received in the Central Directorate containing information about the transactions on the last available date prior to the fall of Dacca. As a result of the above the following transactions relating to the offices of the Bank in the former East Pakistan were incorporated in the weekly Statement of Affairs.

Liabilities Side		Assets Side	
Head of Account	Amount	Head of Account	Amount
1	2	3	4
	Rs.		Rs.
1. State Bank of Pakistan General A/c.	60,36,96,000	11. State Bank of Pakistan General Account.	3,46,18,000
2. Deposits-Central Government-I.	49,97,000	12. Central Government Account I.	51,78,000
3. Deposits Provincial Government Non-Food Account.	1,09,55,000	13. Provincial Government Account Non-Food.	4,88,48,000
4. Deposits-Provincial Government Food.	47,23,000	14. Provincial Government Account-Food.	—
5. Deposits-Railway Accounts ..	—	15. Railway A/cs. ..	4,53,000
6. Deposits—Bank	17,49,91,000	16. Notes.	7,000
7. Deposits—Others	52,44,000	17. Rupee Coin	26,000
8. Bills Payable Accounts ..	18,92,000	18. Subsidiary Coin. ..	1,36,000

1	2	3	4
9. Other Liabilities	65,18,000	19. Bills Purchased and discounted Internal.	23,84,17,000
		20. Bills purchased and discounted External.	—
		21. Government Treasury Bills.	—
		22. Loans and Advances to Government.	—
		23. Other Loans and Advances.	43,16,75,000
		24. Investments	—
		25. Other Assets	5,36,58,000
10. Total Liabilities	81,30,16,000	26. Total Assets	81,30,16,000

The above balances held in the books of the offices of the Bank in the former East Pakistan and reported to C.D. continue to be repeated in the Statement of Affairs of the Bank. The amount of interest accrued on the overdrawings from the Bank by the former East Pakistan Government and the Pakistan Eastern Railways, but not realised, is not, however, included in the above transactions but is held in the books of the C.D., under 'Other Liabilities'. The amount of such interest upto 30th June, 1981 worked out to Rs. 22,19,34,106.60.

The position of the deposits etc. of the Bank in the former East Pakistan as detailed above is briefly explained hereunder :—

Liabilities

(1) *State Bank of Pakistan—General Account.*—This account is meant for adjustment of inter-office transactions. The total of the credit balance (on the Liabilities Side) and the total of debit balances (on the Assets Side) of all the offices of the Bank in former East Pakistan as last reported to the C.D. worked out to Rs. 60,36,96,000 and Rs. 3,46,18,000 respectively. After selling off the total of the debit balances of Rs. 3,46,18,000 on the Assets Side from the credit balance of Rs. 60,36,96,000 on the Liabilities Side, the latter shows a net credit balance of Rs. 56,90,78,000. Details of the Liabilities/Assets on the above account against each office in the former East Pakistan could not, however, be determined in the absence of full information about the relevant items.

(2,3 & 4) *Central Government Account I and Provincial Government Non-Food and Food Accounts Deposits.*—Under these accounts are booked all the transactions of receipts and payments effected on behalf of the Federal Government and the Provincial Government and the balances in the books of the respective offices struck off. The amounts of Rs. 49,97,000. Rs. 1,09,55,000 and Rs. 47,23,000 shown under 'Liabilities' represent, the credit balances of the Federal Government and the former Government of East Pakistan in the books of the offices of the Bank in former East Pakistan on the last available dates.

(6) *Deposits—Banks.*—These represent the statutory deposits etc. maintained by the commercial banks with the State Bank. A credit balance of Rs. 17,49,91,000 was held under this head at our offices in former East Pakistan.

(7) *Deposits—Others.*—There was a credit balance of Rs. 52,44,000 under this head. The head comprises of many accounts such as Sundry Deposits Account, Provident Fund Account, Dividend on Shares Account etc. The nature and details of the deposits held under the head could be gathered only with reference to the transactions/entries appearing in the relative books of accounts of each office or the prescribed annual returns which the respective offices were required to submit to the C.D.

