REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF THE GOVERNMENT OF PAKISTAN

FOR THE YEAR

1977-78

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The recommendations of the Committee, summarised in para 122 of the Report, were approved by the President on the 14th March, 1981.

NATIONAL ASSEMBLY SECRETARIAT

REPORT OF THE AD-HOC *PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF THE FEDERAL GOVERNMENT FOR THE YEAR* 1977-78.

Examination of Federal Accounts now upto-date.

Beginning with its first Report in March, 1979 on the Federal Accounts for 1970-71, this is the eighth Report of the *Ad-hoc* PAC relating to the Federal Accounts for 1977-78. When the Committee first met on October 4, 1978, it had before it the stupendous task of examining and finalising the Federal Accounts for 1970-71 and the subsequent years. With determination and perservance and the unstinted help and co-operation of the Auditor-General, Ministries|Divisions and the National Assembly Secretariat, the Committee were able to hold, during this period, no less than 11 sessions spread over 53 days. In the process, a complete liquidation of the backlog was achieved, so that the Committee, thanks to the hard work put in by Audit, will now be dealing with the Federal Accounts for 1978-79, which have been already circulated to the Ministries|Divisions.

Sad demise of a Member.

2. Mr. Mushtaq Ahmed, an *ex*-Auditor-General and a Member of the Committee, could not make to attend any of its meetings, because of his protracted illness. The Committee would, however, like to place on record their deeply felt grief over his sad demise on June 16, 1980.

Examination of 1977-78 Accounts.

3. Having almost cleared the arrears, the Committee had decided, in an earlier session, to examine the 1977-78 and subsequent accounts in greater detail. Accordingly, these Accounts were examined in two sessions of six days each, the first one held from

May 24 to 29, 1980, covering the Accounts of 18 Ministries|Divisions, and the second one from the 23rd to 28th August, 1980 during which the Accounts of the remaining Ministries|Divisions were completed.

Proceedings of the Committee to form part of this Report.

4. The proceedings of the Committee's meetings, held to examine the Appropriation Accounts for the year under report, are appended as Annexure I. These proceedings and the specific recommendations and observations contained therein, like those relating to the previous years, should be regarded as part of this Report.

Low level of representation at P.A.C. meetings held in May and August, 1980.

5. In para 9 of their O.M. dated 18th May, 1973, the Ministry of Finance had enjoined upon the Principal Accounting Officers to satisfy the PAC that the policy approved by the Legislature|Government had been carried out with due regard to economy and to furnish them with explanations of any examples to the contrary to which their attention may have been drawn. The Committee have also been repeatedly trying to impress upon the Principal Accounting Officers the need for representing their Ministries|Divisions at its meetings themselves. It has to be regretfully reported that the phenomena of increasing absence of the Principal Accounting Officers from the P.A.C. meetings was markedly noticeable during the examination of the Accounts for 1977-78. In fact, the level of representation of Ministries|Divisions, at times, went down even to that of Deputy Secretary. As a result, the Committee found themselves considerably handicapped in carrying on with their deliberations fruitfully.

6. The personal appearance of Principal Accounting Officers at the meetings of P.A.C. can hardly be over-emphasized. Besides inducing the employees, responsible for incurring expenditure and maintaining accounts, to be more careful, the presence of Principal Accounting Officers at the meetings of the PAC could enable them to locate, at first hand, the areas which needed their attention most, for improvement, and to know of the working of their Ministries|Divisions from the PAC's viewpoint. This also provided an oppor-

tunity to the Principal Accounting Officers to identify, through the Committee, to the Government their genuine difficulties in matters like securing funds for inescapable expenditure in time, maintenance of accounts in the required manner and effective supervision to control irregularities and improprieties.

7. Since the programme of PAC meetings is fixed and normally intimated to all concerned six to eight weeks ahead, it should be adequate notice for the Principal Accounting Officers to order their own engagments so as to be able to appear before the Committee personally. Therefore, except where they may be called upon, at very short notice, to attend a high level meeting or pay a visit, outside the headquarters, on the same date and time, the Committee saw no reason why the Principal Accounting Officers should not themselves represent their Ministries|Divisions at its scheduled meetings. The Committee felt that the absence of Principal Accounting Officers from its meetings, in many a case, lacked convincing justification.

8. To carry home to the Principal Accounting Officers the necessity and importance of personally representing their Ministries| Divisions at the meetings of the PAC, it is recommended that a clear and strict directive be issued by Government, making it incumbent on all the Principal Accounting Officers to make it convenient to represent their Ministries|Divisions personally before the P.A.C. when their Accounts are being examined by them.

Compliance Reports by Ministries|Divisions on points raised in P.A.C's Reports on the Accounts for 1970-71 to 1974-75.

9. Because of its pre-occupation with the examination of Appropriation and other Accounts as from 1970-71, the Committee could not find it possible to take up detailed examination of the Compliance Reports, submitted by Ministries|Divisions in respect of their Reports on the Accounts for the years 1970-71 to 1974-75. Besides, it was felt that it may not be worth-while for the Committee to go through each and every reply from the Ministries,

without the Audit first verifying the various Compliances. Accordingly, it was decided to request Audit to examine these reports and bring back any points worth consideration to the Committee.

Appropriation Accounts (Civil) for 1977-78.

10. The original schedule of Authorised Expenditure for the year 1977-78 comprised 183 Grants, (excluding those for the Defence Services, Railways, the Pakistan Post Office and Telephone and Telegraph Departments) amounting to Rs. 23,946,323,000. In addition, the Appropriations for Expenditure, charged on the Federal Consolidated Fund, amounted to Rs. 76,719,969,000. During the year 1977-78, Supplementary Grants amounting to Rs. 4,123,358,000, to meet the estimated increase in expenditure, and Supplementary Appropriation of Rs. 10,683,135,000, 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).

11. The following Table summarises the over-all result of the Appropriation Accounts for the year 1977-78 :—

Appropriation.		Original Grant/ Appropriation.	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Expenditure.	Expenditure as compared with the Final Grant/Appropriation Excess+ Saving—
1		2	3	4	5	6
Totals	*Charged*	*76,719,969,000*	*10,683,135,000*	*87,403,104,000*	*81,654,456,695*	*+52,475,952* —5,801,123,257
	Voted and Authorised	23,946,323,000	4,123,358,000	28,069,681,000	20,080,214,868	+501,859,980 —8,491,326,112
Expenditure met from Revenue	*Charged*	*5,600,556,000*	*166,205,000*	*5,766,761,000*	*4,066,901,844*	*+52,475,952* *—1,752,335,108*
	Voted and Authorised	8,870,846,000	1,707,657,000	10,578,503,000	8,713,403,552	+441,060,262 —2,306,159,710
Expenditure met from Capital	*Charged*	*350,000*	..	*350,000*	*273,604*	*—76,396*
	Voted and Authorised	7,628,427,000	2,376,618,000	10,005,045,000	6,729,996,670	+60,799,718 —3,335,848,048
Loans and Advances by the Federal Government.	*Charged*	*3,055,379,000*	..	*3,055,379,000*	*2,568,397,257*	*—486,981,743*
	Voted and Authorised	7,447,050,000	39,083,000	7,486,133,000	4,636,814,646	—2,849,318,354
		Rs.	Rs.	Rs.	Rs.	Rs.
Repayment of Debt	*Charged*	*68,063,684,000*	*10,516,930,000*	*78,580,614,000*	*75,018,883,990*	*—3,561,730,010*
Amount of Excess to be covered by Grants or Appropriations :						
	Charged	..	..	..	..	*+52,475,952*
	Voted	..	..	..	..	+501,859,980

12. Appended as Annexure II to this Report are the following statements, pertaining to the Appropriation Accounts (Civil) 1977-78 and representing the findings of Audit in respect thereof :—

(1) Summary of the Results ;

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

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

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

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

SOME NOTABLE FEATURE OF THE 1977-78 ACCOUNTS

(1) Expenditure incurred in excess of Grant|Appropriation.

13. In 33 cases, expenditure amounting to Rs. 554,335,932 was incurred in excess of the Final Grants of Appropriations. Details of the administrative Ministries involved are contained in the statements (4) and (5) of Annex-II. The said excesses are required to be regularised under the Budgetary Provisions Order, 1978.

(2) Revenue Receipts and Revenue Expenditure.

14. The net Revenue Receipts of the Federal Government for 1977-78 amounted to Rs. 21,348 million against which revenue expenditure totalled Rs. 22,922 million. Though revenue receipts showed an increase of Rs. 2,796 million or 15% over the net revenue receipts in the previous year, the actual expenditure of Rs. 22,922 million, showed a decrease of Rs. 471 million or 26%. During the preceding year 1976-77 too increase in receipts was 21% as compared with only 1% decrease in expenditure.

(3) Ways and Means Advances.

15. Under agreement with the State Bank of Pakistan, the Federal Government have to maintain a minimum balance of Rs. 30 million with the Bank. Any deficiency in the above amount is made good by taking a Ways and Means Advance from the Bank, creating *ad-hoc* Treasury Bills or selling Treasury Bills to the public.

During the year 1977-78, Ways and Means Advances of Rs. 1,578 million were obtained and Rs. 1,478 million were repaid, leaving a balance of Rs. 100 million.

16. The year opened with a cash negative balance of Rs. (—) 2,792 million at the Bank and Rs. 17 million at the Treasuries and closed with an outstanding balance of Rs. (—) 3,336 million at the Bank and Rs. 5 million at the Treasuries.

(4) External Resources.

17. It was proposed in the Budget that 75.15% of the total Development and Non-Development Capital Outlay would be met from External Resources, *i.e.,* Foreign Loans and Grants. In actual fact, 89% of the Capital Outlay during 1977-78 had to be met from External Resources.

(5) Foreign Loans.

18. The year opened with a balance of foreign loans amounting to Rs. 43,584,352,745 and closed on the 30th June, 1978, with an outstanding balance of Rs. 46,771,268,640. Rs. 1,307,508,796 was paid as interest on Foreign Loans and credits during the year.

(6) Internal Debt.

19. The total Internal Debt liability of the Government at the end of 1977-78 amounted to Rs. 33,748,470,056. An interest of Rs. 1,128,607,686 was paid on these debts during the year.

(7) Foreign Grants.

20. The receipts on account of Foreign Grants during the year amounted to Rs. 721 million. Out of this, Rs. 594 million was utilised during the year.

I. MAIN DEFECTS|IRREGULARITIES NOTED IN ACCOUNING AND FINANCIAL MANAGEMENT

(1) Misclassification, Incorrect Posting and other mistakes in Accounts.

21. Certain accounting deficiencies like non-booking, incorrect posting, delayed passing of debits from one office to another or their

belated adjustment without any intimation to the concerned department, in the accounts for 1977-78 came to the Committee's notice. Some such instances may be seen in paras 232, 249, 270, 323, 395, 587, 590, 622, 741, 750, 766, 888-89, 942, 1189 and 1193-94 of Annex. I.

22. The repeated recurrence of one or more of the above defects tended to vitiate the Accounts, which were disputed by the departmental representatives. The Committee were, therefore, obliged, in such cases, to request the Audit to have the figures, printed in the Appropriation Accounts, re-checked with the departments concerned and make the necessary corrections, according to codal provisions, in the Accounts Books subsequently, to reflect the final correct picture of the Grants.

23. One effective measure by which misclassifications etc. could be detected and corrections effected in time would, no doubt, be a timely reconciliation of departmental figures with those of the Accounts Offices. On the part of the Accounts Offices, more attention needs to be paid to ensuring correct accounting and avoiding misclassification, initially. Notwithstanding the instructions already issued to Accounts Offices in this behalf, the matter is of such an importance as to warrant a constant watch and repetition of the instructions periodically.

24. In certain cases, adjustment of expenditure pertaining to the previous year(s) was effected in the accounts of the year under report, and that too after the close of the year and without intimation to the Department concerned (Paras. 85, 407, 1189 and 1194|Annex. I). Although the Ministries|Divisions are responsible for keeping track of their past liabilities, yet all the Accounts Officers concerned must be enjoined, if not done already, to give prompt intimation about such adjustments to the administrative Ministries, before the close of the financial year, where possible, to enable them to secure sanction for the requisite funds in time and thereby minimise the extent of uncovered excess expenditure.

(2) Non-Reconciliation of Accounts.

25. One of the important factors, which was found to be impeding a proper control of expenditure, was non-maintenance|incorrect maintenance of departmental accounts, arising out of delay

in their periodical reconciliation with the figures of Accounts Offices. With a view to improving the maintenance of Accounts and making them more realistic, Audit Offices had now begun to chalk out programmes for a *quarterly* reconciliation of Accounts and requesting the Ministries etc. to send their representatives accordingly for carrying out the reconciliation of departmental figures with those of Audit. To assess as to how was this system actually working, the Committee had called upon the Ministries etc. to furnish to them in their meetings a statement, showing the up-to-date position of the reconciliation of their accounts with Audit.

26. The Committee noted that the procedure had not yet begun to work effectively in all the offices, mainly because of the lack of requisite response from all the administrative Ministries etc. It transpired during the discussions that quite a number of Controlling Officers had not yet cared to ensure adherence to the programmes of reconciliation sent by Audit, presumably as they still attached little or no importance to this work. Non-receipt of programmes of reconciliation, issued by the Audit Offices from time to time, was also pleaded in some cases of serious default, though without fully convincing the Committee.

27. The importance which Ministries/Divisions attached to reconciliation of their figures with those of Audit was also evident from the extremely low level of officials deputed by them to the Audit offices for the purpose. It was a surprise to be informed that, generally, Lower Division Clerks or, at best, Assistants were deputed to reconcile the Accounts on behalf of Ministries, etc., with the office of the AGPR.

28. In the light of the above facts, the Committee recommend that :—

(1) All the Controlling Officers be called upon by the Finance Division to have reconciliation for the past Accounts completed expeditiously and to ensure that reconciliation of future Accounts is got carried out according to the schedules given by Audit.

(2) In addition to sending written communications, the AGPR should have the concerned officers of the Ministry|Department duly rung up, to intimate to them the dates fixed for the reconciliation of Accounts of their Ministry|Department.

(3) The AGPR may draw up an annual reconciliation programme on a provisional basis at the beginning of each year, subject to confirmation every quarter, and send them to Ministries|Departments, so that the latter are aware, well ahead of time, of the dates fixed for the reconciliation of the accounts of each quarter.

(4) The Ministries|Departments should, as far as possible, raise the level of officials to be deputed by them for reconciliation work in the Accounts Offices.

(5) In the future, the main responsibility for having reconciliation effected in time should be laid on the Liaison Officer of the Ministry|Division, who must coordinate this work. This should, however, not absolve the Principal Accounting Officers from their over-all responsibility of having the departmental accounts maintained properly and according to rules and instructions and periodical reconciliation with the Accounts Offices carried out according to Audit schedules.

(6) As delay in reconciliation was said to be occurring in some cases due to statements of accounts not being received from the Federal Treasuries promptly, particularly in Karachi, the Finance Division should take the necessary corrective steps in this behalf.

(7) Since the drill for reconciliation had now been clearly laid down and made known to all concerned, the department should, in cases of defaults, fix the responsibility for any lapses in following the procedure strictly and take the defaulters duly to task (Para 263|Annex. I).

(3) Non-Accounting of debits in Audit's books of Accounts.

29. Some instances came to the Committee's notice where debits could not be accounted for, timely, in the Audit's books of Accounts (Paras 231, 249 and 270|Annex. I). As a result, wide discrepancies occurred between the departmental figures and those presented by Audit. The representative of Audit promised to further streamline their procedures and see that non-accounting is obviated, to the extent feasible in the future.

(4) Delay in receipt of Accounts.

30. Noting that the accounts of the Northern Light Infantry were not being booked in time, the Committee directed that the accounts pertaining to the Northern Light Infantry, in respect of the period up to April, 1980, should be sent to the AGPR by June, 1980. Thereafter, the accounts should be sent, monthly. The AGPR was asked to bring to the notice of the higher authorities if there was any default in this arrangement. The Committee also observed that Audit should watch the receipt of Accounts from the Departments through the relevant calender of returns and the relevant dates should be made fully known to the latter. If the same are even then not received in time, Audit should follow up the matter (Para 140| Annex-I).

(5) Deterioration in Standards of Budgeting.

31. The target, while framing a budget, should be to achieve as close an approximation to actual receipt and expenditure as possible, so that there be no or very little need of supplementary demands or re-appropriations. The Committee, however, noticed that, in a large number of cases, actual receipts and expenditure for the year reflected considerable variations over the original estimates. While many a time, supplementary grants|re-appropriations proved to be, wholly or partially, unnecessary, in some instances, the actual expenditure incurred exceeded the allocations even after taking into account the supplementary grants and thus remained uncovered. In yet other cases, despite the supplementary grants asked for by the department having been refused by Finance, expenditure was blatantly incurred in excess of the grants (Paras 676, 677 and 891|Annex. I).

32. One or two specific instances, involving the above irregularities, will not be out of place here. A Division expended more than Rs. 5 million in the Communications and Agriculture Sector of the Federally Administered Tribal Areas, but could not furnish a satisfactory explanation therefor. Another Ministry made an unauthorised expenditure of Rs. 42,165 in the Auqaf Department, because of negligence on the part of the concerned employees in the Department. Had they been closely following the progress of actual expenditure during the year, the above excess could have been avoided (Paras 277 and 491 / Annex. I).

(6) Non-surrender of savings|Injudicious surrender of allocations etc.

33. In some cases, savings were disproportionate to the grants obtained, in yet others savings were either not surrendered at all due to poor accounting [Paras 32, 42, 226, 228, 292-93, 325, 353, 356, 495, 499, 754, 787, 886, 924, 1102 (3) & (9) and 1137|Annex. I] or, if surrendered, proved to be inadequate|injudicious, as the net result was an excess (Paras 988 and 1102 (7)|Annex. I). Instances of non-surrenders were, in fact galore. An example, one Division failed to surrender a saving of more than Rs. 2 million in time. Similarly, a Department failed to surrender the saving of more than Rs. 8.8 million by the dead-line of 30th June. A Ministry was found to have defaulted on the surrender of more than Rs. 1 lakh of saving, pleading that it came to their notice after June 30. All these cases, as well as those discussed in the foregoing paragraphs, are a pointer to deteriorating standards of Budgeting and Control.

34. In normal working, Supplementary Demands should be required mainly to cover unexpected expenditure. The Committee were loth to note that the Administrative Ministries took for granted budgetary sanction for additional funds, that may be asked for by them. Laxity of budgetary control would, of course, seem to touch its peak when the Supplementary Grants, asked for, may prove to be wholly or partially unnecessary.

35. The Committee, therefore, recommend that the procedure, being followed by Ministries etc., for estimating their Supplementary

Demands should be looked into by the Finance Division, in consultation with the Auditor-General. One reasonable basis for formulating the additional requirements of funds could be the quarterly reconciled figures of actuals for the previous eight to nine months.

(7) Non-utilization of funds provided for nation building works.

36. A notable phenomenon pertaining to the budget for works expenditure, was the lapse of huge funds provided for nation-building works. During the year under review, a saving of Rs. 76,396 occurred under the 'Charged' head against Grant No. 180, which provided for Capital Outlay on Civil works, and of Rs. 23,576,963 against the 'Voted' head. This included a saving of Rs. 20,894,720 from the funds provided for original Works Buildings. The main reasons for the savings were stated to be non-availability of material in time, non-completion of building works, non-availability of site, change of site, non-vacation of site by unauthorised occupants, delay in the execution of works due to modification of plans, non-receipt of administrative approval and codal formalities, and non-commencement of work due to the receipt of allotment, through re-appropriation, at a very late stage etc. The works in question included important constructions, such as the Flood-forecasting-and-warning Centre at Lahore, office accommodation at Peshawar, office and residential accommodation for Government servants at various stations and construction of a VIP suite at Lahore etc. (Para 900 Annex. I).

37. Feeling concerned about these savings, the Committee have requested the Ministry to go deeper into the reasons for the non-or under-execution of various works against this Grant in order to take the corrective steps for the future, so that the allocations asked for initially, and made available in the midst of competing demands, do not lapse on such a scale.

38. One reason for such large savings in the Grants for nation-building activities may be the provision of funds for schemes prepared without all the necessary investigations and study in all their aspects and in the minutest detail. Consequently, administrative approval

for such a work alone could not ensure that the allocated expenditure would, in fact, be incurred on it during the year. In the present instance, a saving of Rs. 16,88,620 occurred on works relating to the construction of residential accommodation for Central Government employees at Dhana Sing Wala, Lahore. The main reason for the saving was non-availability of the site due to acquisition difficulties.

39. Notwithstanding the natural anxiety of the Department to secure allocations for their works at the earliest, it would be only advisable to provide funds therefor only after being satisfied that due approvals had been obtained, technical sanctions accorded to the scheme, the site therefor had already been acquired or there was a reasonable prospect of its being acquird during the course of the year and the necessary planning and preparatory work had advanced to a stage where it could be reasonably hoped that the scheme shall get underway within the year.

II. LOSSES TO GOVERNMENT

40. The Committee came across serveral instances of major and minor financial losses suffered by the Government for varying reasons. They have been discussed in detail in the proceedings at Annex. I. Some instances of losses due to infructuous expenditure, risk purchase, non-acceptance of favourable offer, inadmissible payment etc. are dealt with below.

(1) Loss due to non-recovery of risk purchase amounting to Rs. 250.717.

41. A contract for the supply of 37 tons of M. S. Nuts, at a cost of Rs. 122,018, was placed by a Department on a firm in December, 1973. The firm failed to furnish the security deposit and the contract was cancelled in May, 1974 at their risk and cost. The stores were later procured against the contract issued in February, 1975, involving an extra expenditure of Rs. 250,717. The Department determined an amount of Rs. 228,443 as recoverable from the firm on account of the risk purchase. It was contended by the Department that, for reasons explained in their reply, no legal contract

got, in fact, created, entitling them to risk purchase at the cost of the firm. The cancellation of the infructuous contract could not, therefore, help to invoke the risk and cost clause: Audit held a different view. The matter not being free from doubt, the Ministry were asked to find out from the Law Division, after giving full facts, whether a contract came into existence at all. Further action was left to be taken in the light of the opinion of the Law Division. (Paras 1197—1201|Annex. I).

(2) Loss due to irregularities in purchase of stores amounting to Rs. 150,787.

42. After going through the facts, as reported by Audit and the departmental reply, the Committee concluded that the case went against the department. The Ministry were, therefore, directed to institute an inquiry into the matter, as the explanation offered for the delay of one and a half years was not satisfactory and a convincing explanation was also not forthcoming about the Inspection Note having been released without any bank guarantee. (Paras 1202—1206|Annex. I).

(3) Loss of Rs. 6,615,000 due to non-acceptance of favourable offer.

43. A loss of Rs. 6,615,000 reportedly occurred in the import of newsprint, as lower bids, originally received, were not availed of. After going through the departmental reply, the Committee came to the conclusion that an error of judgment was committed by not proceeding to place the orders when, in fact, more than one bidder was in the field. The over-all responsibility in this case was that of the then Secretary, Ministry of Information and Broadcasting. Since he was no longer in service, no further action could now be taken in this case. (Para 621|Annex. I).

(4) Non-recovery of cost of material amounting to Rs. 106.062 from the defaulting contractor.

44. The Committee were informed that the contractor had deposited Rs. 50,000 with the Department for being exempted from the deduction of a security deposit in individual cases. This deposit was frozen for the adjustment of dues, to be recovered from the

contractor. But, as this amount did not cover the full recoverable amount, the Commissioner, Karachi had been requested to impose a ban on the transaction of any immovable property by the contractor. In the meantime, the Law Division had also been approached to file a suit for the recovery of the dues.

45. During the meeting of Departmental Accounts Committee held in February, 1980, the Department had promised to initiate disciplinary action against those found responsible for the loss in this case. It was surprising to note that disciplinary action had not been finalised during the last six months, despite the department's assurance to the contrary. They were directed to finalise the disciplinary action without any more delay and keep the Committee informed of the progress, both as to the recovery of the due amount from the contractor and the departmentl inquiry. (Paras 910—913|Annex. I).

OBSERVATIONS ON APPROPRIATION ACCOUNTS OTHER THAN 'CIVIL'.

46. The Committee's detailed comments and conclusions on the Accounts of all the Ministries|Divisions etc. and the points raised in the Audit Reports thereon as well as on other ancillary matters are contained in the proceedings of the Committee's meetings at Annexure-I, which, as stated earlier, are to form part of this Report. However, some specific observations and recommendations of the Committee in respect of the three separately submitted Appropriation Accounts, namely the (1) Appropriation Accounts (Defence), (2) appropriation Account (Railways), and (3) Appropriation Accounts (Pakistan Post Offices) and (Pakistan Telegraph and Telephone Department) are set out in the Succeeding paragraphs.

(1) *APPROPRIATION ACCOUNTS (DEFENCE)*

47. An excess expenditure of Rs. 410,132,062 was reported against the above Appropriation. Since the final figures became known after the close of the year, regularisation action in respect of the variation could not be taken within the year.

(i) **Losses of Stores**

48. Losses of stores during 1977-78, pertaining to Defence Services, as reported in Appendix 'B' to the Appropriation Accounts, were as follows :—

	(*Rs. in million*)
(1) Actual losses of stores in transit	0.5
(2) Losses of stores due to theft, fraud, neglect, fire etc.	63.5
Total ..	64.0

49. Of the losses at (2) above, those on account of theft, fraud and negligence alone amounted to about Rs. 62 million. Losses, involving amounts of Rs. 5,000 and above but less than Rs. 15,000, numbered 113. There were 7 losses exceeding Rs. 15,000. The total amount of losses of stores during 1976-77 on account of the above had amounted approximately Rs. one million.

(ii) **Cash losses, overpayments, etc.**

50. Losses on this account during 1977-78 amounted to Rs. 3,180,376.

(iii) **Infructuous expenditure in excess of Rs. 10,000 in each case.**

51. Two instances of infructuous expenditure, amounting to Rs. 9,70,212, were reported. One of these related to cancellation of a contract, involving an expenditure of Rs. 945,882.

(iv) **Linkage of goods.**

52. According to the report of the Military Accountant General, cases continued to occur in which Consignees of the Defence Department Stores did not link the goods received by them against particular consignments, notified as having been despatched to them. Consequently, it could not be possible for the internal audit to satisfy itself that such consignments had been actually brought to account by the consignees.

53. This problem had been, time and again, coming up before the Committee, when they were examining the accounts of previous years, and the Department were repeatedly asked to review the procedure in order to make it more practicable. This time, the Com-

mittee were presented with a copy of the "Revised Procedure for Linkage", which had since been put into effect by the Defence Production Division. The working of the new procedure will become known through the accounts for the current and future years. (Para 98|Annex. I).

(v) **Loss of Ordnance Stores—Rs. 60,032,918.**

54. The above loss was ascribed to fire, which broke out as a result of a big explosion. The Committee were not satisfied with the explanation, because this was a well-known incident, resulting in a loss of more than Rs. 6 crore. The punishments awarded for it were also found to be inadequate. The department were, accordingly, requested to submit to the Committee a full and complete report on the incident, along with the Report of Inquiry. (Paras 186-187|Annex. I).

(vi) **Expenditure by M.E.S.**

55. No review of Expenditure by M.E.S. could be included in the Accounts as, till the preparation of the Appropriation Accounts, complete material on it had not been made available to the Military Finance Organization. The MES should be asked to make sure that, in the future, their Accounts, complete in all respects, become available to the Military Finance Organization by the dead-line set for their receipt.

(vii) **Over-payment of more than Rs. 1.7 lakh to an MES Contractor.**

56. The Committee found that an over-payment of Rs. 1.7 lakh was made by inflating the work done by a contractor. Since the over-payment was not due to an error of judgment, it called for a much more severe action. The persons, causing this loss to Government reportedly got away with only light punishments for their serious default. (Para 201|Annex. I).

(viii) **Non-recovery of Rs. 93,237 from a defaulting Contractor.**

57. The written explanation of the department suffered from two contradictions. While the Audit para alleged that the contractor had already defaulted, the explanation flatly denied that he ever did so. Secondly, the capacity of the contractor was Rs. 5 lakhs, whereas

the pending bills amounted to Rs. 5.57 lakhs. Since Audit still maintained that the contractor had defaulted, they were asked to further verify the facts and report back to the Committee, if necessary. (Para 203|Annex. I).

(ix) Loss due to non-replacement of sub-standard tubular steel Charpoys—Rs. 273,420.

58. The only conclusion that the Committee could draw in this case was that the Charpoys were sub-standard and no responsible authority took care to inspect them at the time of delivery. Moreover, the inspecting authority, without carrying out a proper inspection, accepted a very sub-standard delivery. The department were, therefore, asked to have the case re-examined, furnish a correct explanation to the Committee and also streamline their procedures, to ensure proper inspection and full compliance with instructions, to obviate the recurrence of such happenings in the future. (Para 211|Annex. I).

GENERAL

59. Audit had pointed out, and the Committee fully agreed with them, that, on over-all view of the reported financial irregularities, losses, etc., more attention should be paid by the Departments to ensure the following :—

(a) Correct evaluation and application of rates in works contracts,

(b) Acceptance of the lowest bids,

(c) Placing contracts only on financially capable contractors and against realistic quotations and quicker finalization of risk and cost cases,

(d) Avoiding over-issue of stores to contractors,

(e) Observance of established procedures and strict compliance with the extant orders and instructions,

(f) Prompt realisation of Government revenues,

(g) Correct certification of works, and

(h) Only justified continuation of Escalation Awards.

(2) *APPROPRIATION ACCOUNTS (PAKISTAN RAILWAYS)*

60. The authorised original Grants for the Railways for the year 1977-78 were Rs. 2,922,588,000 and the Charged Appropriations Rs. 252,008,000. During the year, Supplementary Grants, amounting to Rs. 101,987,000, to augment the authorised expenditure, and of Rs. 22,272,000, to defray ' Charged ' expenditure, were obtained. Against the Final Grant of Rs. 3,298,855,000, an expenditure of Rs. 2,973,242,013 was incurred, leaving an over-all saving of Rs. 325,612,987.

61. The year 1976-77 had closed with a net loss of Rs. 218.4 million as against an estimated profit of Rs. 0.1 million. The financial result of the working of Pakistan Railways in 1977-78 betrayed a net loss of Rs. 158.4 million as against an estimated profit of Rs. 68.3 million.

(i) Control over expenditure.

62. It was apparent from the Accounts for 1977-78 that control over expenditure was not effective with the result that several instances of surrenders|withdrawals, made in the absence of saving, came to the notice of the Committee.

(ii) Accounts.

63. The Accounts pertaining to Capital Outlay on Railways did not depict a complete picture, as the expenditure met from foreign loans did not find a place in Grant No. 187 of Civil Appropriation Accounts. The Committee discussed at length the procedure of carrying out negotiations for foreign currency loans, their disbursements to the spending agencies, compilation of their accounts, etc. They, finally, directed the F. A. & C. A. O. Railways and Audit to look into the matter with a view to finding out a suitable device for incorporating the figures of expenditure met from foreign currency loans in the Government accounts also, so that the figures on both sides, *i.e.*, spending agency and the Government, tallied with each other.

64. It was also observed that the Grant No. 187 (Capital Outlays on Railways) was included in the Accounts twice, once in the

Railways Appropriation Accounts and again in the Civil Appropriation Accounts. The Committee saw little logic in preparing two appropriation accounts for one and the same grant. The departmental representative undertook to examine the matter.

65. The Committee further noted that, out of the total savings of Rs. 448,724,994 under this grant, the department surrendered only Rs. 282,603,000 and failed to surrender the remaining saving of Rs. 166,121,994. This serious shortfall in actual expenditure was a pointer to the budget being prepared without taking into account the implementation capacity of the Railways. Secondly, it seemed that the surrenders were not made in the normal manner. The Railways, not being an exception to the rule, must follow the normal procedure laid down for surrenders. Besides, the amount released by Government on the civil side should also be shown in the Government Account and the Capital expenditure incurred by the Railways should be shown in their own accounts. The two figures may not be identical, as the amount released by Government for meeting the capital expenditure may not be the same as the actual total capital expenditure. The whole question required a thorough study and should be gone into by the department, in consultation with Audit. (Paras 528—30/*ibid*).

(3) *APPROPRIATION ACCOUNTS*

(a) Pakistan Post Office, and

(b) Pakistan Telegraph and Telephone Department.

(a) *Pakistan Post Office Department.*

(i) Budgetary Provisions.

66. The Budget provision for "charged", "voted and authorised" expenditure, including supplementary grants, totalled Rs. 313,029,000. As against this, Aggregate Disbursments amounted to Rs. 308,487,619, revealing an over-all saving of Rs. 4,541,381.

(ii) Revenue and expenditure.

67. The Revenue for the year 1977-78 came to be Rs. 211,541,000, involving an increase of Rs. 44,849,000 over the Revenue of the previous year, due partly to adjustment of arrear bills of ordinary

stamps and partly to normal growth in the postal traffic. The Gross Expenditure, including interest charges and contribution to Renewals Reserve Fund, amounted to Rs. 293,820,000.

(iii) Financial Working and Balance Sheet.

68. As in the past, the Department incurred a loss during this year also. After taking into account 'Credits to working expenses' on account of services rendered to other Government Departments etc., amounting to Rs. 38,429,000, the loss of Rs. 43,850,000 during 1977-78 raised the accumulated deficit to be Rs. 197,408,000 on the 30th June, 1978. According to the Balance Sheet, on 30th June, 1978, the Liabilities and Assets of the Post Office Department, totalled Rs. 4,801,595,401.

(iv) Losses|Defalcation of Public Money in Post Offices.

69. A total of 19 cases of defalcation or losses of public money came to notice during the year under report, involving Rs. 381,723. Compared with the previous year, there was a decrease in the number of cases though a considerable increase in the amount. The Departmental employees were found responsible for 97.30 per cent of the total amount of defalcations, and losses etc. In the previous year, the employees accounted for 72.80 per cent in the amount of defalcation etc.

(v) Savings Bank, Money Orders and Miscellaneous Frauds.

70. The position of frauds in the above cases was reported to be as follows :—

	No.	*Amount*
		Rs.
Savings Bank Frauds	3	1,90,000
Money Orders Frauds	5	3,989
Miscellaneous Frauds	11	1,87,654

71. Departmental employees were again found to be mainly responsible, directly or indirectly, for cases of Savings Bank, Money Orders or Miscellaneous frauds, including theft of cash, Provincial Tax stamps, Branch Office bags, Prize Bonds and Defence Savings Certificates, etc.

(vi) Compensation for Losses.

72. The net amount of losses on account of payment of compensation amounted to Rs. 65,457. The loss occurred due to the negligence or dishonesty of Post Office officials.

(b) *Pakistan Telegraph and Telephone Department.*

(i) Budgetary Provisions.

73. The Grants and Appropriations for 1977-78 stood at Rs. 1,160,882,000, while Disbursements totalled Rs. 1,221,245,696, leaving an excess of Rs. 60,363,696 over the Aggregate Grants and Appropriations, entailing an increase of 5.20% over the aggregate Budget.

(ii) Revenue and Expenditure.

74. *Revenue.*—The actual revenue for the year was Rs.1,045,531,000 against an originally estimated Rs. 960,000,000 and Rs. 1,089,480,000 in the Revised Estimates. As compared to the previous year, the revenue registered an increase of Rs. 281,252,000 due to the expansion of services and revision of T & T Tariff.

75. *Expenditure.*—The gross expenditure, including interest and depreciation charges, amounted to Rs. 706,648,000 against the original grant of Rs. 603,494,000 and final grant of Rs. 694,997,000. Compared with the final grant, there was an excess of Rs. 11,651,000 under the head 'Interest on Capital Outlay'.

(iii) Excess expenditure requiring regularisation.

76. The following expenditure, incurred in excess of the Final Grants, are required to be regularised under the Budgetary Provisions Order, 1978 :—

	Rs.
(*i*) Expenditure met from Revenue (Charged)	17,348,574
(*ii*) Capital Expenditure Outside Revenue	84,596,767
Total	101,945,341

(iv) Financial Working of the Department and Balance Sheet.

77. The Department earned a profit of Rs. 403,933,000 during 1977-78 . Adding the accumulated surplus of Rs. 1,893,519,000 at the end of 1976-77, the surplus of the Department, by the end of 1977-78, amounted to Rs. 2,297,452,000 on which they will earn interest in the form of rebate, while allowing interest payable to Government on Capital Outlay during the next year. According to the Balance Sheet, the Liabilities and Assets of the Telegraph and Telephone Department, as on 30th June, 1978, stood at Rs. 5,928,990,086.

(v) Defalcation or losses of public money and Miscellaneous losses

78. Only two cases of defalcation losses of public money came to notice during the year under the report, involving an amount of Rs. 13,700. The miscellaneous losses included two cases of loss of Government money due to the snatching of Rs. 3,700 by an outsider in the bank premises and Rs. 10,000 short-paid by the bank to the authorized person of the Department.

COMMERCIAL ACCOUNTS

(1) Meetings of the Board of Directors of Printing Corporation of Pakistan.

79. The requirement in this case is that accounts should be submitted to the Board not later than the ninth month from the end of the financial year. Also, at least one meeting of the share-holders be held, every calendar year, but not along with the Board's meeting. The Committee noted that only one meeting of the Board of Directors was held during December, 1979. While the administrative Division should ensure due observance of law by the Corporation, it is recommended, in the interest of the Corporation, that there be even more regular and frequent meetings of their Board. Preferably, there should be a meeting of the Board of this Corporation, as those of other Government Corporations also, every quarter. If any particular Director did not find time to attend the Board's meetings, the Ministry concerned should consider to nominate other persons thereto, who could find it possible to do so. (Para 57-58/*ibid*).

(2) Reserve with Pakistan Insurance Corporation on Account of assets in former East Pakistan.

80. It was noticed that there has been, so far, no policy decision regarding the assets in the former East Pakistan, being still carried in the accounts of Corporations etc. While there may be need to keep a record of those assets, for any future claims or counter-claims, the Committee felt that there were two alternatives to deal with them *vis-a-vis* Corporations, namely :—

(i) Government should either take over the assets, pay to the Pakistan Insurance Corporation whatever compensation they may decide to pay therefor and enable the Corporation to have some tax relief ; or

(ii) the Pakistan Insurance Corporation be allowed to write off the amount in their assets and, instead, the Finance Division may maintain their accounts, centrally, for counter-claim, if any, in the future.

81. It is recommended that Government should take a policy decision in the matter, at the earliest possible, so that other Corporations, in similar position, may also be relieved of this burden. (Para 650/*ibid*).

(3) House Building Finance Corporation.

(i) *Working results*

82. According to the Audit Report, the Corporation earned a net-profit of Rs. 6,705,766 during the year under review as compared to a net loss of Rs. 3,671,290 in the preceding year. The net profit resulted from (i) increased subsidy, amounting to Rs. 22,593,600, received from the Government of Pakistan on flood loans, as compared to Rs. 17,177,306 in the preceding year and (ii) receipt of interest on flood loans, amounting to Rs. 8,339,244, during the year. If the amount on account of interest of funds, blocked in the assets lost in the former East Pakistan, were charged to the accounts of the year 1977-78, the profit of Rs. 6,705,766 would turn into a loss of Rs. 4,940,519.

83. It was seen that interest on the above assets had been calculated and debited, but it could not be found out as to whether the same had been balanced in the income amount. As stated earlier, it is imperative that the Finance Division may go into the question as to how should the assets|liabilities of the former East Pakistan be dealt with by various organisations in their books of accounts, so that a uniform procedure and practice could be followed by them all. For example, the House Building Finance Corporation was also showing in its accounts the interest calculated on the East Pakistan assets, whereas the Agricultural Development Bank of Pakistan was not doing so. (Paras 767-69/*ibid*).

(ii) *Disputed Cheques*

84. It was reported that cheques, involving an amount of Rs. 4,832,248, and issued by the Corporation during the year on account of disbursement loans for House Building, Flood Relief and Expenditure Account, stood disputed with the banks. The Committee were informed that, of the said amount, cheques involving Rs. 2,487,375 had since been cleared, and efforts were in hand to clear the remaining ones.

85. It transpired during the discussion that the amount of cheques, issued by the HBFC, and the disbursement account, furnished by the banks, did not tally. The banks were asked to produce the cheques for reconciling the difference, but they pleaded that the writings on the disputed cheques had got erased due to floods. In the circumstances, the possibility of fraud could not be ruled out. The Corporation has been asked by the Committee for a detailed report, indicating, among others, as to what was the extent of actual discrepancies, how did the dispute arise and when was the amount of Rs. 24.87 lakhs reconciled and whether any misappropriation was involved in the disputed cheques ? (Paras 770—72/*ibid*).

(4) **Rice Export Corporation.**

86. It was observed from the Corporation Accounts that an amount of Rs. 29.29 crore had been shown therein as Government of Pakistan Fund. This needed a reconciliation with the Ministry of Food and Agriculture and the Government accounts. All the borrowings by the Corporation on Government account and as an

agent of Government should appear in the Government accounts and should form part of deficit financing. A similar exercise may be undertaken about other organisations, which act as agents of Government, to ensure that correct accounting procedure is followed. (Paras 662-63|*ibid*).

(5) Cotton Export Corporation.

87. *Trade Debtors.*—As reported, Trade Debtors stood at Rs. 33,962,228 on 30th June, 1978 as against Rs. 16,939,274 in the previous year. It was explained that, out of Rs. 11,316,920, outstanding against the Trade Debtors (local sales) for 1974-75 and 1975-76 as on 30th June, 1978, an amount of Rs. 1,878,226 had already been recovered|adjusted up to 31st October, 1979, and efforts were being made to realise the amount outstanding against the local Textile Industry.

88. Audit drew the Committee's attention to the fact that the Saigol Group had not yet started the payment of agreed instalments, whereas no such agreement had, till yet, been entered into with M|s. Dawood Cotton Mills. Substantial amounts were outstanding against the Saigol and Dawood Groups. The departmental representative informed the Committee that they had since entered into an agreement with the Dawood Group also. The Corporation's demand against that Group amounted to Rs. 72 lakhs, but they owed to Dawoods about Rs. 28 lahks on account of penalty. Setting off this amount against Rs. 72 lakhs, about Rs. 44 lakhs remained recoverable from Dawoods.

89. Not being fully satisfied with the department's explanation, the Committee have requested Audit to furnish to them a full and complete report about the long-outstanding debtors of the Corporation. The Corporation should, in turn, furnish all the relevant information to Audit, as early as possible. (Paras 657—61|*ibid*).

(6) Pakistan Insurance Corporation.

90. While reviewing the working of the Corporation, it was noted that losses during the year 1977 were unusually large. The Committee were informed that there were claims for losses of about Rs. 22 crore in this year, affecting the profitability of the Corporation, the most notable of which were :—

(i) Claim for the accident of PIA DC-10—Rs. 6.50 crore.

(ii) Flood Losses—Rs. 7 crore.

(iii) Fire in Fateh Textile Mills, Hyderabad—about Rs. 2 crore.

It was also stated that the years 1978 and 1979 were also marked by claims for large losses. This was, however, an inherent risk in this business. (Paras 648-49|*ibid*).

(7) National Insurance Corporation.

91. *Sundry debtors.*—As reported by Audit, an amount of Rs. 13,843,320 on account of Sundry Debtors pertained to the National Co-Insurance Scheme, the assets and liabilities of which had been taken over by the National Insurance Corporation. The Committee were informed that they had not yet taken over the assets and liabilities of the said Scheme, which was still in the process of being wound up by the Pakistan Insurance Corporation. The assets and liabilities of the Scheme will be passed on to the member Insurance Companies by the Pakistan Insurance Corporation and there was no legal provision or order for the transfer of the same to the National Insurance Corporation.

92. It is necessary that recoveries from the debtors is expedited, as the outstandings were getting old and their recoveries may become more difficult with time. It is recommended that the Ministry of Commerce should go into the matter quickly, so that the Co-Insurance Scheme is wound up without much loss of time. The Pakistan Insurance Corporation|National Insurance Corporation should also adjust the mutual claims of all Government departments or 100% Government-owned organisations and the balance of claims against such organisation should then be considered to be written off. Without this, the Scheme could continue to drag on for years. (Paras 651-52/*ibid*).

(8) Associated Press of Pakistan.

93. After hearing the departmental representative, the Committee came to the conclusion that an optimum working of this organisation could not be achieved, so far, due to uncertainties arising out of non-determination of its status. It is, therefore, recommended that Government should decide about the future set-up status and financial problems of the Associated Press of Pakistan, without any more loss of time. (Para 630/*ibid*).

(9) Accounts of Ordnance Factories.

94. It was noticed that the Annual Accounts of the Pakistan Ordnance Factories represented the consolidated figures of its nine independent factories. Until now, no independent account of these factories were being drawn. It was, therefore, impracticable to trace back the figures from the Consolidated Balance Sheet of about Rs. 3,360 million and ascertain the operating results of each factory therefrom. These accounts depicted the over-all position of all these factories. Evidently, the low performance in a particular factory was off-set by a better one of another. The Committee were informed that a re-organisation of the POFS was underway and one of its fundamental aims would be to make each factory an independent unit. The Committee would suggest that, subject to requirements of security, the department may consider beginning to produce separate accounts for each factory, for their own purposes, even though furnishing a combined account to Audit (Paras 118—20/*ibid*).

(10) Harnai Woollen Mills.

95. The Committee felt that, after duly taking into account the various factors, *viz.*, fixation of prices, delay in installation of machinery in the Spinning and Finishing Sections, financial structure, total capital employed, value of assets, raising of equity, etc., the PIDC would re-assess whether this industrial unit can be at all made viable and what steps should be taken in this behalf. Government should also be apprised, without delay, of the exact financial picture, without mincing words or trying to conceal the real position under the garb of re-structuring. (Paras 600—02/*ibid*).

(11) Pak Mineral Development Corporation.

(i) *Sharigh Collieries*

96. The Committee were informed that, although the Railway authorities had promised to supply 16 wagons a day, they had not done so as yet. This was going to affect adversely the 1980-81 production target of 30,000 tons, achievement of which was dependent upon the availability of wagons. While appreciating the difficulty faced by the Colliery, it is recommended that the Ministry should

take up with the Ministry of Railways|Railway Board, the default of the Railways in supplying the promised number of wagons and also find out as to what Railways proposed to do about their commitment to supply adequate number of wagons for despatching about one lac tons of coal each year to the PASMIC, Karachi. This should be followed up vigorously now, otherwise the project will be saddled with surplus production and|or surplus capacity. (Paras 1155—58|*ibid*).

(ii) *Sor-Range Collieries*

97. The project had been running on losses, year after year, and its accumulated losses stood at Rs. 35,784,303 on the 30th June, 1978. It was said that the project had made quite a significant improvement in its working results during 1977-78 inasmuch as it sustained a loss of Rs. 3,459,514 only as compared to the previous year's Rs. 5,139,668. The continuous losses in the project were mainly ascribed to over-capitalisation. After an examination of the causes for losses, the Committee recommend that the Ministry should pursue, with Finance, the questions of writing off the losses of the PIDC period, and the writing down of the capital cost of the project. (Paras 1160—62/*ibid*).

(iii) *Head Office Expenses of PMDC*

98. It was noticed that the gross profits of projects were being adversely affected due to excessive Head Office expenses being allocated to them which were not based on any well considered formula. The department explained that the expenses were being charged to projects on the basis of their financial situation. Some-time, relief was afforded to losing projects and the burden of relief was borne by the major earning ones. The Committee are not fully satisfied with the formula|system of allocation of Head Office expenses and would suggest that the Ministry may consider whether there was at all a justification to charge the Head Office expenses from the projects as was being done at present. (Paras 1163—66|*ibid*).

(12) **O.G.D.C.**

99. *Appointment of external Auditors.*—It was noticed that there had been delays in the appointment of external Auditors by

the OGDC|Ministry, which had in turn, caused avoidable delays in the finalisation of Accounts. The Committee, therefore, recommend that the OGDC|Ministry should initiate the appointment of external Auditors, in consultation with the Auditor-General, well in time. If the Ministry, for any reason, are not able to send proposals to the Auditor-General by the time-limit, which the Auditor-General should make known to them well ahead, the Auditor-General may himself proceed to make a selection and send the name to the Ministry/OGDC for notifying the appointment. (Para 1147/*ibid*).

MISCELLANEOUS

(1) Preparation and compilation of Accounts.