(8) *Bills Payable.*—This head represents the outstanding balances held in various Accounts in the books of the offices in former East Pakistan relating to Bank and Government Drafts Payable, Payment Orders and Telegraphic Transfers etc. drawn on the offices and branches of the Bank by the authorised offices/agencies under the Bank's Remittance Facilities Scheme. The balances under this head amounted to Rs. 18,92,000.

(9) *Other Liabilities.*—A credit balance of Rs. 65,18,000 stood under this head. The balance held under 'Other Liabilities' represents balances under various heads of Income Account etc. of the offices in former East Pakistan.

Assets

(12,13) *Central Government Account No. 1 and Provincial Government Account—Non-Food.*—Under these Accounts are booked all the transactions of receipts and payments effected on behalf of the Federal Government and the Provincial Government and the balances in the books of the respective offices struck off. The amounts of Rs. 51,78,000 and Rs. 4,88,48,000 shown under 'Assets' represent the debit balances of the Federal Government and the former Government of East Pakistan in the books of the offices of the Bank in former East Pakistan on the last available date.

(15) *Pakistan Railways.*—Under this head are booked all the transactions of receipts and payments effected on behalf of the former Pakistan Eastern Railways at the offices of the Bank in former East Pakistan. The head carried a debit balance of Rs. 4,53,000 thereby indicating overdrawings by the former Pakistan Eastern Railways at Bank's offices in former East Pakistan.

16, 17 & 18	Notes	These represent cash held in Banking Department.
	Rupee Coin	
	Subsidiary Coin	

(19) *Bills Purchased and Discounted—Internal.*—This head represents the discounted value of Internal Bills or Government Treasury Bills held our offices in former East Pakistan against which advances were made by the respective offices to banks under Bills Rediscounting Scheme. A balance of Rs. 23,84,17,000 appears under this head.

(23) *Other Loans and Advances.*—A debit balance of Rs. 43,16,000 was outstanding in the books of our former East Pakistan offices. The balance represents amounts advanced to banks under Demand Loan and Over-draft facility.

(25) *Other Assets.*—This head includes many accounts like, Charges Account, Suspense Account, Dead Stock Account and Staff Advances Account etc. The balance of Rs. 5,36,58,000 appeared under this head in the books of our offices in former East Pakistan as on the last available date.

APPENDIX "F"

RATES OF INTEREST ON FOREIGN LOANS

Appendix 'F'

(See para 1640 of Annexure I)

Sl. No.	Loan Number	Rate of Interest		
		On Borrowing Terms		On Relending Terms
		On Capital Account	On Replacement Account	On Replacement Account
1.	IB-320-PAK	5½% P.A.	5½% P.A.	—
2.	IDA-57-PAK	¾% P.A.	—	5½% P.A.
	IB-496-PAK	6% P.A.	6% P.A.	—
	IB-621-PAK	6½% P.A.	6½% P.A.	—
5.	DLF-20 (391-H-010) ..	3½% P.A.	—	—
6.	DLF-105 (391-A-020) ..	3½% P.A.	3½% P.A.	—
7.	DLF-186..	3½% P.A.	—	—
8.	AID-045	¾% P.A.	¾% P A	—
9.	AID-070	¾% P.A.	—	3½% P.A.
10.	AID-085	¾% P.A.	—	4 % P.A.
11.	AID-106	1% P.A.	—	—
12.	AID-129	1 % P.A.	—	4 % P.A.
13.	AID-058	—	¾ % P.A.	—
14.	AID-142	—	2 % P.A.	—
15.	8th UK Credit	12% P.A.	—	—
16.	9th UK Credit	12% P.A.	—	—
17.	11th UK Credit	12% P.A.	—	—
18.	German Credit AL-51 ..	3% P.A.	3 % P.A.	—
19.	German Credit AL-88 ..	—	4.3 % P.A.	—
20.	German Credit AL-137 ..	4.25 % P.A.	4.25 % P.A.	—
21.	German Credit AL-488 ..	3 % P.A.	3 % P.A.	—
22.	German Credit AL-611 ..	3 % P.A. 2.5 % P.A.	Partly 3% P.A. (Partly) (Do.) 2.5% P.A. (,,)	

PCPPI—S/1431/(83) F.C.S.—1-1-84—260.