100. The Committee noted with concern that the Accounts of some departments were either not being prepared with the desired speed or were not being properly maintained or compiled. Some departments were also facing accounting problems. For example, the Accounts in respect of the Central Publication Branch and the Controller Stationery and Forms, for the past 5 years, had not been compiled with the desired speed and efficiency. The Committee, therefore, directed that pending Accounts of their organisation be completed by the 31st December, 1980. Similarly, it was directed that the outstanding Subsidiary Accounts of the Survey of Pakistan which had also not been in shape for the last 8 years, should also be completed by September, 1980 and sent to Audit. (Paras 55 and 147|*ibid*).

101. The Committee noticed that the Accounts of the Workers' Welfare Fund were not being maintained properly. All the receipts had, under the law, to be first deposited in the Fund. Any investment from the receipts could take place only thereafter and had to be properly accounted for. Similarly, any interest on income from the investment, like Rs. 196 million in Khas Deposit, had to be first included in the Fund. The format in which these Accounts should be presented, in the future, also required a thorough revision. The Committee recommend that the procedure laid down in the order dated 13th July, 1972 in this behalf be adhered to strictly.

102. The Committee also desired that the department should, in consultation with the AGPR, submit a report to them setting out all

the sources from which moneys came into the Fund, the accounting thereof, disbursements, including investment, therefrom, balances remaining therein and the control thereon. The department were advised not to keep any amount of the Fund with any Commercial Bank and, if there be any, to withdraw the same from such Bank(s) and transfer them to Government Account.

103. The form in which the Accounts of the Islamabad Milk Plant were presented to the Committee was also far from satisfactory. The accounting procedure in the Milk Plant warranted a streamlining and the feasibility of having the Accounts of the Plant prepared on commercial lines also needed to be examined urgently.

104. The form in which the Running Account of the Food and Agriculture Division was being maintained was also not satisfactory. In the Committee's view, the department should, first, start with the actual position up to 1977-78 and then state the positions as in 1978-79 and 1979-80. Thereafter, as from the Accounts for 1980-81, they should give out the results of the transactions, such as the opening balance, receipts, any sales during the year and balance at the close of the year etc.

105. It is recommended that an exercise to evolve a format, in which these Accounts could be presented in an understandable and simplified manner, should be undertaken by the Food and Agriculture Division, in consultation with the Finance Division and Audit, without losing much time.

(2) Carry forward of unspent balance of funds to the next financial year.

106. Under the scheme of departmentalisation of accounts of the Pak. PWD., government civil departments are required to pay to the latter, in advance, gross estimated expenditure out of their sanctioned budget, for carrying out their works. The PPWD are required to refund the unspent balance of such advance payment by the 30th June each year. The Committee noticed in the case of States and Frontier Regions Division that the Pak. PWD did not refund the unspent amount during 1977-78 to the Division concerned, with the result that the latter could not surrender the same in time. When asked as to why they did not act in accordance with the requirement

of rules, the representative of Pak. PWD stated that the unutilised balance was not refunded, apprehending lest delay in providing funds from the next year's budget, may affect the execution of the on-going work.

107. The Auditor-General expressed the view that, in such cases, an arrangement might be worked out under which the Pak. PWD could be allowed to retain the unspent balance, to be able to continue uninterruptedly with the works in progress, subject to the condition that this would be set-off against the next year's allocation of the department on whose behalf the work was being done. In other words, the amount would be carried forward and adjusted against the short-drawals or short-sanctions, as was being done in the case of expenditure on Secret Service. The Committee agreed with the Auditor-General that savings from such allocations to the Pak. PWD occurring in one year, instead of being surrendered, should be made adjustable against the grants of the departments concerned for the next year.

(3) Some Departmental Representatives not found fully prepared.

108. The Committee regret to mention that representatives of some of the Ministries|Divisions were not found fully posted with the details of expenditure etc. and the grants controlled by these Ministries|Divisions. In quite a few cases, the Committee had to ask them to submit revised explanations on the points on which they could not satisfy them, though this would mean duplication of work, which must be avoided. It is, therefore, recommended that Ministries|Divisions be enjoined to brief their representatives with all the possible facts and figures, to be able to reply satisfactorily to any queries made by the Committee regarding the Accounts under their examination.

(4) Auditor-General's right to see all relevant records.

109. It was brought to the Committee's notice that records pertaining to *ex-gratia* payments to A.S.C. (Defence Services) Contractors were not shown to Audit, even on the latter's request, on the plea that there were no instructions to do so. Besides, the records stood, at the time, actually destroyed. The Committee consider that in this case, both the refusal by the department to show

their records to Audit and then destroying the same were regretable. Under his charter, it is the privilege of the Auditor-General to ask for and be shown, in the public interest, all the records, which may be relevant to Audit work. Audit have to be, unquestionably, furnished all the information or material which may be required by them for discharging their duty.

110. The Committee are convinced that the right of Audit to see the records, whenever they need to do so in the Public interest, cannot be assailed and the department must present the relevant records to Audit for verification, if and when requested for. The department should also make sure, in the future, that the records, which are likely to be required for Audit check or verification, are not allowed to be destroyed as happened in this case.

(5) Prompt action on recommendations of the Committee essential for desired result.

111. The accounts of a year are normally reviewed by the Committee many months after its close. If their recommendations are to have any impact on the financial working of the departments concerned, it is essential that they be, in fact, acted upon, promptly. Consequently, instead of resting content with merely issuing orders, memoranda or circular on the recommendations of the Committee, the departments concerned should also satisfy themselves that their instructions are being adhered to in practice. As a corollary, those found repeatedly indulging in irregularities and infrigement of procedures prescried by the rules and orders and adversely commented upon by the Committee, should not be spared the punishment due to them.

(6) Examination of the Accounts of Public enterprises.

112. The Committee were informed by the Auditor-General that, under executive instructions from the Government, and on consent basis, examination of the Accounts of Public sector enterprises and the evaluation of their performance had been taken up by his organisation and some of his Reports thereon had already been sent to the concerned Ministries. He hoped that these Accounts will come up for examination before the Committee, along with the Accounts for 1978-79.

(7) Examination of Accounts of Autonomous Bodies.

113. The Auditor-General further informed the Committee that action was under way for making the audit of public sector enterprises, where directly or indirectly the Central or the Provincial Government had severally or jointly a majority of shares, the Auditor-General's statutory responsibility, like the audit of authorities or bodies, established by the Federation or the Province. In addition, it had been proposed that, in the public interest, the Auditor-General may be called upon by the Government or he may himself, for given reasons, also move the Government for undertaking the audit of the accounts of even an enterprise in which the Government had a minority share-holding. An amendment to Audit and Accounts Order, 1973 drafted on these lines had been cleared by the Law Division and it was with the Finance Division for obtaining the President's approval thereto. This will enable the Auditor-General to undertake the examination of the accounts of public sector enterprises and evaluate their performance, without let or hindrance. The Committee endorsed the proposed action and expected that the Government would expedite the necessary amendment in the Audit and Accounts Order.

(8) Accounting Problems of EAD.

114. The Economic Affairs Division have always been pleading that they did not get promptly the requisite information from the aid-receiving departments, thus impeding the maintenance of complete accounts. On the other hand the departments have also been complaining that the EAD were delaying the compilation of Aid Accounts. The Committee were informed that the EAD get the figures for their information|record from the respective departments. The Auditor-General was of the view that if, within the frame-work of the existing arrangement, it could be provided that quarterly adjustment advices should be sent to the relevant Accounts Offices for incorporation in the accounts, the problem would get resolved to a large extent. The departmental representative was firmly of the view that the only improvement required was one in the attitude of the people concerned, who were not complying with the orders of the Government, because whenever the EAD asked them to verify certain figures, they replied that they had nothing to verify.

115. The Committee are loth to observe that the position of EAD accounts was not registering any marked improvement. Consequently, the problems faced by the EAD should be first listed out succinctly and then got, preferably, considered in an appropriate inter-ministerial meeting, for finding solutions thereto. (Paras 831—33|*ibid*).

(9) Confusion in Accounts passing through the C.A.O.

116. While looking into the accounts of Federal Government Educational Institutions in Cantonments and Garrisons, the Committee noted that there was some confusion in the accounts of Ministries of Education, Commerce, etc. in respect of the accounts passing through the Chief Accounts Officer, Ministry of Foreign Affairs. This matter needs to be gone into, for effecting the necessary procedural and other required improvements. The Auditor-General also promised to examine why debits were not being accounted for promptly in all the cases and to locate responsibility for the same ? (Para 680/*ibid*).

(10) Irregularity of Diverting Funds.

117. It was noticed, with regret, that the tendency to divert funds, meant for one project, to another, still persisted on a large scale. In the interest of financial discipline, it is strongly recommended that this practice be got stopped forthwith and those found resorting to it be called strictly to account. (Para 607|*ibid*).

(11) Publicity of P.A.C. Reports.

118. Certain newspaper Reporters had been asking for the finalised reports of the Committee on the yearly Accounts of Ministries|Divisions being made available to them for publicity. Way back in the past, handouts on yearly Accounts dealing with financial discipline in Government Departments|Autonomous Bodies etc., used to be issued to the Press by the Audit Department. Later, at the instance of Finance Division that such material might be given due publicity only after the PAC had heard the Ministries| Divisions concerned and pronounced their judgment, the Audit department discontinued releasing any hand-out.

119. Presently, the Auditor-General sends the yearly Accounts, with his Reports thereon, to the Finance Division for submission to the President and to obtain his approval to their being referred to the Public Accounts Committee, for examination. After the President's approval, the Accounts and the Audit Reports are circulated by the Finance Division, with copies to the National Assembly Secretariat, for placing the same before the P.A.C.. Thus the main questions before the Committee were whether the Appropriation and Commercial Accounts etc., together with the Audit Reports thereon, should be made available to the Public ? If so, at what stage and whether as priced publications ? Secondly, whether the Reports of the PAC should be made available to the Press ? If so, at what stage ?

120. Leaving the issue of hand-out, containing extracts from the Audit Reports, etc., for consideration by the regular PAC after the National Assembly comes into being, the Committee decided to recommend to the Government that :—

(1) The Appropriation Accounts, etc. and the Auditor-General's Reports thereon, as well as the Reports of the Public Accounts Committee in respect thereof, should be held to be public documents, after these have been seen approved by the President and these documents need not be kept as classified ones thereafter.

(2) The said documents should be priced publications, so that those concerned with their printing should have their prices for sale to the public suitably inscribed or pasted on them.

(3) A brief press note be issued by the Secretariat of the Committee on the commencement and conclusion of each PAC session, setting out briefly the details of the Accounts examined by the Committee and as to what Reports had been submitted by them in relation thereto.

(12) Holding of Seminars by Audit for briefing Accounts Officer.

121. To improve the maintenance of Accounts and budgeting etc., the Committee had suggested that Audit should consider the

feasibility of holding Seminars etc., for making the departmental accounting officers, etc., in each Province conversant with the application of the relevant procedure rules and regulations. The Auditor-General informed the Committee that they had already started the process on a restricted scale. Departmental Accounting Officers were now being assembled at a Training Centre in the Federal Capital and given lectures. They were going to hold such meetings in the Provinces also. (Paras 253/*ibid*).

FINAL RECOMMENDATIONS.

122. While submitting this Report to the President, the Committee recommend 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 12 (4) and (5) above and appended to the Report as Annexure II, be regularised, in accordance with the provisions of the Constitution.

A. G. N. KAZI,
Chairman.

M. A. HAQ,
Secretary,
National Assembly
Secretariat.

MASARRAT HUSSAIN ZUBERI,
Member.

ABDUL QADIR,
Member.

YUSUF BHAI MIAN,
Member.

Islamabad, the 19*th February,* 1981.

ANNEXURE II

PROCEEDINGS

OF

PUBLIC ACCOUNTS COMMITTEE

NATIONAL ASSEMBLY SECRETARIAT

PROCEEDINGS OF THE MEETINGS OF THE *AD-HOC* PUBLIC ACCOUNTS COMMITTEE ON THE FEDERAL ACCOUNTS FOR THE YEAR 1977-78.

Saturday, the 24th May, 1980

First Meeting

The tenth session of the *Ad-hoc* Public Accounts Committee commenced in the State Bank Building, Islamabad, at 10 a.m. on Saturday, the 24th May, 1980 to examine the Appropriation and other Accounts of the Federal Government for the year 1977-78 and the Report of the Auditor-General thereon. 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. Akhtar Sharif, Director, Public Relations.

(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. Abdul Waheed, Director, Commercial Audit.

(6) Mr. A. S. Ansari, Director of Audit, Defence Services.

Ministry of Finance

(1) Malik Asrar Ahmad, FA.

(2) Mr. Abdul Jalil, Additional Secretary (Military Finance).

(3) Mr. Ghazanfrullah Khan, FA (DP).

2. *Accounts examined.*—The Accounts of the following Ministries|Divisions etc., were examined by the Committee during the course of the day :—

(1) President's Secretariat (Public and Personal).

(2) CMLA's Secretariat (Public and Personal).

(3) Pakistan Atomic Energy Commission.

(4) *Cabinet Secretariat :*

(a) Cabinet Division.

(b) Establishment Division.

(5) Defence Production Division.

PRESIDENT'S SECRETARIAT

3. The Committee took up examination of Appropriation Accounts pertaining to the President's Secretariat for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

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

(2) Mr. M. A. Shah, Assistant Secretary.

4. This Secretariat controlled the Appropriation "Staff, Household and Allowances of the President (Charged)".

APPROPRIATION ACCOUNTS

President's Secretariat (Personal)

5. *Staff, Household and Allowances of the President (Group heads 'A' to 'G') (Page 217—AA).*—An excess of Rs. 440,892 against this Appropriation was explained as having been mainly due to more expenditure on telephones, and to formal non-surrender of the amount of economy cut with a view to obviate the asking of more supplementary grant.

6. The Auditor-General pointed out that the explanation about non-surrender of economy cut was not relevant because, when there was an economy cut in the budget itself, the original appropriation would not be the gross but the reduced figure. Replying to a query, the departmental representative informed the Committee that the original provision for telephones was Rs. 3 lakhs whereas the actual expenditure came to Rs. 7.40 lakhs.

7. *The Committee observed that this amounted to financial indiscipline on the part of the department.* The main question was as to why was there an excess of Rs. 440,892. After some discussion, the Committee directed the departmental representative to furnish the factual position regarding expenditure on telephones to the Secretary, National Assembly Secretariat immediately, for submission to the Committee.

8. The department sent the following information to the National Assembly Secretariat the next day :—

"The factual position regarding telephones is explained below :—

Particulars	Cash Expenditure	Tele. debits	Total
	Rs.	*Rs.*	*Rs.*
Staff Household and Allowances of the President—Office contingencies	128,291	754,927	883,218

The expenditure on telephones was on the high side and necessray economy measures were taken by converting all the main lines/direct telephones into Non-STD. During the current financial year (1979-80), the expenditure is within the ceiling".

9. The above information was placed before the Committee, who did not make any further observation on it.

President's Secretariat (Public)

10. *Staff, Household and Allowances of the President (Group Head "H") (Page 217—AA)*.—The excess of Rs. 234,622 against this appropriation was ascribed to the following factors :—

(a) Refixation of pay of officers and staff in the revised National Pay Scales *w.e.f.* 1st May, 1977.

(b) More expenditure on TA|DA of officers and staff.

(c) Purchase of various miscellaneous articles for which no provision was made in the original budget grant.

(d) More expenditure on telephone bills than anticipated.

(e) Purchase of Staff Cars for which no provision was made in the original budget grant.

It was further explained that a supplementary grant of Rs. 167,300 was agreed to by the F.A's Organisation, but the request for its inclusion in the Supplementary Demands for Grants was not made to the Finance Division at the appropriate time due to an oversight. However, Re-appropriation Order bearing No. F. 4 (17)-Accts|73—78, dated 28th June, 1978 was issued, in consultation with the F.A's Organisation.

11. The Committee was not satisfied with the explanation, because expenditure on the items at (c) and (e) could have been postponed to the next year, or a supplementary grant should have been asked for and obtained before incurring the expenditure. Moreover, if the supplementary grant was agreed to by the F.A's Organisation, the Finance Division should have been requested to include the same in the book of Supplementary Demands for Grants. *The Committee directed that the responsibility for this serious omission should be located and suitable action taken against the defaulter.*

12. *The departmental representative was further directed to send immediately for the information of the Committee a revised reply indicating separately therein the expenditure on each item mentioned in their written reply.*

12A. The following further material was supplied by the department, subsequently :—

"(a) Payments on account of re-fixation of Salaries due to revision of National Pay Scales introduced on 1st May, 1977, when the budget proposals had already been finalised, entailed an extra expenditure of Rs. 72,300.

(b) Replacement of Staff Car, at a cost of Rs. 95,000, budget provision for which had not been made earlier. Finance authorities had agreed to a supplementary grant of Rs. 1,67,300 for this and other items, but, unfortunately, due to a lapse in following the proper procedure (omission in sending schedule of supplementary grants), this amount was not reflected in the supplementary grants. Had this supplementary demand materialised, the excess expenditure would have been almost nil except for the excess due to the upward revision of the National Pay Scales."

13. No further observation was made by the Committee on this explanation.

C.M.L.A's. SECRETARIAT

14. Thereafter the examination of Appropriation Accounts pertaining to the C.M.L.A's. Secretariat for the year 1977-78 and the Report of the Auditor-General thereon was taken up by the Committee. Mr. H. A. Qureshi, Joint Secretary, represented that Secretariat.

15. The C.M.L.A's. Secretariat controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Other expenditure of Cabinet Division (Group heads 'A' & 'B')	11
2.	Prime Minister's Secretariat	16
3.	Kashmir Affairs and Northern Affairs Division (Group Head 'D' only) ..	116

APPROPRIATION ACCOUNTS

16. *Grant No. 11—Other Expenditure of Cabinet Division (Group heads 'A' and 'B') (Page 28—AA).*—The excess of Rs. 10,200, against group head "B-Office of the Adviser to Prime Minister", was explained as having been due to belated adjustment of telephone charges pertaining to the year 1976-77. Not being satisfied with the explanation, *the Committee directed the departmental representative to furnish a revised explanation giving full details of the budget provision for telephones, the actual expenditure incurred on this account and as to when the debits pertaining to 1976-77 were received?*

17. The department furnished the following information to the Committee, subsequently :—

> "A Provision of Rs. 80,000 was made against the item "Telephone Charges" during 1977-78 while an expenditure of Rs. 90,200 was actually incurred. The excess of Rs. 10,200 is mainly due to enhancement in rates of telephone calls from Paisa 25 to Paisa 50 per call. It is also due to raising the debit for the year 1976-77 to the tune of Rs. 10,200 by AGPR in the month of June, 1978. At this late stage it was not possible to obtain supplementary grant to meet the excess. This Secretariat could have easily adjusted the above debit of Rs. 10,200 for the year 1976-77 had it been raised by the AGPR in that very financial year because there was a saving of Rs. 38,261 against the above sub-head in 1976-77."

18. No further observation was made by the Committee on this grant.

19. *Grant No. 16-Prime Minister's Secretariat (Page 33—AA).*—The following reasons were given for the excess of Rs. 138,213, against Group head 'H' of this grant :—

> "(a) Due to the frozen funds of the CMLA's Secretariat (Internal), an expenditure of Rs. 142,208 was incurred on official functions and parties of the CMLA. Funds of that Secretariat were released in March, 1978. A credit of Rs. 82,572 was afforded during the financial year 1977-78 but the credit for the balance amount of Rs. 59,636 was not afforded by the Internal side of the CMLA's Secretariat due to shortage of funds. Hence the above amount remained un-adjusted.

(b) The amount of Rs. 73,577 represented telephone charges. A debit to that extent was anticipated during the financial year 1976-77 but it could not be received in that year. Hence the amount of the above debit was adjusted during the financial year 1977-78."

20. *The Committee was not satisfied with the explanation and observed that neither the re-appropriation was done at the proper time nor any action was taken to avoid irregularity, by timely asking for a supplementary grant. The Committee, therefore, directed that action should be taken to fix responsibility for these lapses and punish the defaulters suitably.*

21. *The Committee further directed the departmental representative to furnish a revised explanation, giving full facts as to how much provision was made in the budget for telephones, what was the actual expenditure and when were the debits pertaining to the previous year (1976-77) received?*

22. The department furnished the following information to the Committee, subsequently :—

"(i) A provision of Rs. 370,000 was made against item "Telephones and Trunk Calls". An expenditure of Rs. 503,213 was incurred which exceeded the provision by an amount of Rs. 133,213. This excess was due to excessive use of telephones (in connection with Election Work) by Private Secretary to Prime Minister who had two office telephones and one at his residence, Press Secretary who had one office telephone and one residential telephone and four Officers on Special Duty each of them having one office and one residential telephones. The expenditure incurred on these telephones (13 in number) was Rs. 230,710 as against an expenditure of Rs. 97,500 only incurred on the rest of 35 telephones in this Secretariat.

(ii) The above excess is also due to raising of the debit to the tune of Rs. 133,210 by AGPR of an expenditure which actually pertained to the year 1976-77, but was not done in time by AGPR.

(iii) The above excess would have been considerably reduced had the CMLA's Secretariat (Internal) not used Rs. 142,208 on the official functions etc. arranged by the CMLA's Secretariat (Internal) out of the budget provision of this Secretariat because the funds of the Internal Secretariat had been frozen on the promulgation of Martial Law. Despite our efforts only a fraction of this amount was afforded to us and an amount of Rs. 59,636 was not afforded to this Secretariat due to shortage of funds with the Internal side. Had this amount been actually afforded to this Secretariat, the above mentioned excess would have been considerably reduced and brought down to Rs. 73,577 only.

(iv) The excess is mainly due to increase in rate of calls from Paisa 25 to Paisa 50 while the budget allocation had been made on the basis of earlier rate of Paisa 25. Naturally the expenditure went up considerably.

(v) Supplementary grant to meet the excess could not be obtained because of late raising of debit of AGPR."

23. No further observation was made by the Committee on this explanation.

24. *Grant No. 116—Kashmir Affairs and Northern Affairs Division (Group head 'D' only) (Page 135—AA).*—The excess of Rs. 7,585, against the group head "D-office of the OSD Northedn Areas", was explained as having been due to more expenditure incurred on telephones during the election campaign. A debit to the above extent was anticipated in 1976-77, but the same was not received. This had to be adjusted during the year 1977-78.

25. After some discussion, *the Committee observed that the explanation given by the department was not correct; and the accounts were not being maintained properly. The departmental representative was directed to send a detailed report to the Committee about expenditure on telephones.*

26. The following information was furnished by the department, subsequently, which was placed before the Committee:—

> "A provision of Rs. 4,500 was made in the budget grant of 1977-78 against item "Telephone Charges". An expenditure of Rs. 12,585 was incurred which exceeded the provision by Rs. 7,585. This excess is due to enhancement in the rates of telephone calls from Paisa 25 to Paisa 50 and also raising the debit to the tune of Rs. 7,585 pertaining to the year 1976-77 by the T & T Department. Had the T & T Department raised this last mentioned debit in the year 1976-77, it could have been easily met by this Secretariat because during that year there was a saving of Rs. 33,521."

27. No further observation was made by the Committee in this regard.

28. *Compliance on the points contained in the PAC Reports for 1972-73, 1973-74 and 1974-75.*—Audit was requested to examine the replies furnished by the department and report back to the Committee, if necessary.

29. *Points|paras not considered to be treated as settled.*—The Committee did not make any observation on other points contained in the Appropriation Accounts or Audit Report thereon. These would be deemed settled, subject to regularising action, if any, under the rules.

PAKISTAN ATOMIC ENERGY COMMISSION

30. The Committee next took up the examination of Appropriation Accounts pertaining to the Pakistan Atomic Energy Commission for the year 1977-78 and the Report of the Auditor-General thereon. Mr. Anwarul Haq Raazi, Member (Finance) represented the Commission.

31. The Pakistan Atomic Energy Commission controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Atomic Energy	18
2.	Capital Outlay on Development of Atomic Energy	164

APPROPRIATION ACCOUNTS

32. *Grant No. 18—Atomic Energy (Page 35—AA).*—A saving of Rs. 525,000 was shown by Audit against this grant. The Committee was informed that a supplementary grant of Rs. 525,000 was obtained to cover expenditure on research contracts, financed out of grants offered by foreign agencies as under :—

		Rs.
(1) Amount met from US National Bureau of Standards	.. ..	325,000
(2) Amount met from US National Science Foundation	.. ..	200,000
	Total ..	525,000

The grant of Rs. 200,000 did not materialise and was surrendered. Against the other grant of Rs. 325,000, sanction for an amount of Rs. 167,500 was issued by the Government on 21st June, 1978. But the amount was not released by the AGPR till the close of the financial year 1977-78 and could, therefore, not be surrendered.

33. Replying to a query, the departmental representative informed the Committee that they did move the Government in time, but the money was not made available to them in time. However, the deparmental representative could not give the exact date on which the case was sent to the Government. He promised to furnish this information to AGPR, later.

34. *Grant No. 164 Capital Outlay on Development of Atomic Energy (Page 186—AA).*—Against a 'Nil' provision, an excess recovery of Rs. 6,811,000 was depicted by Audit *vis-a-vis* the head "Amount met from Foreign Air Deposit Account". The Committee was informed that the position, indicated by the Audit, was not correct, as provision for estimated recoveries of Rs. 6,811,000 existed in the Revised Estimates for 1977-78 *vide* page 505 of the printed Budget for 1978-79. The Audit representative submitted that the department had taken into account the revised estimates, whereas Audit had taken into account the original estimates, because revised estimates are merely a departmental arrangement.

35. *Compliance on the points contained in the PAC Reports for 1972-73, 1973-74 and 1974-75.*—There was no material point for discussion on these compliance reports.

CABINET DIVISION

36. The Appropriation and other Accounts pertaining to the Cabinet Division for the year 1977-78 and the Report of the Auditor-General thereon, were taken up next for examination by the Committee. The following departmental representatives were present :—

(1) Mr. Asad Ali Shah, Additional Secretary.

(2) Mr. Abid Hussain, Controller, Stationery and Forms.

(3) Mr. Shamim Ahmad, Director (Finance), Printing Corporation of Pakistan Ltd.

37. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Land Reforms	4
2.	Cabinet	8
3.	Cabinet Division	9
4.	Disaster Relief and Rehabilitation	10
5.	Other expenditure of Cabinet Division (Group head 'C' only)	11
6.	Stationery and Printing	44
7.	Development Expenditure of Cabinet Division (Sub-head Y-2)	137
8.	Capital Outlay on Works of Cabinet Division	165

APPROPRIATION ACCOUNTS

38. *Grant No. 4—Land Reforms (Page 20—AA).*—There were no observations by the Committee in regard to this grant.

39. *Grant No. 8—Cabinet (Page 25—AA).*—The saving of Rs. 237,800, under the group head "A-Federal Ministers|Ministers of State" was claimed as having been mainly due to non-issuance of authority by the A.G.P.R. on account of medical treatment of wife of the *Ex*-Minister of State for Cabinet (Makhdoomzada Muhammad Amin Fahim), sanctioned *vide* Cabinet Division letter No. 2|39|76-Min, dated 15th November, 1977. The above position was intimated to Audit *vide* Cabinet Division letter No. 4|6|77-A|c-II, dated 28th November, 1979.

40. The Audit representative contended that the authority issued by the AGPR was not honoured by the State Bank in time. Secondly, the expenditure involved was to be met from the allocations for the financial year 1976-77, which had expired. Thereupon, the departmental representative informed the Committee that the authority issued in November, 1977 was in supersession of the earlier sanction, issued in June, 1977.

41. Asked about the authority on which this sanction was issued, the departmental representative informed the Committee that the expenditure had already been incurred by the Embassy of Pakistan and the sanction was issued *ex post facto*. The Committee thought that the matter had been un-necessarily delayed, but gave no further direction.

42. *Grant No. 9—Cabinet Division (Page 26—AA).*—A saving of Rs. 2,060,984 was shown in the Appropriation Accounts against the group head "A-Secretariat". The departmental representative contested the Audit figure and submitted that, according to the reconciled figures, the saving came to Rs. 2,371,420, which was mainly due to some posts having remained vacant. Replying to the query as to why the saving was not surrendered, the departmental representative explained that the posts which had remained vacant were borne on the strength of the Ministry of Foreign Affairs. That Ministry did not furnish the necessary information in time, despite requests. Information from there was received too late, due to which the saving could not be surrendered.

43. *Group heads "B-Central Pool of Cars" and "D-Pakistan Computer Bureau" (Page 26—AA).*—There was no variation between the Final Grant and the Actual Expenditure against these group heads. The Committee wondered as to how was the allocation managed to be spent to the last rupee. The departmental representative promised to look into it and report to the Committee.

44. *Group head "C-Intelligence Bureau" (Page 26—AA).*—A saving of Rs. 1,273,165 was shown by Audit against this group head. However, it was explained that against the Final Grant of Rs. 33,057,050, the actual expenditure amounted to Rs. 33,243,859, involving an excess expenditure of Rs. 186,809, instead of any saving, as shown in the Appropriation Accounts. Audit accepted the position explained by the department in their written reply. Thereupon, *the Committee directed Audit to locate the responsibility for this mistake and take action against those found responsible for it.*

45. *Group head "F-Department of Communications Security" (Page 26—AA).*—A saving of Rs. 157,075 was claimed by the department due to the following reasons :—

(a) Late adjustment of the debit of Rs. 54,872 on account of purchase of car, which was not booked by Audit.

(b) Non-adjustment of debits to the tune of Rs. 102,203 as under :—

(i) Rs. 68,000-Cost of air-conditioner purchased through IP&S.

(ii) Rs. 20,000-Cost of Multilith Equipment purchased through IP&S.

(iii) Rs. 14,203—Telephone Charges.

46. Asked for their comment, the Audit representative informed the Committee that, so far as item (b) was concerned, the position explained by the department was correct. But the explanation of the department in respect to item (a) was not correct because, at the time of re-conciliation, this item was not indicated by the Cabinet Division.

47. After seeking some further clarification, *the Committee directed the departmental representative to check up the position further in respect of item (a). As regards item (b), Audit was requested to verify as to when were the debits actually received and take action against those, who failed to make the necessary adjustment of debits in time.* Audit promised to look into the matter.

48. *Grant No. 10—Disaster Relief and Rehabilitation (Page 27—AA).*—The saving of Rs. 12,607,000, depicted against the group head "D-Flood Relief Grants and Emergency Relief operations", was explained as having been due to the following reasons :—

(a) Less booking by Audit (Rs. 9,500,000). Audit has confirmed that this expenditure could not be adjusted in the accounts for 1977-78 but was adjusted in the accounts for 1978-79.

(b) The expenditure of Rs. 3,107,000 was required to be met by transfer from the Prime Minister's Flood Relief Fund as shown in the revised estimates 1978-79. Necessary sanction for this adjustment was issued in the same manner as it was done previously. However, the Audit did not adjust the amount as "Recovery" in the Appropriation Accounts and reduced the expenditure to this extent, despite the fact that the expenditure of Rs. 3,107,000 with corresponding deduction under "Recovery" was included in the Skeleton Appropriation Accounts circulated under AGPR, Rawalpindi letter No. Rep. 1|APP|77-78|953, dated 26th November, 1979, which was accepted by the Cabinet Division. The Audit has, however, now confirmed that there is no over-all difference between the Audit and departmental figures of actual expenditure.

49. Similarly, the saving of Rs. 6,095,000 against the group head "E-Relief Squadron of Helicopters" was also ascribed to non-booking by Audit, because debits for the amount, raised by the CCMA, Rawalpindi were not traceable in their office.

50. *The Committee took a serious view of the fact that accounts involving a substantial sum of Rs. 18.7 million were not booked by Audit. After seeking some clarification from the departmental representative and Audit, the Committee requested the Audit to make the procedure for booking of expenditure more effective and efficient. The Committee also requested Audit to investigate into the above i.e. (a) when and by whom sanction was issued, (b) what was the mode of payment; and (c) booking of debits, etc. and report back to the Committee, to enable it to see whether there was any procedural mistake or negligence on the part of any person. Audit undertook to comply.*

51. *Grant No. 11 (Other Expenditure of Cabinet Division (Group head 'C') (Page 28—AA).*—There was no material point for consideration under this grant.

52. *Grant No. 44-Stationery and Printing (Page 58—AA).*—An over-all excess of Rs. 3,295,806 was shown by the Audit against this grant. The departmental representative contended the figures of both "Final Grant" as well as "Actual Expenditure" which, according to the department, were Rs. 33,683,500 and Rs. 31,974,725 instead of Rs. 33,684,000 and Rs. 36,979,806, resulting in a saving of Rs. 1,708,775, of which Rs. 1,704,700 was surrendered, leaving a net saving of Rs. 4,075. So far as the Final Grant was concerned, there was a difference of Rs. 50 only, but there was a difference of Rs. 5,005,081 in respect of Actual Expenditure, which was claimed as having been due to wrong booking by Audit of the expenditure which actually pertained to the Stationery, Forms and Publication Depot, Islamabad.

53. The Audit representative conceded that there was a double booking on their part. In reply to a query as to where did the double credit go, the Committee was informed that 'suspense' was created and the needful will be done now to deal with such accounts. Thereupon, a member observed that the Audit had been promising such an action for sometime past. If 80% work had been done by Audit on this, the figures should be supplied by them to the Committee. The member suggested that the Audit should take up the biggest five entries and go ahead with this work. The Audit representative promised that they would take action on these lines.

54. *Grant No. 137 (Sub-head Y-2) and 165 (Pages 158 and 187—AA).*—There was no material point for consideration in these grants.

COMMERCIAL ACCOUNTS

Central Publications Branch

Stationery and Forms

55. *Compilation of Accounts* [*Para 3 (v and vi), Page 5—CA*].—It was pointed out that the accounts in respect of the Central Publications Branch from 1974-75 to 1977-78, and Controller Stationery and Forms, Karachi from 1975-76 to 1977-78 had not been compiled. The department explained that the Accounts in respect of the Central Publications Branch, Karachi for the year 1974-75 and Stationery and Forms for 1975-76 had been compiled and the Director of Commercial Audit also requested to audit the same. The Accounts for 1975-76 were also under preparation and will be finalised as soon as the Accounts for 1974-75 had been audited. The Accounts for the subsequent year will be prepared after the accounts for 1975-76 had been compiled and audited.

56. *The Committee was not satisfied with the above-mentioned progress and directed that the accounts of the Central Publications Branch as well as the Controller of Stationery and Forms must be completed, up-to-date, by the 31st December, 1980 at the latest.*

Printing Corporation of Pakistan

57. *Compilation of Accounts* [*Para 3 (iv), Page 5—CA*].—Audit has pointed out that the accounts of the Corporation, for the years 1976-77 and 1977-78 had not been compiled. It was explained that the report on the Accounts for the year ended 30th June, 1977 was received from the Statutory Auditors in June, 1979 and approved by the Board of Directors in their meeting held on 31st December, 1979. The review audit was being conducted by the Joint Director, Commercial Audit, Wah Cantt. The report of the Statutory Auditors on the final Accounts for the year ended 30th June, 1978, was expected within a month and will be sent to the Director Commercial Audit for review, after the approval of the Board of Directors of the Corporation.

58. A member remarked that it seemed that only one meeting of the Board of Directors had been held during 1979, in December. *The Committee thereupon directed that there should be more regular and frequent meetings of the Board. In fact, there should be a meeting of the Boards of all Government Corporations at least every quarter. If any Director did not find time to attend the Board's meetings, the Ministry should nominate some other persons on the Board.* The law required that these accounts should be submitted to the Board not later than the ninth month from the end of the financial year. Also, at least one meeting of the share-holders was required to be held, in every calender year, but not along with the Board's meeting. The Cabinet Secretariat should see to it that the Corporations under it observed the law. The departmental representative promised to take the remedial action.

59. *Infructious and non-planned expenditure of Rs. 232,880 on the purchase of Duple Flat Bed Rotary Machine (Para 24, Page 22—CA).*—After going through the written explanation and seeking some clarification, the Committee observed that a decision about the disposal of the machine must be taken before the end of June, 1980. If it was decided to sell the machine, the same must be disposed of before the end of July, 1980.

60. *Blockade of Capital—Un-planned purchase of stores—Rs. 374,167 (Para 25, page 22—CA).*—The Committee was informed that these stores, which were inherited by the PCP Ltd., and ever not used or required had been disposed of in February, 1980. Replying to a query, the departmental representative stated that the percentage of recovery was 40. Subject to these remarks, the para was treated as settled.

COMPLIANCE REPORT ON THE ACCOUNTS FOR 1972-73

61. The Compliance reports received from the Department were considered by the Committee, who observed that compliance in respect of paras 715-16 and 989 of the Report was to come from Audit.

COMPLIANCE REPORT ON THE ACCOUNTS FOR 1973-74

62. The Compliance report submitted by the Division was considered by the Committee, who made no further observation thereon.

COMPLIANCE REPORT ON THE ACCOUNTS FOR 1974-75

63. *Group head "B-Central Pool of Cars" (Paras 407—09, pages 87-88 of PAC Report).*—The Committee was informed that the position had been re-checked. It now transpired that seven (7) staff cars were purchased for the Central Pool of Cars through the Department of Investment Promotion and Supplies, Karachi. The total cost of these cars, including freight etc., amounted to Rs. 659,709. The Audit Officer, Food and Supplies, Karachi was addressed on April 11, 1974 and June 5, 1974 to raise debits for the above amount against the relevant Head of Account, through the AGPR, Jauhrabad. A reminder was issued on the 28th June, 1974, seeking confirmation that requisite debits had been raised.

64. *Audit was requested to look into it and report back to the Committee, if necessary.*

65. *Group head "C-Intelligence Bureau" (Paras 410—12, page 88 of PAC Report).*—After going through the department's reply, *Audit was requested to check up the position and report back to the Committee, if necessary.*

66. *Excesses over authorised grants which require to be regularised—"Grant No. 3-Disaster Relief and Rehabilitation" (Paras 414 to 423, pages 88—90 of PAC's Report and S. No. 1 of Statement No. 4 page 180, read with para 77 (ii) of the Report—1974-75).*—It was explained that further scrutiny had revealed that a wrong debit of Rs. 66,98,482, raised by the CCMA, Rawalpindi was included by Audit as expenditure in the Appropriation Accounts and it eventually caused a net excess of Rs. 5,78,150 even after the surrender of Rs. 23,93,491 and saving of Rs. 37,26,841. The debit of Rs. 66,98,482 was subsequently rejected by the AGPR *vide* his No. TA-II|Cab|R&R Wing|2036, dated 27th February, 1976 and withdrawn by the CCMA, Rawalpindi, through the Accounts for January, 1978 *vide* his No. A|iv|88-Misc, dated 8th February, 1978. Therefore, the so-called excess of Rs. 5,78,150 in the Accounts for 1974-75 was of academic significance only. There was, otherwise, saving of Rs. 37,26,841 even after the surrender of Rs. 23,93,491. However, in compliance with the directive of the PAC, the Finance Division had been requested to regularize the excess of Rs. 5,78,150 *vide* Cabinet Division O.M. No. 137|13|79-DP&RC|AC, dated 22nd April, 1980.

67. *Audit was requested to verify the facts and report back to the Committee, if called for.*

68. *Audit and Inspection Report on the accounts of Prime Minister's Earthquake Relief Fund submitted in Compliance with paras 418-19, page 89 of PAC Report—1974-75.*—After some discussion, *the Committee directed the departmental representative to examine this Report in the first instance. They should start linking the monetary transfer, date-wise, noting the amount*

disbursed and what remained with the Central|Provincial Government. It should also be examined as to who authorised the expenditure and how much was spent. The Committee further observed that the department should send their comments to Audit by the 30th September, 1980, so that Audit could report back to the Committee.

69. *Audit Briefs.*—*The Audit was further directed that, as used to be done by them before, they must henceforth by way of assisting it in the examination of the Accounts concerned, come up to the Committee with their briefs|comments on the replies furnished by the Departments.*

Printing Corporation of Pakistan Ltd.

70. *Paper price adjustment (Paras 427—429, pages 90-91 of PAC Report—1974-75).*—It was explained that the matter could not be presented to the Board of Directors in the meeting held on 31st December, 1979 due to heavy agenda. It will be presented in the next Board Meeting. *The Committee observed that a meeting of the Board of Director should be held at an early date to take a decision in the matter.*

71. *Assets of the Corporation (Paras 430-431, page 91 of PAC Report—1974-75).*—The Committee was informed that the assets had been transferred to the PCP provisionally. Pending final settlement, share certificates therefor could not be issued. Replying to a query, the departmental representative informed the Committee that the final settlement was held up due to some legal problems, *e.g.*, whether Government assets could be transferred to an autonomous body.

72. *Title deeds (Para 434, page 91 of PAC Report—1974-75).*—It was explained that the matter about the issue of title deeds for I.P. & K.P. Lands was under active consideration with the D.S., S & F and CDA. A member enquired about the exact point under consideration and when was the CDA last contacted ? He suggested that the Cabinet Division should see as to what action had the Corporation taken in the matter. Another member remarked that the hitch here could be that, if the Corporation asked the CDA to give them the title deeds, the revalued cost of the land would be considerably more. The real problem in this case was the date of the transfer.

73. The Audit representative added that this land belonged to the CDA and it was, at no stage, transferred to the Government. The CDA allotted plots for Government buildings, but the ownership remain with them. The Chairman observed that the problem was whether Government should pay the price of land to the CDA and then charge it to the Printing Corporation. Actually, the Government may have to pay the cost of land to the CDA, because the Corporation did not have cash enough to pay for it.

74. *Points|paras not discussed to be treated as settled.*—The Committee did not make any observation on other points|paras in the Appropriation|Commercial Accounts or Audit Reports thereon including compliance reports. These would be deemed settled subject to regularising action, if any, under the rules.

ESTABLISHMENT DIVISION

75. After Cabinet Division, the Committee took up the examination of Appropriation Accounts pertaining to the Establishment Division for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

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

(2) Mr. M. Amin, Deputy Secretary (Admn.).

(3) Mr. Fateh Muhammad, Chief Welfare Officer.

76. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Establishment Division	12
2.	Public Service Commission	13
3.	Service Tribunal	14
4.	Other Expenditure of Establishment Division	15
5.	Administrative Inspection	17
6.	Development Expenditure of Establishment Division	138
7.	Development Expenditure of Manpower Division (Group head 'D' only) ..	157

APPROPRIATION ACCOUNTS

77. *Grant No. 12-Establishment Division (Page 29—AA).*—There was no material point for consideration under this grant.

78. *Grant No. 13-Public Service Commission (Page 30—AA).*—A saving of Rs. 717,398 was shown against this grant. It was explained that Rs. 230,000 was duly surrendered before 30th June, 1978. The balance saving of Rs. 487,398 was due to non-adjustment of expenditure, incurred on the shifting of headquarter of the Federal Public Service Commission from Karachi to Rawalpindi. This non-adjustment was pointed out to Audit, who advised that the position be explained to the PAC, as the accounts had already been closed.

79. The Audit representative submitted that there seemed to have been some expenditure at Rawalpindi, after the shifting, which was not booked. They were trying to locate the same.

80. As the departmental representative did not have readily available all the information asked for regarding the shifting of the FPSC headquarters, he was directed to furnish the necessary details to Audit (AGPR) for verification of facts.

81. *Grant No. 14-Service Tribunals (Page 31—AA).*—There was no material point for consideration under this grant.

82. *Grant No. 15-Other Expenditure of Establishment Division and Grant No. 138-Development Expenditure of Establishment Division (Pages 32 and 159—AA).*—After going through the department's reply in respect of savings of Rs. 59,300 and Rs. 393,135 claimed respectively against these grants, the

Committee thought that adjustment of accounts under 'recovery' had not been made correctly. Audit was requested to verify the facts in the light of the material supplied by the department, in order to find out as to who was really at fault in these cases.

83. *Grant No. 17-Administrative Inspection (Page 34—AA).*—The excess of Rs. 92,306 in this grant was explained as having been due to revision of the National Pay Scales. It was anticipated that the increase would be adjusted within the sanctioned budget grant, due to which supplementary grant could not be obtained within the prescribed time-limit.

84. *The Committee observed that the expenditure involved was on pay and allowances and as this should have been known to the department, supplementary grant should have been asked for in time. The departmental representative was directed to find out as to why supplementary grant was not obtained in time and to take suitable action for this avoidable default.*

85. *Grant No. 157-Group head "D-General Administration" (Page 179—AA).*—The excess of Rs. 151,397, shown against this group head, was claimed mainly due to the belated adjustment of Rs. 150,000 by Audit in November, 1979, after reconciliation. The expenditure actually pertained to 1975-76.

86. *Audit was requested to verify as to why delay occurred in booking the expenditure and take suitable action against those responsible for it.*

COMPLIANCE REPORT ON THE ACCOUNTS FOR 1972-73

87. The Compliance Report for 1972-73 was seen by the Committee and no observation was made thereon.

COMPLIANCE REPORT ON THE ACCOUNTS FOR 1973-74

88. *Grant No. 2 (Paras 409—411, page 83 of PAC Report).*—The Committee was informed that further information in the matter was to be given by Audit. The Audit representative said that they had since checked the position. Actually, there was a classification recorded on the telephone bills and they had booked according to that classification. The Committee directed Audit to let it have a written reply.

89. *Grant No. 115 (Para 413, page 83 of PAC Report).*—The Committee was informed that further action on this para was to be taken by the Audit authorities, who were directed to let the Committee have a written reply.

COMPLIANCE REPORT ON THE ACCOUNTS FOR, 1974-75

90. *Grant No. 120 (Paras 443-44, page 93 of PAC Report).*—It was explained that action on these paras was required to be taken by Audit. The latter were requested to furnish a written reply.

91. *General—Census of Government employees.*—The departmental representative was requested to send to the Committee copies of the Census of Government Employees, pertaining to the years 1971|1977|and the latest one, if any.

92. *Points|paras not discussed to be treated as settled.*—The Committee did not make any observation on other points|paras in the Appropriation Accounts or Audit Report including Compliance report. These would be deemed settled subject to such regularising action as might be necessary under the rules.

DEFENCE PRODUCTION DIVISION

93. The Appropriation and other Accounts pertaining to the Defence Production Division for the year 1977-78 and the Report of the Auditor-General thereon were the last to be taken up for examination by the Committee on the 24th May, 1980. The following departmental representatives were present :—

(1) Mr. Tariq Mustafa, Additional Secretary Incharge.

(2) Maj. Gen. Abdul Rehman Khan, DGP (Army).

(3) Col. Asghar Ali, Director (Procurement).

(4) Mr. M. M. Saeed, Member, POF Board.

94. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Defence (sub-head 'A-4' only)	35
2.	Capital Outlay on Civil Aviation and other Works of Ministry of Defence (group-head 'B' only)	173

APPROPRIATION ACCOUNTS

95. *Grant No. 35 (Sub-head A-4) Ministry of Defence (Page 50—AA).*—A saving of Rs. 345,797 was claimed by Audit against the group head "A-Secretariat". The departmental representative contested that the Final Grant was Rs. 1,336,000 instead of Rs. 1,690,500, against which the actual expenditure was Rs. 1,344,703. There was thus an excess of Rs. 8,703. Audit was requested to check the figures of final grant.

96. *Grant No. 173 (Group head 'B') (Page 193—AA).*—There was no material point for consideration under this grant.

AUDIT REPORT (CIVIL)

97. *Avoidable expenditure of Rs. 13,000 on maintenance of staff cars (para 2, page 21—AR).*—After going through the written reply, the para was treated as settled.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

98. *Linkage of goods (Para 3, page 4—AA—Defence Services).*—It was *inter alia* explained that, in pursuance of the decision of the PAC on 1st February, 1979, the new receipt|linking procedure had since been introduced and made effective from 12th January, 1980. All the bottlenecks in the old procedure had been tried to be removed in it and it was hoped that the new system would facilitate the coordination and prompt linking of consignments with the relevant documents.

99. *The department was requested to make 5 copies of the new procedure available to the Committee and two copies thereof to Audit.*

100. *Extra expenditure on account of risk purchase—Rs. 26,156 (Item No. II (i) 19, page 7—AA—Defence Services).*—After hearing the explanation and seeking some clarification, the para was treated as settled.

101. *Irrecoverable amount on account of risk purchase [Item No. II (i) 28 and 29, page 7—AA—Defence Services].*—The Committee was informed that both the cases were under processing and a final reply would be submitted in the next meeting of the PAC. *The Committee directed the departmental representative to furnish their reply by July, 1980, and the National Assembly Secretary/Audit to note that this matter be put down for consideration by the Committee during its next Session; in August, 1980 when the accounts of some other Ministries/Divisions will be examined. The departmental representative promised to comply with the direction.*

Annexure to Appendix 'B'

102. *Loss of Miscellaneous Stores in POF—Rs. 6,146 (Item 1—107, page 13—AA—Defence Services).*—It was explained that a Court of Inquiry was convened and Durban Mohammad Din PL No. 83918 was held responsible for this theft. The recommendations of the Court of Inquiry were submitted to the Chairman, POFs Board, and approved by the Competent Authority. According to the proceedings and recommendations of the Court of Inquiry, disciplinary action against the individual was taken and the amount involved, *viz*, Rs. 6,146 written off as debitable to State through Loss Statement No. 201, dated 29th January, 1976.

103. Replying to the query as to what was the recommendation of the Court of Inquiry and the nature of the disciplinary action finally decided upon, the departmental representative sumbitted that the recommendation of the Court of Inquiry was that suitable disciplinary action be taken against Durban. The Durban was, finally, warned by the competent authority. *The Committee felt that this disciplinary action for a serious offence like theft was too light and asked the departmental representative to go into it again to see if the punishment could be made commensurate with the gravity of the proven offence.*

104. *Loss of Miscellaneous Stores in POF—Rs. 12,903 (Item 1—108, page 13—AA—Defence Services).*—It was explained that certain discrepancies in the Filling Factory Building Stores had occurred in 1966 due to a new building having been constructed without proper sanction. A Court of Inquiry was convened in 1973. As per its recommendations, the loss of Rs. 12,903 was written off under the POFs Board letter No. 4600|19|Loss-Tech-IV|359|Secy., dated 21st March, 1978.

105. Replying to a query, the departmental representative said that, immediately after the 1965 war, the Officer Incharge of the Factory had found that all the clothes, issued to the workers in the Filling Factory, had to be washed and, due to increase in the number of men, the washing capacity was falling short of the requirement. Instead of first getting sanction|approval of the competent authority therefor, he got hold of the stocks and put up a building, on his own, to augment the Washing Capacity. There was, however, no loss involved in it. Audit was requested to verify the facts and report to the Committee, if necessary.

106. *Deficiency of Stores in checking of stock—Rs. 36,420 (Item 1—114, page 13—AA—Defence Services).*—It was explained that a Court of Inquiry was convened, which, after a thorough investigation, recommended, that 75 per cent of the loss, amounting to Rs. 36,420, out of a total loss of Rs. 48,560, may be written off as debitable to State and the remaining 25 per cent i.e.

Rs. 12,140 be recovered from Mr. Saleh Mohammad, Senior Godown Keeper. The recommendations of the Court of Inquiry were approved by the Chairman, POFs Board. Accordingly, loss statement No. 0010|x, dated 25th February, 1977 was prepared and sanction to write off the total loss of Rs. 48,560.56 was obtained *vide* POF Board letter No. 3226|EO3|6|Stock-I|76|196|Secy., dated 17th November, 1977.

107. Replying to a query, the departmental representative submitted that the official concerned was still under suspension. There was no funds of his due from the organisation except the G.P. Fund, from which the department could not make any deductions. Enquiries were being made from the District authority if he had got any immovable property. No reply had been received so far. The departmental representative added that he intended to take up the matter with the POFs Board. In his view, the amount should not have been written off.

108. *Loss of MES Stores—Rs. 60,000 [Item II (1) (6)—page 13 Appendix 'B' of AA—Defence Services]*.—During discussion on this para, the departmental representative admitted that the case was that of an error of design and he was going to look into it afresh.

AUDIT REPORT (DEFENCE SERVICES)

109. *Paras No. 24, page 14 and Nos. 25.6 (a) (i) to 25.6 (a) (v), (pages 16—19—AR—Defence Services).*—The Committee was informed that all these cases were being processed and final replies thereto would be submitted soon. *The Committee directed the departmental representative to send replies to all the outstanding paras by July, 1980. These will be considered by the Committee in its next session, scheduled to be held in August, 1980.* The departmental representative promised to comply with the direction.

110. *Cases of various irregularities [Paras 25.1 to 25.5 and 25.6 (b), pages 14—19 AR—Defence Services].—Escalation Awards*|Exgratia *payments.*—The Auditor-General suggested that, before they could make any definite suggestion about the *ex-gratia* payments, all the records, pertaining to such payments, should be made available to them for verification. After some discussion, the Committee agreed with the suggestion and directed accordingly.

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

111. *Extra expenditure of Rs. 31,400 on account of unplanned procurement of ceiling fans at different rates (Paras 8-9, page 5—Commercial Appendix)*—After going through the written reply and seeking clarifications, *the Committee observed that this was a bad case. The department should examine it again to be able to give a satisfactory explanation to the Committee.*

112. *Loss of about Rs. 16 million due to non-acceptance of lowest tender (Paras 10—14, pages 5—7—Commercial Appendix).*—The departmental representative explained that the contractor, who quoted the lowest tender, insisted upon certain conditions about the use of bricks and shingle, etc., which did not accord with the specifications laid down by the department. *The Committee did not consider the department's explanation to be satisfactory and requested the departmental representative to look into this case and submit a detailed report for the Committee's consideration in its next session.*

113. *Audit was also requested to have a look at the back-ground of the party and give their version of the case.*

114. *Working review of the Ordnance Factories (Paras 55-56, page 27—Commercial Appendix).*—Audit had pointed out that the output of the factories during 1977-78 was valued at Rs. 5,659 lacs as against Rs. 4,695 lacs in the previous year, showing an increase of Rs. 964 lacs or 21 per cent. The increase in the cost of production was due to increase in direct|indirect wages, which had gone up by 37 per cent and 29 per cent respectively. The consumption of direct and indirect material during the year was respectively 4 per cent and 9 per cent less, as compared to the previous year. There was thus an increase in value only and not in quantity. The performance during the year revealed that it needed to be improved by exercising more control over the increasing trend of expenditure.

115. It was explained that, since their very inception, the output of the Pakistan Ordnance Factories was being measured in money value and the practice was considered to be commensurate with the requirements. As regards increase in direct|indirect labour costs, the Revised National Pay Scales came into force *w.e.f.* 1st May, 1977 and such an increase was, therefore, inevitable, even without any slackness in production control.

116. A member remarked that the Audit's view point, that the quantity of the output had decreased, had not been answered. The departmental representative replied that the total output as well as its value had increased. The Chairman observed, that with lesser material consumption, an increase in production was most unlikely, which confirmed the Audit's stand that increase in value was due to rise in prices.

117. *As the Committee was not satisfied with the departmental explanation, the departmental representative was requested for sending a revised explanation to the Committee.*

118. *Accounts of Ordnance Factories (Paras 57, page 27—Commercial Appendix).*—It was pointed out by Audit that the annual accounts of the Ordnance Factories represented the consolidated figures of its nine independent factories. Until now, no independent account of these factories were being drawn. It was, therefore, impracticable to trace back the figures from the Consolidated Balance Sheet of about Rs. 3,360 million and ascertain the operating results of each factory therefrom. These accounts depicted the over-all position of all these factories. Evidently, the low performance in a particular factory was off-set by a better performance of another factory. The necessity of getting independent accounts of each factory prepared and consolidated, after certification of each account by Audit was needed to be stressed upon the department.

119. It was explained that the POFs Board had moved, in collaboration with the audit authorities in 1965 to separate the Accounts of the Explosives Factory. But, due to some administrative reasons, the proposal did not materialise. Elucidating his point the departmental representative added that, at one stage, they had suggested that the accounts of each factory should be prepared separately. Now, a reorganisation is in progress and one of the fundamental aims of that reorganisation is to make each factory an independent accounting unit.

120. *A member suggested that the department could produce, for their own purposes, separate accounts and furnish a combined account to the Audit, if no secrecy were involved in it. For their own control, the department would be producing separate accounts.* The departmental representative promised to look into its feasibility.

121. *Assets and liabilities (Paras 58-59, page 27—Commercial Appendix).*—After going through the written reply, the Committee observed that in case of stores in transit the net balance should be carried forward to the next year.

122. *Payment made during the year but stores awaited (Paras 60-61, page 28—Commercial Appendix).*—It was pointed out that a sum of Rs. 64,123,398, shown against the head "Payments made during the year but stores awaited" included Rs. 28,358,524 pertaining to the previous years, of which Rs. 320,685 (POF Dacca) related to the year 1970-71. It was explained that Rs. 46,794,239 out of Rs. 64,123,398 had since been cleared, leaving a balance of Rs. 17,329,159.

123. *The Committee directed the departmental representative to look into the case and, if feasible, to take steps for the write off of the amount pertaining to the year 1970-71. The Committee further observed that the heading should also be suitably changed.*

COMPLIANCE REPORT ON ACCOUNTS FOR 1972-73

124. *MAG's Certificate—Linkage of goods (Paras 94-95, page 36 of PAC Report).*—The Committee was informed that revised receipt|linking procedure had since been finalised and issued. *The departmental representative was requested to supply a copy of the Revised Procedure to Audit, for verification.*

125. *Financial loss of Rs. 1,75,25,343 due to non-supply of 120 units contracted and paid in 1967 (Para 96(i), page 36 of PAC Report).*—It was explained that the case was under process and compliance would be submitted in the next meeting of the PAC.

126. Replying to a query, the departmental representative informed the Committee that this contract for the supply of 450 G. M. Trucks was placed with M|s. Gandhara Industries in January, 1967. Only 303 were received in good condition in 1969. Of the remaining 120 vehicles were damaged.

127. The Committee observed that they would like to have a full report, containing information on the following points:—

(a) By what date were the trucks to be supplied under the contract?

(b) Was the advance given in this case according to the contract and did the contract include any abnormal terms on this account?

(c) When were the vehicles actually received?

(d) What was the result of arbitration, etc.?

The Committee directed the department for full facts about the case to be prepared and given to Audit without any loss of time. The departmental representative promised to comply with the Committee's direction.

128. *The Committee decided that, in the first instance, Audit should go through all the compliance Reports pertaining to the year 1972-73 onwards and report back any item, worth mentioning to the Committee, with their comments.*

129. *Outstanding paras.—The Committee directed the departmental representative to supply material in respect of the outstanding items|paras in the Appropriation Accounts|Audit Report (Defence Services) to the National Assembly Secretariat and all others concerned by the 31st July, 1980. The Committee would then examine the same in its next session, to be held in August, 1980.*

130. *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) or Commercial Appendix to Appropriation Accounts (Defence Services). These would be deemed settled, subject to such regularising action as may be called for under the rules.

131. The Committee then adjourned to meet at 9.00 a.m. on Sunday, the 25th May, 1980.

M. A. HAQ,
Secretary.

Islamabad, the 3rd November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 25th May, 1980

Second Meeting

132. The *Ad-hoc* Public Accounts Committee met 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. Akhtar Sharif, Director, Public Relations.

(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. A. S. Ansari, Director of Audit, Defence Services.

(6) Syed Jameel Ahmed Zaidi, Director, Audit and Accounts (Works).

Ministry of Finance

(1) Mr. Abdul Jalil, Additional Secretary, Ministry of Finance.

(2) Mr. M. Y. Qureshi, Financial Adviser (Defence).

133. *Accounts examined.*—The Accounts of the Defence and Aviation Divisions were examined by the Committee during the course of the day.

DEFENCE DIVISION

134. The Committee took up the examination of Appropriation and other Accounts pertaining to the Defence Division for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) AVM. A. Rashid Shaikh, Additional Secretary.

(2) Mr. Sajjadul Hasan, Joint Secretary.

(3) Rear-Admiral M. I. H. Qizilbash, DCNS (S).

(4) Cdr. S. F. Rab DCNS (P).

(5) Air CDR. Mumtaz Ali, Air HQ.

(6) Brig. M. Ihsan-ul-Haq, Quartering (GHQ).

(7) Mr. M. M. Sharif, Surveyor-General of Pakistan.

135. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Defence (except sub-heads A-2 and A-4)	35
2.	Northern Areas (Group head 'B' only)..	117
3.	Other Expenditure of Kashmir Affairs and Northern Affairs Division (Group head 'F' only)	118
4.	Survey of Pakistan	120
5.	Development Expenditure of Ministry of Science & Technology (Sub-head 'K-I')	159
6.	Development Expenditure of Kashmir Affairs and Northern Affairs Division (sub-head Y-2 (1) only)	162
	APPROPRIATION ACCOUNTS (1974-75)	
	Civil Armed Forces (Accounts-II-Other Charges-Group head-A-Political and Administrative Charges)	16

APPROPRIATION ACCOUNTS (CIVIL) 1977-78

136. *Grant No. 35—Ministry of Defence (Page 50—AA).*—A saving of Rs. 56,899,000 was depicted against the group head "C-Northern Light Infantry". The Committee was informed that the expenditure had not been correctly booked. Against the Final Appropriation of Rs. 56,899,000 the MAG had booked an expenditure of Rs. 50,712,000 only. Hence, a saving of Rs. 6,187,000.

137. The Audit representative submitted that the debits of this expenditure had not been received from the Military Accounts Authorities. Replying to a query, the departmental representative informed the Committee, that the annual accounts of a financial year close on the 30th June, and subsequent adjustments, if any, are carried out by September|October of that year.

138. *After some discussion, the Committee observed that the department should find out whether debits were sent to AGPR. If so, when? The department should also examine as to why was the despatch of accounts delayed? On which dates are the debits supposed to be sent? Was there any prescribed date for closing the accounts? If so, was the dead line adhered to, as it seemed that the prescribed procedure was being ignored.*

139. The Audit representative informed the Committee that expenditure in respect of the Northern Area Works Organisation was being booked by the MAG's Organisation, who would then pass them on to Audit (AGPR). He added that, in the year 1977-78, some other accounts were also not received by them.

140. *The Committee, finally, directed the departmental representatives to ensure that the accounts, pertaining to the Northern Light Infantry upto April, 1980 were sent to the AGPR by June, 1980 and thereafter these should be sent every month. If these were not received in time, the AGPR should take it up and inform the Secretary of the Ministry and the National Assembly Secretariat, who should bring it to the notice of the Committee.*

141. The Chairman desired to know whether the AGPR had ever informed the Defence Division as to what was wrong with their accounts, and whether a calender of returns was being maintained, the Audit representative replied in the negative. Thereupon, the Chairman observed that there should be some such calender. He could recall that there used to be one some years earlier. The Auditor-General added that the Chairman was right in saying that, if some accounts had to come to the AGPR, then the latter must also watch whether they had been received. A member added that Audit should make fully known the dates, by which the accounts are to be received. If they are not received in time, then Audit should follow up the matter. The AGPR undertook to act accordingly.

142. *Grant No. 117-Group head "B-Works" and Grant No. 118—Group head "F-Chief Engineer for Azad Kashmir and Northern Areas" (Pages 136-137—AA).*—The Committee noted that the figures in respect of these grants, given by the department, were quite different from those in the Appropriation Accounts. It appeared that some accounts were missing. The Committee wondered whether the MAG could verify the figures given by the department. The Audit representative added that, it would be much better if a reconciliation was effected between the Military Accounts Office and the department.

143. *The Committee, finally, requested the MAG to verify the figures and submit a report to the Audit, who would bring up the matter before the Committee, if necessary.*

144. *Grant No. 120—Survey of Pakistan (Page 139—AA).*—The excess of Rs. 197,387, against the group head "A-Controlling and Administrative Staff" was claimed as having been due to belated adjustment of Book Debit Vouchers in respect of stores procured by the Department through the Director-General, I.P. & S. during the previous years. As the adjustment came to the notice of the Department after the close of the year, it could not be regularised. They had provided money for this purpose but, since intimation was not received by them in time, they had to surrender about Rs. 3 lakhs.

145. The Audit representative claimed that, out of an excess of Rs. 197,387, only Rs. 90,000 pertained to belated debits. The Department had, therefore, to explain the rest of the excess. The departmental representative refuted the

claim of the Audit and informed the Committee that, according to their record, the amount pertaining to belated debits was Rs. 175,000, intimation about which was received by them in July, 1978, *i.e.*, after the close of the accounts.

146. The Committee complimented the Surveyor General of Pakistan for producing a comprehensive set of replies for the Committee.

147. *Compilation of Subsidiary Accounts (Note 1 below Grant No. 120—Page 139—AA).*—The departmental representative explained that the delay in the compilation of Subsidiary Accounts was mainly due to the fact that they were short of staff by more than 50%. After some discussion, *the Committee directed that the outstanding accounts for the last 8 years must be completed by September, 1980 at the latest and sent to the Audit.* The departmental representative promised to comply with the direction.

148. *Grant No. 159—Sub-head "K-1-Survey of Pakistan" (Page 181—AA).*—There was nothing material for consideration by the Committee against this group head.

149. *Grant No. 162—Sub-head "Y. 2(1)-Development Schemes in Northern Areas". (Page 184—AA).*—The explanation submitted by the department was not deemed to be satisfactory and the Committee directed the departmental representative to submit a revised explanation.

APPROPRIATION ACCOUNTS (CIVIL) 1974-75

150. *Grant No. 16-Accounts-II-Other Charges-Group head-A—Political and Administrative Charges (Page 31—AA).*—The saving of Rs. 3,204,980 against this group head was explained as having been mainly due to non-booking of expenditure by the AGPR, Gilgit|AG., NWFP, Peshawar. The bills on account of Pay, Allowances and Other Charges were drawn by the Unit and presumably, the debits on this account were not transferred to Accountant General, NWFP, Peshawar.

151. Replying to a query, the departmental representative informed the Committee that, against the Final Grant of Rs. 3,200,000, the actual expenditure amounted to Rs. 4,231,729. Thereupon the Committee observed that, in that case, the department should have furnished an explanation for the excess expenditure. *The department's explanation was deemed unsatisfactory and the departmental representative was requested to submit a revised explanation for the excess expenditure.* The departmental representative under-took to comply with the direction.

AUDIT REPORT (CIVIL)

152. *Undue financial aid to a contractor for Rs. 30,581 (Para 1, page 21—AR).*—The Committee was informed that the amount had since been recovered from the pending bills of the contractor, who was no more alive. A Court of Inquiry had been ordered to fix the responsibility. The result of the Court of Inquiry would be intimated to Audit in due course.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

Military Accountant General's Certificate

153. *Linkage of goods (Para 3, page 4—AA—Defence Services).*—The Committee observed that, as already directed by it in its earlier meetings, the department should study and improve the procedure regulating such services. They could also make use of revised procedure framed by the Defence Production Division.

154. *Warrant of Stores [Para 4 (ii), page 4 AA—Defence Services]*.—It was explained that the Warrant of Stores in respect of most of the Naval Establishment had since been issued by the Warrant of Stores Committee, with the approval of Government. The Warrant of Stores of only a few Naval Units, commissioned during the last few years, will be issued, similarly, in due course.

155. Replying to a query, the departmental representative submitted that this was a type of Railway Warrant by which stores were sent from one station to another. This was a sort of record of transfer of goods. This was a continuing process. No final date could, therefore, be laid down for finishing this work. The Committee, thereupon, directed the departmental representative to ensure a speedy action by the department in this matter.

156. *Loss of Military Credit Note [Item I (iii) 1, page 6—AA—Defence Services]*.—Replying to a query, the departmental representative explained to the Committee that the Military Credits Note was a money value document. He added that Army was responsible for the loss of the Credit Note Book. A member remarked that, if it was a money value document, then there was possibility of its being used fraudulently and enquired as to what action was taken to prevent its misuse. The departmental representative replied that, if a Credit Note Book was lost, then a Court of Enquiry was held and a new book was issued against the lost one. Actually, this was a Railway ticket, given to the Railways against freight charges for carrying the Army stores. There are three copies of it. One was issued to the Railways who, after filling the freight charges, sent it to the CMA.

157. The Committee desired to know whether there had been any fraudulent transfer relating to the Credit notes in the lost Note Book and had anyone bothered to take action to find out as to what happened to the remaining Credit Notes. The departmental representative was requested for a revised explanation in the next meeting. The departmental representative submitted that, when a loss of Military Credit Note occurred, intimation was immediately sent to the concerned section of the CMA, the Railway authority and all others concerned to prevent its being misused. On the detection of this loss also, a similar action was taken. *The Audit was requested to check it up.*

158. *Loss of Military Credit Note [Item I (iii) 2, page 6—AA—Defence Services]*.—The Chairman remarked that this case was similar to the above-mentioned one and called for a similar action.

159. *Loss of material-at-site, Register and measurement book [Item I (iii) 6, page 6—AA—Defence Services]*.—The explanation not having been found to be satisfactory, *the Committee directed that the department should further check up the position and then report to the Committee, particularly about the points, (i) why it took 16 years to regularise the loss after finalisation of Court of Inquiry; and (ii) whether the lost documents had been reconstructed.*

160. *Extra expenditure being cost of firewood Rs. 149,387 [Item II (i) 7, page 17—AA—Defence Services]*.—After going through the written reply, the Committee directed that the scale of issue of firewood should be reviewed from time to time so that the genuine need of the forces is met and no excess consumption takes place.

161. *Irrecoverable amount on account of barrack damages—Rs. 61,008 [Item II (i) 22, page 7—AA—Defence Services]*.—After hearing the department's explanation, a member enquired as to why a meeting of the Board of Officers was convened, instead of a Court of Inquiry, and whether the procedure

provided for a meeting of the Board of Officers in such cases? The departmental representative submitted that only cases of a serious nature are referred to a Court of Inquiry. There were cases where preliminary investigations could not be held by a Court of Inquiry. In reply to a query as to when did the case come to light, why did the department wait for eight years and what actions were taken by the department for the recovery of the amount, the departmental representative submitted that officers were issued furniture, etc. on their first posting to a Unit. However, when they moved out proper handing over of those articles was probably not being enforced by the MES authorities.

162. The Audit representative added that, as the procedure had since been streamlined, MAG may inform them about the procedure of recovery and a list of recoveries made from the officers over the last 1-2 years.

163. *Irrecoverable electric charges in unmetered houses—Rs. 272,976 [Item II(I) 24—AA—Defence Services]*.—It was explained that this case related to the write off of electric charges on account of Air-Conditioning, Cooking Ranges and Water Boilers provided in the unmetered houses occupied by PAF Officers at Warsak, for the period March 1960 to May, 1969, amounting to Rs. 272,976. The Warsak accommodation was personally seen by the then Joint Secretary, Ministry of Defence and a representative of Ministry of Finance, who confirmed the stance of the Air Headquarters. Sanction to write off Rs. 272,976 was issued *vide* letter No. AHQ|5411|29|Wks-I|704|D-10|78, dated 26th March, 1978.

164. Replying to a query, the departmental representative informed the Committee that view point of Air Headquarters was that most of the buildings were in good condition and these were also personally seen by the then Joint Secretary. The Committee directed that a complete report incorporating the Air Headquarters view, should be furnished to Audit, for verification.

165. *Irrecoverable amount from a contractor—Rs. 14,514 [Item II (i) 25, page 7—AA—Defence Services]*.—After going through the written reply of the department, a member remarked that somebody must be held responsible in this case. The departmental representative replied that the person could not be traced. The Committee observed that delays in such cases must be prevented and prompt action ensured by the Ministry.

166. *Irrecoverable amount on account of rent and allied charges—Rs. 90,785 [Item II (i) 26, page 7—AA—Defence Services]*.—It was explained that this amount represented the outstanding rent recoverable from schools| private individuals, pertaining to the MES Quetta for different periods upto 1962. Regular payments of rents were being made by all the occupants at the time of occupation. Later the rates of rent were revised and arrears due to differential rates of rents were demanded from the occupants, which were not accepted by any of the occupants. As a result, the matter remained under dispute. Ultimately, a Court of Inquiry was constituted, which found that post-occupation reassessments of rents were contrary to rules. The fault did not rest with any individual, but the MES|US|Formation HQ dealing with the issue. The Court recommended that, on merits, the loss be borne by the State.

167. The entire amount had since been sanctioned by the CEA under the Ministry of Defence letter No. 305|236|E-3|944|D-3 (Army-III)|78, dated the 29th March, 1978.

168. When questioned as to what was contrary to the rules, the departmental representative explained that rents of Government buildings were not generally revised, unless changes were made in the building or its specification,

and rent was charged according to the pay scales. The only objection was the revision of the rent. The Auditor-General also pointed out that, if a revision were contrary to the rules, then there should have been no question of any write off, as no rent would have then fallen due to the Government. Obviously, the increase in rent was deemed to be in accordance with the rules, but a write off of the arrears must have been agreed to on the consideration that something had happened over which the occupants had no control.

169. A member remarked that the arrears were on account of outstanding rent and electric charges, etc, but the Court of Inquiry had held the same to be contrary to the rules. *Audit was requested to locate the discrepancy, look into the procedures and recommend as to what should be done about it. If any rules were not being followed, the department should ensure that they are duly followed.*

170. *Irrecoverable amount on account of assistance rendered by Pak Navy to National Shipping Corporation—Rs. 48,768 [Item II (i) 27, page 7—AA—Defence Services].*—After going through the written reply submitted by the department, the Chairman desired to know as to what kind of assistance was rendered and why was the money not recovered? The departmental representative explained that a ship of the NSC was in danger of being lost as it had struck a sunken rock. The Pakistan Navy received a distress signal and went for rescue according to the International Maritime Practice, along with necessary equipments. They tried their best to save the ship, but the same had to be left in an emergency, along with the equipments. Thereafter, the Pak. Navy raised a claim with the NSC, who controverted it by saying that, according to the Maritime Practices, the Pak. Navy rendered assistance in danger and were not entitled to any claim. Since, however, the NSC was being controlled by the Ministries of Communications and Defence they ultimately got Rs. 1,93,000 against a claim of Rs. 2,41,000. But they did not get the departmental charges. As such, this was a presumptive loss.

171. *The Committee being satisfied with the explanation, the para was deemed as settled.*

172. *Damage caused to lorry—Rs. 372,600 (Item 1—5, page 10—AA—Defence Services).*—It was explained that, in this case, the Court of Inquiry did not hold anyone responsible for the mishap, as the accident occurred due to collision of two trains. The lorry was loaded on one of those trains. A member remarked that, had a claim been lodged with the Railway, they should have got back the amount of the damage. *The departmental representative was requested to look into the case in order to find out if a claim was lodged with the Railway, and with what result.*

173. *Damage caused to truck—Rs. 6,642 [Item I (40), page 11—AA—Defence Services].*—The Committee was satisfied with the written explanation submitted by the department.

174. *Powers of write off.*—A member desired to know the reasons for issuing the write off sanctions for damages by two different authorities. The departmental representative explained that this was due to two prescribed limits of regularisation, one relating to cases involving 'neglect', and the other related to cases of write off 'not due to neglect'. In the latter category of cases sanction to write off was issued by the Adjutant General, on behalf of the COS.

175. *Loss of white Bhoosa Rs. 8,375 [Item I (93), page 12—AA—Defence Services*].—After going through the departmental reply, a member observed that this seemed to be a case of fraud. The departmental representative maintained that it was a case of discrepancy, whereupon the member said that adequate punishment was not given to the person concerned in this case.

176. In reply to another query, the Committee was informed that the flour was in bags. Consignments for Abbottabad were normally sent up to Havelian by train because this was cheaper. From Havelian, they were sent either by military transport or civilian trucks, requisitioned for the purpose. Though turpauline was used to cover the flour bags, some-times the bags did get wet due to heavy rains. The para was finally deemed as settled.

177. *Loss of MT Stores—Rs. 14,504 [Item I (96), page 12—AA—Defence Services*].—It was explained that certain M.T. Stores (bearing of different types) qty 1,195 were found pilfered from the Chaklala railway siding. In the opinion of the Court of Inquiry held to investigate the loss, the pilferage took place due to negligence on the part of certain individuals, who were made to pay Rs. 4,834. The remaining amount of Rs. 14,504 was recommended by the Court to be written off. The loss had, accordingly, been regularised.

178. When questioned as to who were the individuals and what were their responsibilities in this loss, the departmental representative replied that they were Mr. Diam Husain, Mr. Hanif Malik and Mr. Shafi Khan, Superintendent. They were asked to repay amounts according to their status. The superintendent was asked to pay 50%, the next one 30% and the third one 20%. They were responsible for the ware-house and the Court of Inquiry found that the loss had occurred due to their negligence.

179. The Committee requested the Audit to verify departmental explanation and report back, if necessary.

180. *Loss of M.T. Stores—Rs. 12,428 [Item I (97) page 12—AA—Defence Services*].—The Committee was informed that, according to the information received, a Court of Inquiry had found that the loss was due to a defect in the engine, and not the fault of the driver. The Committee was further informed that a detailed written reply about it would be furnished within a few days.

181. Audit was requested to make a note and follow it up.

182. *Loss of TSC Stores—Rs. 56,120 [Item I (99), page 12—Defence Services*].—It was explained that this case related to the regularisation of loss of Rs. 56,120, being the cost of certain stores, held in the charge of HQ 106 Bde and found deficient on the 11th April, 1963. Disciplinary action could not be taken against other individuals as the principal accused *i.e.* No. SR|670017 Hav. Mohammad Akbar Khan, died before all the evidence could be recorded. His death had weakened the case against the other personnel. Due to the death of the main accused, no recovery could also be made from anyone. The GOC 11 Div recommended the writing off of the entire loss as no action could be taken against anyone due to the passage of time. The PS Dte, GHQ agreed with recommendaiton of the GOC and the loss was accordingly, regularised under the Ministry of Defence (Army Branch) letter No. 4628|301|PPA-2B|232|D-4 (Army-IV), dated the 22nd January, 1978.

183. A member remarked that the deficiency was detected in April, 1963 but regularised in 1978, after almost 15 years later and enquired whether Hav. Mohammad Akbar Khan was in-charge of the Stores, and when did he die ? The

departmental representative explained that the Hav. was the NCO in-charge of the stores and he died in July, 1964. He further added that, since material evidence was not available, this could not be proved in the Court. However, the CO, in the interest of good discipline, awarded disciplinary action against some of the officers.

184. Replying to another query, the departmental representative stated that there were many inquiries. Since the principal accused was not available, it was not considered justified to take action against the rest of the individual. Certain penalties suggested earlier were condoned later, as the case could not be substantiated. The net result was that the entire loss had to be regularised. *A member observed that, the written explanation, submitted by the Ministry, was not factually correct.*

185. *Loss of ASC Stores—Rs. 62,300 [Item 1 (100), Page 12—AA—Defence Services].*—In reply to a query about the stage at which the case was referred to the Law Division, the departmental representative submitted that a civilian was held responsible. Hence, a reference to the Law Division was made to find out how much loss could be recovered. The Law Division advised that no recovery could be made from him. So, he was charge-sheeted in the normal manner and warned. Thereupon, a member remarked that, in that case, action should have been taken against the man who appointed him.

186. *Loss of Ordnance Stores—Rs. 60,032,918 [Item 1 (103), page 13—AA—Defence Services].*—After going through the written reply of the department, a member enquired as to what was the cause of fire, which broke out after the explosion ? The departmental representative explained that there could be many factors for this, but nothing could be established. In certain cases, the cause or causes could be pin-pointed. In this case, the loss took place because of the explosion and its details were given in the Report of Inquiry.

187. *The Committee was not satisfied with the explanation because this was a well-known incident and loss of more than Rs. 6 crore was involved. The punishments awarded were also not found to be adequate. The Committee directed that the department should submit a full and complete report, covering all the relevant points, along with the Report of Inquiry to the Committee.*

188. *Loss of MES Stores—Rs. 10,971 [Item 1 (105), page 13—AA—Defence Services].*—After hearing the explanation, a member wanted to know the reason given by the Engineer-in-Chief for over-ruling the decision of DW&CE (Army) in this case.

189. *Loss of Ordnance Stores—Rs. 5,479 [Item 1 (106), page 13*—AA—*Defence Services].*—In reply to the query whether the Court of Inquiry found out that the deficiency was due to short supply, the departmental representative submitted that it was held that the supplier, who supplied the ghee to the Army, did not fill up the storage to the required level. Thereupon, a member enquired whether anyone complained that the ghee supplied to the Army in bulk was in short supply ? The departmental representative replied that it had been brought to their notice, but it was not known whether any action was taken by them. Audit was requested to check this point and report back to the Committee, if called for.

190. The departmental representative explained that the Army received consignments of ghee from the trader after they were inspected by the despatching agency. Normally, there is no deficiency in them because tins are sealed

and packed and inspected and then consigned to the Supply Depot. The Inspector is from the Army side. Each tin cannot be weighed separately, as there are two lakh of tins. Has the Army accepted the discrepancy, that has to be clarified. A member remarked that if there was no deficiency, how could the Army have written the same off. The departmental representative added that, when a consignment is sent to the Defence Services, the loss has to be of three kinds, either it has to be borne by the consigner, or the consignee or it has to be treated as loss in transit. So, the Army should have initiated action and the Supply Depot told that the Army accepted the loss. If they did not accept the loss, then it had to be regularised.

191. *Loss of MES Stores—Rs. 32,108 [Item I (111), page 13—AA—Defence Services*].—The Committee noted that the case, which pertained to pre-partition days, was settled in December, 1977, after an inordinate delay.

192. *Loss of Miscellaneous Stores Rs. 314,543 [Item II (i) 3, page 13 AA Defence Services).*—After going through the written reply furnished by the department, a member enquired whether anyone checked that the stores ever existed? The departmental representative replied that in this case a Court of Inquiry was held. Major Iqbal Ismat was held responsible for the loss and he was demoted to the rank of Captain. The loss was, later, regularised.

193. *Ex-gratia payment in ASC contracts 1972-73—Rs. 222,445 and Rs. 87,072 (Items 1 and 2, page 14—AA—Defence Services).*—It was explained that, as a result of unprecedented rise in the prices of fresh supplies towards the end of April, 1973, it was decided by the Government to afford relief to the contractors. The log Area was asked to forward the cases of *ex-gratia* payment claims. Such claims were approved by the authorities concerned and sanctioned by the Ministry of Defence in October, 1977. A member desired to know if the department could produce to Audit the whole lot of cases of *ex-gratia* payments. The Audit representative informed the Committee that in a letter, dated the 18th February, 1980, the department had taken the stand that there were no instructions from the Government to produce the record to Audit.

194. When questioned as to what procedure was laid down for these awards, the departmental representative submitted that these were *ex-gratia* awards. Government had set up a Committee for this purpose and of which the FA Army was also a member. The award was given on merits. The Government order setting up the Committee said that the decision taken by the Committee would be treated as final for all purposes. A member said that the issue was that the records about the awards should be made available to Audit. The Auditor-General added that these records must be maintained for some-time, at least for two or three years. Thereupon, *the member remarked that the right of Audit to check the records could not be assailed.* The departmental representative replied that there was another aspect to the whole issue. If the details were to be subjected to check by Audit, then the claiments would also have the right to ask for details and claims and counter-claims would begin to multiply. The Chairman, thereupon, observed that the department had effectively curbed such a contingency by destroying the records. A member added that the department were trying to act as an independent agency. They represent the Government and calculations for all the *ex-gratia* payments had to be duly accounted for.

195. Analysing the procedure, the Chairman said that the case was initially prepared by the Engineering Department. It was, thereupon, checked up by the

FA Army. Then it was put up to the Committee, who decided upon the amounts. The departmental representative said that calculations were made on rough papers, which were later destroyed. When questioned as to who ordered the destruction of the records, the departmental representative replied that there were no orders either to maintain or to destroy the same. He would, however, find out from the FA. The Chairman ruled that, if the Committee did not order the destruction of the records, none had the authority to destroy them and there was no reason why they should have been destroyed. The departmental representative submitted that, normally, files were not destroyed, but the Audit did not seem to have asked for the records at the appropriate time. The Auditor-General maintained that it was the privilege of Audit to ask for and be shown the records. He added that it was provided in their charter that the Auditor-General had to be furnished such information as he may require.

196. *The Committee, finally, decided that the department should present the relevant records to Audit for verifications.*

AUDIT REPORT (DEFENCE SERVICES)

197. *Appropriation and control over expenditure (Para 1, page 1—AR—Defence Services).*—It was pointed out that, against the aggregate grants of Rs. 9,428,300,000, the aggregate disbursements amounted to Rs. 9,838,432,062 involving an excess disbursement of Rs. 410,132,062 over the aggregate grants. Questioned as to why did the Ministry of Finance direct the payment of the amount when they had not provided for it in the budget, the departmental representative replied that this was entirely up to that Ministry. The Audit representative added that the Ministry of Finance had themselves laid down that the expenditure should be within the sanctioned budget plus supplementary grant, if any. *The Committee directed the Ministry of Finance to go through the details of excess expenditure and inform the Committee of their comments.*

198. *Review of expenditure of the Military Engineer services (Para 4, page 2—AR—Defence Services).*—Audit had pointed out that the Appropriation Accounts did not include a review on the expenditure of the Military Engineer Services for the year 1977-78, as complete material had not been received by the Additional Secretary, Military Finance till the preparation of the Appropriation Accounts. The comments of Audit, if any, on the Review for the year 1977-78 would, therefore, be included in the Audit Report on the Appropriation Accounts in which the Review in question appears.

199. It was explained that the position stated above was correct and the material was still awaited. A member observed that the form of the Report should be changed to make it more useful. The Audit representative informed the Committee that they were already reviewing the scope of their future Reports.

200. *Over-payment to an MES (Air) Contractor due to allowing premium on star rate not brought at par with the Schedule Rates Rs. 6,87[illegible] (Para 2 [illegible] 4—AR—Defence Services).*—The Committee was informed that a sum of Rs. 515 had been recovered and the formation concerned had been directed to recover the balance from the standing security of the contractor or from his dues. The formation concerned had also been directed to take immediate disciplinary action against the individual responsible for the financial irregularity. *The Committee requested the Audit to follow it up.*

201. *Over-payment to a contractor Rs. 173,420 (Para 3, page 5—AR—Defence Services).*—After going through the written reply submitted by the department, the Chairman remarked that the over-payment was made by inflating the work done by the Contractor. Since the department had realised that over-payment was deliberately made to the contractor, a mere issue of warning to the defaulting persons was not sufficient. In his view, this called for some more severe action. On the departmental representative explaining that it was a human error, the Chairman observed that, in this case, more than human error seemed to have been involved. Only 17% work done by the contractor was inflated to be shown as 96%. Certainly, this could not be a mere human error.

202. *The Committee finally observed that the case had not been dealt with full responsibility and the persons responsible for this gross mistake had not been sufficiently penalised for their serious default, as it did not appear to be only an error of judgment.*

203. *Non-recovery of Rs. 93,237 from a defaulting contractor (Para 4, page 5—AR—Defence Services).*—The Committee was not satisfied with the written explanation furnished by the department, as it contained two contradictions. First, as the Audit para said, the contractor had already defaulted, but the explanation said that he never defaulted. Secondly, the capacity of the contractor was Rs. 5 lakhs, whereas the pending bill amounted to Rs. 5.57 lakhs. The Audit representative added that they would still maintain that the contractor had already defaulted. It is a fact that, after having seen the reply, Audit had again reported that the contractor had defaulted in contract No. 360|72-73. *Audit was requested to further verify the facts and report back to the Committee, if necessary.*

204. *Non-recovery of extra expenditure on account of risk purchase of Bhoosa—Rs. 78,892 (Para 5, page 6—AR—Defence Services).*—The Committee was informed that a sum of Rs. 5,900 on account of security deposit of the contractor, had been forefited and adjusted against the outstanding amount. The case for the recovery of the remaining amount was still in the Civil Court. *Audit was requested to keep track of the case.*

205. *Non-recovery of risk and cost amount from the defaulting contractors—Rs. 25,660 (Para 6, page 6—AR—Defence Services).*—After going through the written explanation and seeking clarifications, the Committee observed that the cost of one fan was Rs. 520 and the total cost came to about Rs. 26,660. It meant that the installation charges, were the same as the cost price, which was not clear. *The departmental representative was requested to send a report to Audit indicating the cost of fans and what were the installation charges on them. It should also be stated therein whether the specifications of the supplied fans were the same as laid down. The Audit may then bring it up before the Committee, if necessary.*

206. *Extra expenditure caused by delay in obtaining revised administrative approval—Rs. 97,420 (Para 7, page 7—AR—Defence Services).*—The Audit representative informed the Committee that they had noted it for verification.

207. *Over-payment to MES Contractor—Rs. 43,432 (Para 8, page 7—AR—Defence Services).*—Replying to a query, the departmental representative explained that the amount of Rs. 43,432 consisted of three different items. In the first case, cement was issued to the contractor, which he neither incorporated in the work nor returned to the Department, it was retained by him. The depart-

ment was supposed to recover the cement from the contractor, because cement had been issued in excess of the work and that was recovered at the stock book rate. The rate on the last date (24th June, 1974) was Rs. 10.86 per hundred-weight. The Audit objection was that the rate should have been Rs. 14.49. As this rate was enforced well after the date on which the cement was issued, in his opinion, they had recovered the amount correctly from the contractor and this point should be settled. The Chairman remarked that the differential here was too great, mainly because of the higher rate at which the recovery amount had been incorrectly calculated.

208. The departmental representative went on to say that the second case was identical to the first one. In this case, steel was issued to the contractor and they had recovered the amount on the basis of the rates prevailing on the last date of the issue of steel. The third item amounted to Rs. 9,462. In this case, the contractor was to supply and fix the nails according to certain specifications, which was not done by him. He submitted that they agreed with the Audit that the cost of the nails which had not been fixed should be recovered. Audit had worked out certain specifications and the department agreed with them also. But they did not agree with the labour timings that had been worked out by Audit, namely, that the time for fixing 2.3 lb. of nails be three hours. In the opinion of the department, fixing a quarter pound of nails would require about half-an-hour. As such, recovery should be allowed to be made on the basis of that timing. The Audit representative requested that working out of the time-factor by the department should be made available to them. The departmental representative promised to do so.

209. As regards the last item, namely, over-payment of Rs. 9,249, the departmental representative informed the Committee that they agreed with the Audit that payment had been wrongly made and the same would be recovered. The Chairman observed that this should be confirmed in writing.

210. *Over-payment of maintenance charges of a Joint Water Supply System at a station—Rs. 1.1 Million (Para 9, page 8—AR—Defence Services).*—After hearing the explanation of the department, no further observation was made by the Committee. The Auditor-General, however, stressed that the agreements for water supply at Murree made in 1931 should be reviewed and replaced by a workable agreement.

211. *Loss due to non-replacement of substandard tubular steel Charpoys—Rs. 273,420 (Para 10, page 8—AR—Defence Services).*—Not being satisfied with the written reply or replies to its verbal queries, the Committee observed that the Charpoys were sub-standard and no responsible authority seemed to have taken care to inspect them at the time of delivery. Moreover, the inspecting authority did not carry out a proper inspection and accepted a very substandard delivery. *The department must check this and give a correct explanation. Secondly, a more fool-proof procedure should be laid down, to obviate the recurrence of such things in the future, and to ensure the conduct of proper inspection and full compliance with the instructions.*

212. *Over-payment of Rs. 45,006 to contractor by allowing rate in excess of the terms of agreement (Para 11, page 9—AR—Defence Services).*—After going through the written explanation, *the Adit was requested to go into the case and report back to the Committee, if necessary.*

213. *Loss of revenue due to hiring of a bungalow unfit for occupation—Rs. 24,245 (Para 14, page 10—AR—Defence Services).*—The Committee was

informed that reply to this para would be submitted later for examination by the Committee. The Auditor-General pointed out that a time-limit should be set for submission of reply. The departmental representative agreed to reply in one month's time.

214. *Maintenance of un-wanted calves for longer periods resulting in an extra expenditure—Rs. 23,880 (Para 15, page 10—AR—Defence Services).*—After discussion, *the Committee observed that the contractor had taken away the bigger animals also along with the younger ones, and paid only on the basis of three-days old animals. Disciplinary action should, therefore, be taken against the person, in-charge of the Farm.* The departmental representative undertook to do so.

215. *Non-rendition of account of a special grant—Rs. 28.3 Million (Para 16, page 10—AR—Defence Services).*—The committee was informed that an Internal Audit of the special grant had been carried out by the Controller of Army Accounts, GHQ. The Audit certificate and the final accounts proforma had already been submitted to the Ministry of Finance (Military) with a copy to the Cabinet Division. *The departmental representative was directed that a copy of the Internal Audit Report should be supplied to the Statutory Audit also, for verification.*

216. *Deficiency of Government stores worth Rs. 27,675 (Para 19, page 12—AR—Defence Services).*—The Committee was informed that the report of Court of Inquiry had since been finalised and further action in the matter would be taken as per the recommendations of the Court. Audit was requested to follow this up.

217. *Short receipt of POL—Rs. 18,279 (Para 20, page 12—AR—Defence Services).*—The Audit representative informed the Committee that they had noted this para, for verification.

218. *Non-recovery of rent and miscellaneous charges of shops leased to private traders—Rs. 118,016 (Para 21, pages 12-13—AR—Defence Services).*—The Committee was informed in the departmental reply that the audit objection had since been met, and the para might be treated as settled. *The Committee requested Audit to verify the departmental reply and report back, if necessary.*

219. *Non-recovery of rent of agricultural land—Rs. 99,892 (Para 22, page 13—AR—Defence Services).*—It was explained that a small amount of Rs. 690 had since been recovered. The matter had now been referred to the Martial Law authorities and it was expected that the remaining arrears would be recovered soon. *Audit was requested to follow it up.*

220. *Short recovery of rent from civilians occupying Government accommodation—Rs. 13,451 (Para 23, page 13—AR—Defence Services).*—The departmental representative explained that the buildings were in the occupation of the civilian tradesmen of the PMA. The rent bills of recovery, on the basis of revised rates, were duly sent to the PMA; who could not effect the recoveries, as the occupants/employees were no more on their strength. The PMA authorities had referred the issue to the GHQ, requesting the remission of the recovery amount and the matter was still under the latter's consideration. *Audit was requested to keep track of the case.*

221. *Audit comments on the review of M.E.S. expenditure 1975-76 (S. No. 3—page 21 of ARDS).*—The departmental representative told the Committee that the M.E.S. schedule of rates was being revised by them. The Committee requested the Audit to verify it. The Auditor-General observed that this schedule should be periodically revised to keep it up-to-date.

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

222. Audit pointed out that the figures appearing in the Commercial Appendix (Military Farms) did not tally with any of the booked figure of the M.A.G. *The Committee, therefore, directed the Military Finance to check the position in consultation with Audit who would report back, if necessary.*

COMPLIANCE ON THE POINTS CONTAINED PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

223. Audit was requested to examine the replies and come back with their comments, if nay.

223-A. *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 or Audit Report thereon (Civil|Defence). These would be deemed settled subject to such regularising action as might be necessary under the rules.

AVIATION DIVISION

224. After the Defence Division, the Committee took up for examination the Appropriation and other Accounts of the Aviation Division for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Mr. Mohsin Kamal, Joint Secretary.

(2) Mr. Z. A. Shah, Deputy Secretary.

(3) Mr. M. Y. Wazirzadeh, D.G.C.A.

(4) Mr. M. Ahmad, PIAC.

(5) Mr. Jameel Ahmad Shaikh, Director (Finance) A.D.A., Karachi.

225. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Defence (Sub-head 'A-2' only)	35
2.	Meteorology	36
3.	Aviation	37
4.	Development Expenditure of Ministry of Defence	143
5.	Capital Outlay on Civil Aviation and other works of Ministry of Defence (Group head 'A' only)	173

APPROPRIATION ACCOUNTS

226. *Grant No. 35—Ministry of Defence (Page 50—AA).*—Explaining the saving of Rs. 17,089,390, shown against the sub-head "A. 2 (5)—Purchase of Air Craft for the Chief Executive", the departmental representative submitted that this amount was earmarked for internal decoration and layout as per requirement, for VIPs and provision of spare parts and equipment for the aircraft, purchased for the Chief Executive. Under the austerity drive, the President CMLA was pleased to direct on 27th June, 1978 that the aircraft would not be meant for the exclusive use of the Chief Executive. Therefore, the said amount was not utilized. The Finance Division (Expenditure Wing) were informed of it on 2nd July, 1978. The departmental representative, however, regretted that the saving could not be surrendered in time due to an oversight.

227. When questioned as to what sort of aircraft was purchased, the departmental representative informed the Committee that a 720-B aircraft was initially purchased for the President, through the PIAC. Subsequently, it was decided to leave the aircraft with the PIAC. The money, which was advanced to the PIAC, was being recovered and the aircraft was being treated as a commercial aircraft of PIAC and run on their scheduled services. In reply to a query whether the PIAC would pay any interest on the amount which remained with them, the

departmental representative said that they would take up this point with the PIAC. *The Chairman observed that propriety demanded that the PIAC should pay the normal interest also on the outstanding amount.*

228. *Grant No. 36—Meteorology (Page 51—AA).*—The Committee noted that the department failed to surrender the saving of Rs. 8,803,918 under the group head " A—Headquarters, Regional Offices and Observatories ", and directed the departmental representative to find out as to why such a large amount was not surrendered and take action against the defaulters.

229. *Group head " B—Weather and other Telegraph Charges" (Page 51—AA).*—The saving of Rs. 2,442,999 against this group head was explained as being due to debit to that extent not having been passed on by the AGPT & T to the AGPR within the fiscal year. Replying to a query, the departmental representative submitted that, against the provision of Rs. 3,445,800, the actual expenditure amounted to Rs. 3,435,702 (Teleprinters ; 2,995,000 and Telegraphs : Rs. 440,702). He further stated in reply to a query that cash payment in respect of telegrams was not applicable as yet.

230. *Grant No. 37—Aviation (Page 52—AA).*—The saving of Rs. 408,417 under Group head ' A ' was claimed as being due to non-accountal of debit of Rs. 366,527 and Rs. 131,535 against the sanctions issued on the 12th April, 1978 and 25th September, 1977, respectively. Audit was requested to see as to why these were not accounted for, particularly when the sanctions were issued well before the close of the financial year.

231. *Group head " D—Works" (Page 52—AA).*—The saving of Rs. 2,721,114 against this group head was explained to be mainly due to the following reasons :—

(i) Authorities amounting to Rs. 22,353,383 were issued by the Director. Audit and Accounts Works, Lahore. Out of these authorities, Rs. 2,016,644 had not been accounted for by Audit.

(ii) Authorities for sanction, issued for Rs. 80,810 by this Department. could not be issued in time by the Director, Audit and Accounts Works, Lahore.

(iii) An amount of Rs. 623,660, out of Rs. 2,119,800, re-appropriated to the sub-head could not be utilized|surrendered which was regretted.

232. The Audit representative explained that some of these debits were in the pipeline. He, however, admitted that the debits mentioned were not accounted for. They were already looking into it. *The Committee directed Audit to verify and reconcile and come up to the Committee, if necessary.*

233. *Group head "H—Compensation to PIAC" (Page 52—AA).*—An amount of Rs. 31,600,000 against this group head was shown as paid to the PIAC. The Committee desired to know its details, which the departmental representative promised to furnish later.

234. *Grant No. 143—Development Expenditure of Ministry of Defence. (Page 164—AA).*—The saving of Rs. 422,280, shown against the group head "K—Scientific Departments", was explain as being due to non-adjustment of book debits by the Director-General, Supplies and Economic Affairs Division,

on account of customs duty, sales tax and clearance charges on the equipment, imported during the year 1977-78. The Committee made certain queries about the items imported during the year and was satisfied with the reply given by the department.

235. *Grant No. 173—Capital Outlay on Civil Aviation and Other Works of Ministry of Defence (Page 193—AA).*—There was nothing material for discussion by the Committee under this grant.

COMMERCIAL ACCOUNTS

236. *Doubtful recovery of Rs. 6,202,851 outstanding against an agent (Para 11, page 15—AA).*—The departmental representative explained in detail the efforts made by them for the recovery of the outstanding amount and informed the Committee that they had now decided to file a suit against the Agent for recovering the PIA's dues.

237. The Committee desired to know the reasons for the accumulation of such a large amount (A £ 10.24 lakhs) and the procedure for depositing such amounts in the PIA's accounts. The departmental representative submitted that the District Manager was in-charge at the station. It was his duty to collect the money from the Agent each month and deposit it in the PIA's account. The Agent had also to submit a monthly report, giving details of the tickets issued during the month. If the Agent failed to submit the monthly report, then they had a system in the Head Office, whereby the tickets issued were matched with the actual travel. The turn-over in this case was, however, such that only in a period of six months, this much money had accumulated. And when it was detected in the Head Office by the Computer, they started questioning their internal Audit and took the remedial measures. Action had also been taken against the Manager. It was as a result of all these efforts that the amount had been reduced from 10.24 lakh to 4.64 lakh Australian dollars. He was still the PIA's Agent, due to a lot of commercial considerations, but recently the management had taken a decision to file a suit in the Court, because the pace of recovery in the beginning was good but later on it had slowed down. Now the PIA was doing only cash business with the Agent and he was not holding the PIA tickets any more.

238. Replying to another query, the departmental representative informed the Committee that, normally, the Agent must produce bank guarantee of fifteen days turn-over and now they had taken a decision that the rate for bank guarantee must be reviewed every quarter. *The Committee observed that it should be reviewed every month and it must be done by the Managers. The Committee further observed that it should be ensured that, in future, the accounts are submitted by the concerned persons every month.*

239. *Insurance claims receivable (Para 184, page 366—CA).*—It was pointed out by Audit that the insurance claims recoverable as on 30th June, 1978 amounted to Rs. 41.123 million. The circumstances leading to the non-recovery of these claims for a number of years needed to be investigated and remedial measures taken to ensure a prompter recovery of the dues.

240. The Committee was informed that, out of a total of Rs. 41,123 millions, an amount of Rs. 33.910 millions had already been recovered from the insurers till 31st December, 1979. All possible efforts were being made to recover the

balance amount. In reply to a query, the departmental representative further stated that the amount left for the year 1972-73 was Rs. 0.196 million, for 1973-74 Rs. 0.067 million, 1974-75 Rs. 0.045 million and for 1975-76 the amount left was Rs. 0.017 million only. The Committee observed that there had been a notable improvement in this matter.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

241. Audit was requested to check the replies and come back to the Committee if there was any point worth reporting to the Committee.

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

243. The Committee then adjourned to meet at 9.00 a.m. on Sunday, the 26th May, 1980.

Islamabad, the 3rd November, 1980.

M. A. HAQ,
Secretary

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 26th May, 1980

Third Meeting

244. The *Ad-hoc* Public Accounts Committee met 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. Akhtar Sharif, Director, Public Relations.

(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 Husain, Accountant General, Pakistan Revenues.

(5) Khawaja Abdul Waheed, Director Commercial Audit.

(6) Mr. S. Jameel Ahmad Zaidi, Director, Audit and Accounts (Works).

Ministry of Finance

(1) Mr. Mohammad Nazir, F.A. (Int., S & F.R. & K.A.).

(2) Mr. Fayeaz Khan, DFA (K.A. & N.A.).

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

(1) *Ministry of States and Frontier Regions :*

(a) States and Frontier Regions Division.

(b) Kashmir Affairs and Northern Affairs Division.

(2) Ministry of Interior.

STATES AND FRONTIER REGIONS DIVISION

246. The Committee first took up the examination of Appropriation and other Accounts pertaining to the States and Frontier Regions Division for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Mr. S. M. Niazi, Secretary.

(2) Mr. Usman Shah Afridi, Chairman, FATADC.

(3) Mr. A. M. Baber, Joint Secretary.

(4) Col. Amir Nawaz, DIG, FC, NWFP.

247. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	States and Frontier Regions Division	111
2.	Frontier Regions	112
3.	Federally Administered Tribal Areas	113
4.	Maintenance Allowance to *Ex*-Rulers	114
5.	Other Expenditure of S & FR Division	115
6.	Development Expenditure of States and Frontier Regions Division (Partly)	160
7.	Development Expenditure of Federally Administered Tribal Areas	161
8.	Capital Outlay on Development of Tribal Areas	188

APPROPRIATION ACCOUNTS

248. *Grant No. 111—States and Frontier Regions Division (Page 130—AA).*—Replying to the query as to why the saving of Rs. 22,089, against the group head "C—Secret Service", was not surrendered, the departmental representative explained that Secret Service Fund was operated in the subsequent year also by short drawal of the balance of the last year and this was covered by the normal rules. Audit undertook to verify the position and report back to the Committee, if necessary.

249. *Grant No. 112—Frontier Regions (Page 131—AA).*—A saving of Rs. 41,847,855 was shown against the group head "A—Frontier Constabulary and Militia". The departmental representative explained that, against the Final Appropriation of Rs. 1?8,811,995, actual expenditure amounted to Rs. 121,070,275. There was thus an excess of Rs. 2,258,280, instead of any saving as shown in the Appropriation Accounts. The Committee noted that there was a difference of about 3.8 million between the Final Appropriation and the departmental figures. The Audit representative submitted that they had checked up the position and would accept the departmental figures, as

some surrender orders had not been taken into account. Thereupon, a member remarked that in the absence of basic correct figures, the Committee found it difficult to examine the Accounts in detail. The Auditor-General said that they did realise the problem and the Audit staff was already trying to improve the position.

250. Explaining the excess of Rs. 2,258,280, the Division maintained that this was due to the belated adjustments of debits in respect of certain stores, orders for which had been placed with the Director-General, I.P. & S. during the year 1976-77. The Stores were actually received in May, 1978 and debit was raised in June, 1978, when it was too late to ask for a supplementary grant. The Chairman remarked that provision therefor had probably been made by the department in their earlier budget. He enquired if the saving occurring in that year was surrendered. As the information was not readily available, the departmental representative promised to check it up and report back to the Committee.

251. The Chairman added that the second question was whether the formation concerned had at all reported to the Head Office that there was no excess. There could be two possibilities here, firstly, nobody might have bothered in the Head Office to find out whether there was going to be any excess. Secondly, the formations did not bother to find out and report this matter to their Head Office.

252. The departmental representative replied that the formation did send their requirements of supplementary funds but they had under-estimated the same. Thereupon, the Chairman observed that the position was that there was an under-estimation of liability, for which there did not appear to be any justification. *The Committee directed the departmental representative to warn the formation which had not sent correct estimates of excess in time and to take to task the persons in default. The mistakes committed by them should also be made known to them, so that the same were not repeated by them in the future. The department should also find out as to why was this under-estimation resorted to and what should be done to prevent it.*

253. *General.*—A member suggested that Audit should consider the possibility of holding Seminars to brief the Accounting Officers in each Province about the relevant rules and regulations. The Auditor-General informed the Committee that they had already started holding such meetings. The Accounting Officers were assembled in their Training Centres and given lectures. For the time being, such meetings were held in the federal capital only, but they were going to hold them in the Provinces also.

254. *Group head "B—Building and Communication" (Page 131—AA).*—Audit had shown an excess of Rs. 3,564,000 against this group head. The departmental representative claimed that the actual expenditure incurred by the PWD totalled Rs. 1,895,316 instead of Rs. 5,464,000. There was thus a saving of Rs. 4,684 only, which was within the permissible limits. In reply to a query, the Audit representative informed the Committee that the figure of Rs. 5,464,000 shown in the Appropriation Accounts, was perhaps given to them by the Director of Accounts Pak. PWD. But they would have to check it up

255. A member remarked that the money had been given to the Pak PWD for a specific purpose. The question was whether they had set any

statement to the Ministry about the expenditure incurred by them. The departmental representative replied that the Pak. PWD were required to provide with a monthly statement of expenditure

256. Later, the Pak. PWD representative informed the Committee that the figure of Rs. 1,895,316, communicated by them to the Ministry|Audit, was the correct figure. The Audit representative said that the figure of Rs. 5,464,000 had been booked by the AG, NWFP. *The Committee observed that they might have booked it wrongly and directed that Audit should check this up and report back to the Committee, if necessary.*

257. *Group head "C—Miscellaneous" (Page 131—AA).*—An excess of Rs. 65,525 was claimed by the Audit against this group head. The departmental representative contested both the figures of Final Appropriation and actual expenditure. According to their record actual expenditure against the Final Appropriation of Rs. 615,254, amounted to Rs. 566,704, resulting in a saving of Rs. 48,550. The Chairman enquired as to why had reconciliation not been done and what actual expenditure had been left unreconciled. The departmental representative replied that, according to their report, this amount had been got reconciled by the department and they had got a copy of letter to confirm this. However, as a copy of the reconciliation statement could not be produced readily *the Committee directed that the departments should be advised to come up with the final figures, after reconciliation at the proper time and asked to send, before-hand, copies of reconciliation statements, so that the same could be known or shown to Audit. Those found responsible for any default in carrying these instructions should be taken to task.*

258. *Recoveries from other Government Departments, etc. (Page 131—AA).*—A lesser recovery to the extent of Rs. 341,000 was depicted against this head. It was explained that recoveries were being effected by Audit without a prior reference to the Ministry, and they had no hand in the matter. The Audit representative submitted that the Ministry did get the recovery figures and they were supposed to be keeping a watch over it. *The Committee observed that the first thing was to find out the fact. In this case it was to be seen as to who had to make the calculations and on what basis.* The departmental representative was requested to look into it. He promised to do the needful.

259. *Grant No. 113—Federally Administered Tribal Areas (Page 132—AA).*—Audit had pointed out an excess of Rs. 190,862 against the group head "A—Political and Administrative Charges". The departmental representative contested the figure of actual expenditure and stated that, according to reconciled figures, the actual expenditure was Rs. 7,477,264 instead of Rs. 7,546,782 resulting in an excess of Rs. 121,344. The Audit representative pointed out that these figures had not been reconciled as yet. Thereupon, a member remarked that if reconciliation of the whole amount had not taken place the department should at least specify categorically the amount that had been reconciled. *The Chairman added than there was no justification for not having asked for a supplementary grant.*

260. *Group head "B—Buildings and Communication" (Page 132—AA).*—The Committee noted that there was a similar problem of reconciliation under this group head also, as under the group head 'A'.

261. *Group head "C—Education" (Page 132—AA).*—An excess of Rs. 1,789,593 was claimed against this group head. The departmental representative contested the figure of actual expenditure and stated that, according to their figures, the actual expenditure was Rs. 55,652,757 instead of Rs. 56,520,643 shown in the Appropriation Accounts, resulting in an excess of Rs. 831,687. According to the local administration this was due to the revision of National Pay Scales. The departmental representative further explained that the number of employees numbering about 17,000 and the process of pay fixation being lengthy, the expenditure was under-estimated. *The Committee observed that the formations concerned should have correctly estimated their requirement.*

262. *Group head "D—Medical" (Page 132—AA).*—An excess of Rs. 114,778 was shown against this head. The departmental representative claimed that actual expenditure being Rs. 9,751,365 instead of Rs. 9,798,728, as shown in the Appropriation Accounts, the excess amounted to Rs. 67,415 only, which according to the local administration, was due to freight charges on butter, oil, milk and wheat. The departmental representative added that they had got the reconciliation statements with them. These were shown to the Audit.

263. The Chairman observed that the picture was still gloomy. The reconciliation was carried out very late, after the closing date and the financial year. Secondly, the revised estimates were also not correctly prepared. Since the department had not carried out the reconciliation within the course of the year, they were not aware of the progress of expenditure and this problem was bound to arise. *He directed that reconciliation must be done at the proper time in the future. As the procedure had already been laid down for it, the department should find out as to who violated the procedure, and responsibility for the violation must be located for taking the defaulters to task. However, the importance of timely reconciliation should be brought home again to all concerned.*

264. The departmental representative submitted that the AGPR had no doubt issued a reconciliation programme to the Ministries for the year 1979-80. But, on the FATA side, they had issued three reminders to the AGPR, AG, NWFP, requesting him to send a similar programme of reconciliation to the administrative departments. There had been no response from them even for the first quarter. However, the Ministry of Finance have issued instructions that the AG should intimate, monthly, the statement of expenditure to the administrative departments, but this had not been done so far, even for 1979-80.

265. The Auditor-General intervened to say that they had been getting reports from the AGPR about the issue of reconciliation schedules as it was their intention to keep a watch in the Central Office on how the new arrangement was working. The Accountants-General concerned had informed them that programmes had been issued, but now a departmental representative had said that, in their case, it had not been done. The factual position would be checked up. The issue about monthly statements of expenditure needs discussion with the Finance Division. The departmental representative had also stated that the District Accounts Officer had not done the reconciliation. The Auditor-General informed the Committee that Audit was trying to sort out this too. He agreed with the departmental representative that drawing and disbursing officers should also be supplied with copies of the actual expenses incurred. However, there was

no use sending such statements to Islamabad or Peshawar, when the actual expenditure might have been incurred at a very distant place. According to his information, such statements had already been issued and, if some DDOs might not have received the same, they should check it up with the AGPR.

266. *Group head "I-Allowances to Tribes" (Page 132—AA).*—The saving of Rs. 280,196 against this group head was explained as being due to the following reasons :—

(a) Non-utilization of Rs. 125,700, which was sanctioned by Government on 29th June, 1978 and received on 26th July, 1978 in the Commissioner's Office.

(b) A sum of Rs. 160,267 placed at the disposal of the Political Agent, Mohmand, was neither surrendered nor utilized. The office was being asked to furnish a detailed report on it.

267. *The Committee directed that the report mentioned in para (b) should be obtained and submitted to the Committee.*

268. *Group head "J-Entertainment Charges" (Page 132—AA).*—A saving of Rs. 2,354 was claimed by the Audit against this group head. The Committee was informed that the departmental figure of actual expenditure, which was reported to have been reconciled with the Audit, was Rs. 1,007,365. As such, there was a saving of Rs. 252,355 which, according to local administration, was due to an internal tribal dispute in the Kurram Agency. The local administration had not yet furnished any explanation for not surrendering the saving.

269. The Chairman observed that reconciliation was perhaps carried out at a later stage. The saving shown in the Appropriation Accounts was less than the actual one. The main problem was that reconciliation was not being done at the proper time.

270. *Grant No. 114—Maintenance Allowance to Ex-Rulers (Page 133—AA).*—An over-all saving of Rs. 1,969,530 was shown under this grant. It was claimed that the actual expenditure against the Final Grant of Rs. 3,499,470 being Rs. 3,406,470, there was saving of Rs. 369,530 which was due to :—

(a) Non-payment of maintenance allowance to the *ex*-Khan of Kalat on account of his death in October, 1977. An amount of Rs. 278,500 was duly surrendered.

(b) Non-booking of Rs. 91,000, which related to the payment of maintenance allowance to the *ex*-Mehtar of Chitral.

271. *The Chairman remarked that this should not happen every year. These fixed allowances were not being booked, which was a very simple thing to do. He expressed the view that somebody should be taken to task for this and it must be carried home to all concerned that this type of default was not excusable.* The Audit representative agreed with the Chairman and stated that this expenditure should have been duly booked.

272. *Grant No. 115—Other Expenditure of States and Frontier Regions Division (Page 134—AA).*—The Committee noted that reconciliation was not done at the proper time. As such, all the figures disagreed with each other.

273. *Grant No. 160—Development Expenditure of States and Frontier Regions Division (Page 182—AA).*—Audit had shown a 'NIL' expenditure against this grant. It was explained by the departmental representative that, out of the budget provision of Rs. 7,868,000, an amount of Rs. 7,867,576 had been released to the Pak. PWD for credit into the PLD Accounts of their concerned Division. The Pak. PWD, Baluchistan had not rendered any account in respect of the amount of Rs. 1 million, placed at their disposal. Similarly, an expenditure of Rs. 5,739,470 was reported by the Pak. PWD in NWFP against the allocation of Rs. 6,867,576, placed at their disposal. The unspent amount, should have been deposited in the Government Treasury, but this was not done due to the following reasons :—

> "Surrender was practicable only after the completion of Accounts for June, *i.e.* the 10th of July. However, the saving in 1977-78 could not be refunded as it was utilized during 1978-79 on cement, to obviate the lapse of quota for 1978-79, allocated against the work in progress and received as late as in 6|79".

274. When questioned as to why the saving was not refunded to the Government, the Pak. PWD representative replied that they received the amount in March instead of July but, during the period from July to March, they had to continue the expenditure. The PWD representative further submitted that, if the savings were surrendered, work would have had to be stopped. The Chairman, thereupon, remarked that if the PWD did not receive the funds allocated to them in time, they were bound to get into trouble. The States and Frontier Regions Division representative submitted that the first release to the PWD was made in November, 1977 and the second one in February, 1978. Replying to the query as to why the money was released in November, 1977 instead of July, 1977, the representative of the Division submitted that no budget provision could be released unless the projects were approved. Thereupon, the representative of Pak. PWD intervened to say that they could not stop working, get suddenly rid of the overhead charges and send off the engineers and other allied staff.

275. After some discussion, *the Chairman observed that, so far as surrender was concerned, that was required by the rules and, until the rules were changed, surrenders had to be made.* A member remarked that every spending department was said to be allowed by the Finance Division to go on spending money to the extent of 70% of the previous year's allocation till additional funds were made available. The AGPR should also be having instructions to release funds upto that percentage. The Auditor-General suggested that the Committee might like to suggest to the Government that the Pak. PWD be allowed to retain their saving of the previous year to continue with the work in progress subject to the condition that these would be set off against their current year's allocation. In other words, the amount would be carried forward and adjusted against the short drawals or short sanctions as was being done in the case of expenditure on secret service.

276. *The Chairman, finally, observed that the Committee would recommend to the Ministry of Finance that savings from allocations to the Pak. PWD, and other such spending departments, occurring in one year, should be made adjustable against their grant for the next year.*

277. *Grant No. 161—Development Expenditure of Federally Administered Tribal Areas (Page 183—AA).*—An excess of Rs. 5,946,806 was claimed by Audit in this grant. The department informed the Committee that actual expenditure

being Rs. 176,256,450, instead of Rs. 176,946,806, the excess came to Rs. 5,256,450, which was primarily in the communication and agriculture sectors.

278. *The Committee was not satisfied with the explanation and requested the departmental representative to locate responsibility for the excess expenditure and omission to ask for a Supplementary Grant, to cover the excess.* The Audit representative informed the Committee that there was some expenditure which had not been booked. The department had to furnish this information, but they would look into it and reconcile the figures.

279. *Grant No. 188 (Page 212—AA).*—There was nothing material for consideration by the Committee under this grant.

AUDIT REPORT

280. *Excess payment of Rs. 227,240 and inadmissible payment of Rs. 8,040 as scholarships (Para 15, page 29—AR).*—The Committee was satisfied with the department's explanation and the para was treated as settled.

COMMERCIAL ACCOUNTS

Federally Administered Tribal Areas Development Corporation

281. The departmental representative briefly explained the working of the industrial units under the Corporation. He informed the Committee that the total losses in Glass and Cigarette Factories had been brought down to Rs. 18 lakhs as against Rs. 37 lakhs during the preceding year. The Tochi Match Factory and the Woollen Yarn Factory had yielded positive results and might give a net profit of Rs. 15 lakhs, which would off-set some of the losses.

282. Replying to a query, the departmental representative informed the Committee that, as the Glass Factory was facing problems, they had decided to close it from July, 1979. They would re-start it only when absolutely certain about the furnace, electricity, etc. Proper feasibility had been carried out and they were re-appraising the whole venture. As regards the Cigarette Factory, the departmental representative explained that it was giving a lot of trouble and they were incurring to the tune of Rs. 113,000 p.m. Due to low quality cigarettes, they had lost the market. However, some operational gains had been made during the last two months.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 and 1974-75

283. Audit was requested to examine these reports and report back to the Committee if necessary.

284. *Points|paras not discussed to be treated as settled.*—The Committee did not make any observation on the other points|paras in the Appropriation|Commercial Accounts or Audit Reports thereon. These would be deemed settled subject to such regularising action as might be necessary under the rules.

KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION

285. The Committee then took up examination of the Appropriation Accounts pertaining to the Kashmir Affairs and Northern Affairs Division for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representative were present :—

(1) Mr. H. M. Chohan, Additional Secretary.

(2) Mr. Mohammad Shafi, Joint Secretary.

(3) Mr. Wadood Ahmed Jilani, Additional Commissioner, MAS.

(4) Mr. Q. M. Saeed, Deputy Secretary.

286. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Federal Government Educational Institutions in Northern Areas	43
2.	Kashmir Affairs and Northern Affairs Division (excluding Group head 'D')	116
3.	Northern Areas (excluding Group head 'B')	117
4.	Other Expenditure of Kashmir Affairs and Northern Affairs Division (excluding Group head 'F')	118
5.	Capital Outlay on Purchase by Kashmir Affairs and Northern Affairs Division	128
6.	Development Expenditure of Federal Government Educational Institutions in Northern Areas	145
7.	Development Expenditure of Kashmir Affairs and Northern Affairs Division [Sub-head Y-1 (1)]	162

APPROPRIATION ACCOUNTS

287. *Grant No. 43—Federal Government Educational Institutions in Northern Areas (Page 57—AA).*—Audit had claimed excesses of Rs. 684,724 and Rs. 1,870,718 against the group heads "A-Directorate of Educational Institutions in Northern Areas" and "B-Federal Government Educational Institutions in Northern Areas", respectively. The department explained that, during 1977-78, the Northern Areas Education Department remained under the control of the Ministry of Education. According to the reconciled figures against group head "A", the actual expenditure being Rs. 480,637, instead of Rs. 1,234,724 as shown in the Appropriation Accounts, there was a saving of Rs. 69,363. Similarly, against the group head "B", the actual expenditure being Rs. 12,416,011, instead of Rs. 11,667,718, there was an excess of Rs. 2,619,011. The saving of Rs. 69,363 against group head "A" was explained as being due to vacant posts, which could not be filled up on account of ban on recruitment. The excess of Rs. 2,619,011 against the group head "B" was stated to be on account of Pay and Allowances due to revision of pay scales against lesser provision in the budget.

288. The Audit representative pointed out that the reconciliation had not been satisfactorily carried out. The Chairman observed that, if so, Audit should have it reconciled. He added that, in the case of group head "B" the

explanation was not satisfactory. The Division's representative submitted that, as already stated, the Education Department of the Northern Areas was not with them at that time. Thereupon, the Chairman remarked that the department should realise the gravity of the situation, take action against those responsible for excess expenditure and report back to the Committee about the action taken in this behalf.

289. *Grant No. 116—Kashmir Affairs and Northern Affairs Division (Page 135—AA).*—The Committee noted that reconciliation had not been done at the proper time, otherwise there would not have been this problem of difference in the departmental and Audit figures. The departmental representative submitted that they would try to improve the situation. They had already completed reconciliation for the second quarter of 1978-79.

290. *General.—The Committee directed that, in the future, whenever the Committee takes up the Accounts of a Ministry|Division for examination, the latter should be asked to bring 10 copies of a statement, showing therein the latest position of reconciliation of their Accounts with Audit.* These copies would be made availble to the Chairman and Members of the Committee and the Auditor General, immediately before the examination of the said Accounts commences.

291. *Grant No. 117—Northern Areas (Page 136—AA).*—An excess of Rs. 617,540 was shown against the group head "A-Political and Administrative Charges". The Committee was informed that, according to the reconciled figures, the actual expenditure was Rs. 20,771,075 and not Rs. 21,599,140, as shown by Audit. Thus, there was a saving of Rs. 210,525, instead of any excess. The saving was explained as being due to non-filling of vacant posts in the Police and Judiciary departments, etc. The Audit representative informed the Committee that reconciliation was done after the Accounts had already been printed. The Committee observed that Ministries|Divisions should be advised to submit the figures for reconciliation well before the printing of the accounts.

292. *Group head "C-Miscellaneous Expenditure" (Page 136—AA).*—A saving of Rs. 1,258,622 was claimed by Audit against this group head. The departmental representative submitted that the final grant under this group head was revised to Rs. 12,420,300 *vide* KA|NA Division, letter No. B&A-1|32|78 dated, 29th June, 1978. Against this, the actual expenditure amounted to Rs. 10,756,469 and not Rs. 10,846,467, as shown by Audit. Thus, there was a saving of Rs. 1,663,831, which was mainly due to non-adjustment of debit vouchers, amounting to Rs. 1.174,000 relating to Medical stores purchased by the D.H.S. NA, Rawalpindi from the Army. The balance saving of Rs. 489,831 was due to non-filling of vacant posts and debit of expenditure relating to the Sub-head "C-4—Maintenance Allowance to Ex-Rulers" under the Group head "A-Political and Administrative charges".

293. After seeking some clarification, *the Committee observed that the explanation was not fully satisfactory, particularly when the emergency was known to everyone in the beginning of the year. At the end of June, there was no emergency and saving could have been surrendered on 30th June, 1978.*

294. *Group head "F—Other Scouts".*—The Committee was informed that this Group head related to Defence Division.

295. *Grant No. 118—Other Expenditure of Kashmir Affairs and Northern Affairs Division (Page 137—AA).*—There was no material point for consideration.

by the Committee under this grant except some clarifications, which were provided by the departmental representative, to the satisfaction of the Committee.

296. *Grant No. 128—Capital Outlay on purchase by Kashmir Affairs and Northern Affairs Division (Page 148—AA).*—There was nothing material for the consideration of the Committee under this grant.

297. *Grant No. 145—Development expenditure of Federal Government Educational Institutions in Northern Areas (Page 167—AA).*—A saving of Rs. 8,410,000 was shown under this grant. The department explained that, on the authority of the Ministry of Education, the AGPR Gilgit had transferred the amount to the DCMA as deposit works. This grant, therefore, was the concern of the Ministry of Defence.

298. The Ministry of Defence had informed the Committee that they were also not concerned with this grant. The Audit representative undertook to look into this and report the facts to the Committee, as necessary.

299. *Grant No. 162—Development Expenditure of Kashmir Affairs and Northern Affairs Division (Page 184—AA).*—A saving of Rs. 27,425,720 was shown against the sub-head "Y. 2(1).—Development Schemes in Northern Areas". It was explained that according to the departmental actuals, intimated by the Additional Commissioner (Planning and Development), the actual expenditure was Rs. 61,122,300 and not Rs. 37,074,280 as shown by Audit. Thus, there was a saving of Rs. 3,377,700 only, which was due to the late release of funds, non-filling of vacant posts and non-execution of projects by the Northern Areas Works Organisation.

300. After seeking some clarifications, *the Committee directed the departmental representative to study these accounts once again and submit a factual report to the Committee.*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 and 1974-75

301. The Committee requested the Audit to examine the replies and report back to the Committee, if necessary.

302. *Points|paras not considered to be treated as settled.*—The Committee did not make any observation on the other points|paras in the Appropriation Accounts or Audit Reports thereon. These would be deemed settled subject to such regularising action as might be necessary under the rules.

MINISTRY OF INTERIOR

303. The Appropriation Accounts for the year 1977-78, pertaining to the Ministry of Interior, and the Report of the Auditor-General thereon were, the last to be taken up by the Committee for examination on the 26th May, 1980. The following departmental representatives were present :—

(1) Mr. Z. A. Tamuri, Additional Secretary.

(2) Mr. Abdul Wahab, Joint Secretary.

(3) Col. Muhammad Shafi, DIGFC.

(4) Lt. Col. S. Hasan Jafer, HQ, Pakistan Rangers.

(5) Mr. S. M. Jafar, Deputy Director, Immg. and Passport.

(6) Mr. Faiz Muhammad, Deputy Secretary.

(7) Mr. Sajjad Ali Khan, Director, FIA.

(8) Mr. Mahmud Ahmad, Secretary, PNCB.

(9) Mr. Basit Ali Khan, Staff Officer, Pakistan Coast Guards.

304. This Ministry controller the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Interior	88
2.	Passport Organisation	89
3.	Civil Armed Forces	90
4.	Census & Registration Organisation	91
5.	Civil Defence	92
6.	Federal Investigation Agency	93
7.	Federal Security Force	94
8.	Other Expenditure of Ministry of Interior	95
9.	Frontier Regions (Partly Group head 'A')	112
10.	Development Expenditure of Ministry of Interior	115
11.	Development Expenditure of States and Frontier Regions Division (Partly) ..	160
12.	Capital Outlay on Works of Ministry of Interior	183

APPROPRIATION ACCOUNTS

305. *Grant No. 88—Ministry of Interior (Page 107—AA).*—A saving of Rs. 6,023,592 was claimed by the Audit against group head "A-Secretariat". The departmental representative contested the figure and submitted that the amount of saving was only Rs. 3,776,992. The difference between the departmental and Audit figures was due to the fact that Audit had not taken into account the Surrender Order of Rs. 2,246,600, issued on 30th June, 1978. The saving was explained as being, due to the following reasons :—

(a) Non-booking of an amount of Rs. 3,188,018, relating to payment of salaries to the surplus staff of FSF (defunct).

(b) An amount of Rs. 588,974 was provided on account of sales tax, to be reimbursed to a firm on account of fabrication of truck bodies. This amount could not be paid due to non-receipt of bill in time.

306. Replying to a query regarding the payment of sales tax, the departmental representative informed the Committee that there was a contract between the firm and the Government to the effect that sales tax would be paid to the Government, but the same could not be paid due to non-submission of bills by the firm, in time. He further added that they did get the trucks and the firm billed for the trucks, but did not bill for the sales tax. As the departmental representative, could not furnish all the details wanted by the Committee, it *directed him to look into the case again and report back to the Committee with a complete history of the transaction.*

307. *Grant No. 89—Passport Organisation (Page 108—AA).*—The Committee did not make any observation on this grant.

308. *Grant No. 90—Civil Armed Forces (Page 109—AA).*—A saving of Rs. 14,150,250 was claimed by the Audit against the group head "E-Buildings and Communications". The Committee was informed that the actual expenditure against the Final Grant of Rs. 14,150,250, being Rs. 14,565,412, there was an excess of Rs. 415,212, instead of the saving. The excess expenditure was incurred by the Pak. PWD out of their balance for 1976-77, treating the works as "Deposit Works". The excess was due to increase in the rates of "Departmental Charges on Works". It was clarified that payment authorities of Rs. 11,435,600 and Rs. 2,714,600 were issued to the Accountant General, NWFP, Peshawar and Comptroller, Baluchistan, respectively by the Director of Audit and Accounts Works, Lahore. The debit of expenditure, amounting to Rs. 14,565,412 actually incurred and certified by the Pak. PWD authorities, was not sent to the Works Audit for booking the expenditure. Hence a "NIL" expenditure appeared in the Appropriation Accounts.

309. The Chairman remarked that this expenditure should have been recorded by the Audit. The departmental representative said that the Pak. PWD had given them the certificate that this much amount had been spent. The same certificate should have been sent to the Audit, which was not done. The Audit representative submitted that firstly, there was some misclassifications. There was an excess expenditure of Rs. 4.3 lakhs. Thereupon, a member remarked that this meant that Audit did not record the expenditure at all. When the Pak. PWD gave the information for expenditure, this should have ultimately gone under specific heads. The member added that the records of the assets must be there, and it were the Ministry of Interior who should have been keeping those records. But it appeared that none was doing so. The Audit representative said that these were deposit works and a census of the same was estimated by the Ministry as well as the field staff. If it had not been done, then the Ministry should start doing so. The Pak. PWD had nothing to do with it. It was, initially, the responsibility of the Ministry to keep a record of the deposit works.

310. The Chairman remarked that the buildings belonged to the Government and not to a corporate body. The question of deposit works should, therefore, not arise in this case. In the case of Government buildings, the Pak. PWD itself should maintain the records, as it was their responsibility. The Auditor-General intervened to say that the buildings constructed by the Pak. PWD out of the provision made in the budget whose administrative control was vested in the PWD, were the concern of the Pak. PWD? It was always supposed to be their property, and was to be looked after by them. But, if a building was constructed, whose administrative control was with the department using or requiring it, after constructing the same, it was handed over to the department concerned in which case it would not be on their charge. *He added that Audit would go further into it and submit a complete report to the Committee.*

311. *The Chairman observed that Audit should go not only into this particular point but also into the general problem of Works' accounting which, at present, was not being done properly.*

312. *Group head "F—Miscellaneous" (Page 109—AA).*—An excess of Rs. 50,793 was shown against this group head. The department explained that the correct position was that, against the Final Grant of Rs. 2,062,600, actual expenditure amounted to Rs. 2,071,613. There was thus an excess of Rs. 9,013 only, which was due to increase in the cost of medicines. Audit was requested to check this up for further necessary action.

313. *Audit Briefs.—The Committee directed that, as from the next Session, scheduled to commence from 23rd August, 1980, Audit should let the Committee have, before hand, short briefs on the Accounts of the Ministries/ Divisions to be examined during the session, as used to be done by them previously.* This practice was found by the Committee to be quite useful.

314. *Grant No. 91—Census and Registration Organisation (Page 110—AA).*—A saving of Rs. 687,689 was claimed by Audit under this grant. The departmental representative contested this figure and submitted that the saving amounted to Rs. 126,495 only and difference between the departmental and Audit figures was due to non-booking of a sum of Rs. 561,194 by the Accountant General, Punjab. Audit was requested to verify.

315. *Grant No. 92—Civil Defence (Page 111—AA).*—The Committee noted that reconciliation had not been carried out in time.

316. *Grant No. 93.—Federal Investigation Agency (Page 112—AA).*—An excess of Rs. 651,229 was depicted by Audit under this grant. The departmental representative contested the figure and stated that actual expenditure having been Rs. 23,192,610 and not Rs. 23,565,229, as shown in the Appropriation Accounts, the excess amounted to Rs. 278,610 only. The difference between the departmental and Audit figures was due to wrong booking of Rs. 372,619.

317. The claimed excess of Rs. 278,610 was explained as being due to the following factors :—

(a) *Rs. 92,209.*—Debits of telephone bills pertaining to other departments were booked against the FIA and had not been withdrawn by T&T Department.

(b) *Rs. 162,295.*—On account of an inevitable part payment of the cost of a building, for finalisation of sale deed.

(c) *Rs. 24,106.*—Belated adjustment of telephone bills for 1976-77. There was a saving of Rs. 45,603 under this sub-head during that year.

318. Audit conceded the wrong booking of Rs. 372,619. As regards the excess mentioned at para (b) above, the Committee held that the department should have asked for a supplementary grant. The Committee was informed that supplementary grant had been asked for but was not agreed to by the Finance Division.

319. *Grant No. 94—Federal Security Force (Page 113—AA).*—The Committee did not make any observation on this grant.

320. *Grant No. 95—Other Expenditure of Ministry of Interior (Page 114—AA).*—A saving of Rs. 5,839,319 was shown against the group head "B—Lump Charges paid to Provincial Governments". The departmental representative claimed that the actual expenditure was Rs. 6,321,905 instead of Rs. 337,495 as shown in the Appropriation Accounts. There was hence an excess of Rs. 145,071 instead of a saving. The difference between the departmental and Audit figures was due to the actuals of Punjab Circle, amounting to Rs. 5,984,410, not having been booked in the Punjab circle.

321. Replying to a query, the departmental representative explained that the amount was paid to the Provincial Government in lump-sum on the basis of actuals of the previous year, duly certified by the Accountant General, Punjab. Thereupon, a member remarked that, in that case, the amount must have related to 1976-77. The departmental representative replied in the affirmative. The Audit representative raised the question whether the Finance Department, Government of the Punjab had agreed that that Government would spend in one year and charge from the Ministry during the next one. According to the explanatory memorandum on the Budget, the expenditure was initially incurred by the Provincial Government and at the close of the financial year it was reimbursed to them by the Federal Government. *The Committee requested the departmental representative to supply to Audit a copy of the agreement between the Ministry and the Provincial Government, to enable them to find out whether the payment was to be made by the Ministry in the subsequent year.*

322. *The Chairman added that Audit should also study the present procedure for these adjustments and raising of debits by the Provincial A.G's and recommend improvements therein, if necessary.*

323. *Group head "E-Rewards for Anti-Smuggling Measures" (Page 114—AA).*—A saving of Rs. 1,921,475 was depicted by Audit against this group head. The department explained that, as per the AGPR's letter No. TA-III|7-1|77-78|2736, dated 16th March, 1980. debits amounting to Rs. 1,300,000 were not passed on by the Accountant General, Punjab and the Comptroller, Baluchistan, for adjustment. Thus the actual expenditure would be Rs. 2,448,772 and not Rs. 1, 148,772.

324. *The Committee took serious view of this situation and directed Audit to look into it, locate the responsibility for not having sent the advice for adjustment, and take suitable action against the defaulter.*

325. *Group head "G-Lump provision for the establishment of National Police Academy" (Page 114—AA).*—The saving of Rs. 95,000 against this group head was explained as being due to non-establishment of the Academy till January, 1978 and the transfer of the Commandants. The non-surrender of saving was regretted. *The Committee was not satisfied with the explanation and directed the departmental representative to find out as to who was responsible for not surrendering this amount and take action against him.*

326. *Group head "H-Miscellaneous" (Page 114—AA).*—A saving of Rs. 184,784 was claimed by Audit against the group head "H-Miscellaneous". The department explained that, after taking into account the surrender order for Rs. 69,000, the final grant amounted to Rs. 1,015,500 instead of Rs. 1,081,500, as shown in the Appropriation Accounts. Against this, actual expenditure amounted to Rs. 1,018,018 (instead of Rs. 899,716 shown by Audit) involving an excess of Rs. 2,518, which was due to excess expenditure on "Detenus". The Audit accepted the position.

327. *Grant No. 112-Frontier Regions (Page 131—AA).*—Audit had shown a saving of Rs. 41,847,855 against the group head "A—Frontier Constabulary and Militia". The department explained that, according to their records, the factual position relating to this Division was that, against the final grant of Rs. 72,233,700, actual expenditure totalled Rs. 27,880,209, leaving a saving of Rs. 44,353,491, which was duly surrendered on 27th December, 1977.

328. *The Committee did not feel happy with the fact that surrender order had not been accounted for by Audit. It directed that this should be looked into for fixing responsibility and taking suitable action.*

329. *Grant No. 155-Development Expenditure of Ministry of Interior (Page 177—AA).*—The departmental representative did not accept the excess of Rs. 1,164,347 as shown in the Appropriation Accounts under Group-head "J-Frontier Region" and claimed that the actual expenditure was Rs. 15,809,119, instead of Rs. 15,964,347. There was, thus, an excess of Rs. 1,009,119. It was explained that, out of this excess, a sum of Rs. 923,395 represented expenditure on on-going schemes incurred by the PWD authorities out of the balance for the year 1976-77, held by them in their PLD accounts. The actual net excess of Rs. 85,724 was due to fluctuations in the prices of articles.

330. *Audit was requested to verify the facts because a huge amount was involved in this case.*

331. *Group head "N-Public Health" (Page 177—AA).*—The saving of Rs. 100,000, shown against this group head, was claimed to have been duly surrendered. Audit was requested to check the position.

332. *Grant No. 160-Development Expenditure of States and Frontier Regions Division (Page 182—AA).*—Audit had shown a saving of Rs. 11,697 000 under sub-head "I—(1) (1)—Major Works—Buildings" of this grant. The department claimed that, so far as the Interior Division was concerned, they were concerned with only the final grant and expenditure on the Baluchistan Constabulary, which was Rs. 3,829,000 and Rs. 3,821,660 respectively, leaving a saving of Rs. 7,340, which was within the permissible limit.

333. *The Committee noted that there was again the problem of 'NIL' booking of expenditure and observed that it may be noted by Audit that all such transfer of funds to Pak. PWD should be checked.*

334. *Grant No. 183—Capital Outlay on works of Ministry of Interior (Page 205—AA).*—The Committee did not make any observation on this grant.

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

335. Audit was requested to examine the replies and report back, if necessary.

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

337. The Committee then adjourned to meet again at 9.00 a.m. on Tuesday, the 27th May, 1980.

M. A HAQ,
Secretary.

Islamabad, the 3rd November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 27th May, 1980

Fourth Meeting

338. The *Ad-hoc* Public Accounts Committee took up examination of the Federal Accounts for 1977-78 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. Akhtar Sharif, Director, Public Relations.
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.

Ministry of Finance

1. Mr. Ahmad Husain Qureshi, Deputy Secretary (Budget).
2. Mr. S. Irtaza H. Zaidi, F.A. (Labour, Manpower and Overseas Pakistanis).

339. *Accounts examined.*—The Accounts pertaining to the Labour Division and Manpower Division were examined by the Committee on this date. The examination of Accounts of the Ministry of Foreign Affairs, fixed for this day, had to be deferred to the following day, *i.e.*, the 28th May, 1980 on the express request of that Ministry.

LABOUR DIVISION

340. The Committee first took up examination of Appropriation Accounts pertaining to the Labour Division for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Mr. Imtiaz Ahmad Chaudhry, Joint Secretary.

(2) Mr. S. H. Tirmezy, Deputy Secretary.

(3) Mr. S. M. I. A. Najmi, Social Security Adviser.

(4) Qazi Ahmed Saeed, Secretary, N.I.R.C.

341. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Labour Division	96
2.	Other expenditure of Labour Division	97
3.	Development expenditure of Labour Division	156

APPROPRIATION ACCOUNTS

342. *Grant No. 96-Labour Division (Page 115—AA).*—Audit had pointed out an excess of Rs. 1,882 against the group head " B-Scheme for Training of Labour Officers ". The departmental representative contested the figure and stated that, according to the departmental reconciled figures, actual expenditure amounted to Rs. 299,047, instead of Rs. 301,882, as shown by Audit. There was thus a saving of Rs. 953, which was within the permissible limit. *The Committee, however, noted that reconciliation had not been carried out by the department till 26th September, 1979, well after the close of the financial year. Normally, this should have been done during the course of the year.*

343. *Up-to-date position of reconciliation.*—As desired by the Committee, a statement showing the latest position of reconciliation was made available to it. After going through the same, the Committee noticed that the department was far behind the schedule, fixed by the AGPR for carrying out reconciliation. Explaining the reasons for delay in reconciliation the departmental representative submitted that their Accountant, who was mainly responsible for this work in the Division, was withdrawn by the Auditor-General about eight months back. His replacement had since been approved by the Auditor-General but the incumbent was likely to join his duty in a few days after which it could be hoped that reconciliation work would be completed soon. *The Committee observed that they should strive to complete this work within a fortnight and send intimation to the National Assembly Secretariat, for the Committee's information.* The departmental representative undertook to comply with the directions.

(*Note.*—On 9th June, 1980, the Labour Division informed the National Assembly Secretariat that, as directed by the Committee, they had completed reconciliation. They also furnished reconciliation statements in support of their claim).

344. *Grant No. 97-Other Expenditure of Labour Division (Page 116—AA).*—A saving of Rs. 21,929,352 was shown by Audit against the group head "C-Block Grant for transfer to Workers Welfare Fund". The Committee was informed that sanction for the transfer of the entire amount of Rs. 54,435,000, provided against this group head, was issued to the AGPR on the 29th June, 1978. However, the AGPR had shown Rs. 32,505,648 as actual expenditure, which might have been based on actual receipts in the Funds.

345. The Committee noted that the actual expenditure of Rs. 32,505,648 was much lower than the budget allocation of Rs. 54,435,000 and the recovery of Rs. 50,009,491 from this fund was quite substantial. The Committee further noted that the figure shown by Audit in the Finance Accounts was different from the one shown in the Appropriation Accounts, which perhaps differed due to recoveries from some other sources. The Audit representative submitted that the receipts were to be reported to the AGs, Karachi, Peshawar, Lahore and Sind, but they had taken into account the figures from AGs, Karachi and Peshawar. Actually, the transferable amount, based on receipts, should have totalled Rs. 40,625,434, including the AGs, Lahore and Sind. Replying to a query, the Audit representative added that there were two parts of the whole transaction—one was the credit to the Fund, which should be equal to the receipts. The second part was expenditure, which was provided to the Provincial Governments. The amount of contribution, given to the Provincial Governments, was shown as recovery from the fund account.

346. The Committee then discussed the details about the operation of the fund. The departmental representative submitted that they did not have full control over the receipts. Information about the 2 per cent Workers' Welfare Tax came to them from the Central Board of Revenue and that about the Workers Participation Fund was received by them direct from the companies. *The Committee, thereupon, observed that all receipts should, under the law, be first deposited in the Fund and then only investment, if any, should take place from it and be accounted for. Even the interest or income from investments like Rs. 196 million in "Khas Deposits" had to go to the Fund. Government should, therefore, be given proper fund Accounts and the form of their presentation to the Legislature also needed a revision. The procedure laid down in the orders dated 13th July, 1972 should be adhered to.*

347. *The Committee also directed that the department should, in consultation with the AGPR, submit a comprehensive report to the Committee, describing all the sources from which moneys came into the fund, the accounting thereof, disbursements including investment therefrom, balances remaining therein and the control thereon. On learning that some amount from the Fund was being kept in a Commercial Bank, the Committee directed that it should be withdrawn from the Commercial Bank and kept in Government Account.*

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

348. Audit was requested to examine the replies and report back to the Committee, if necessary.

349. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts etc. These would be deemed settled subject to regularising action, if any, under the rules.

MANPOWER DIVISION

350. After the Labour Division, the Committee took up the examination of the Appropriation Accounts pertaining to the Manpower Division for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Mr. S. Wasiq Shah, Joint Secretary.

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

(3) Mr. S. N. Rehman, O.S.D. (F&A).

351. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Other expenditure of Ministry of Industries [Group head "G-NDVP (HQ) Islamabad "] ..	81
2.	Manpower Division ..	98
3.	Other expenditure of Ministry of Religious Affairs, Minorities Affairs and Overseas Pakistanis (Group head "A-Welfare Offices") ..	110
4.	Development expenditure of Ministry of Industries (Group head "D-General Administration") ..	153
5.	Development expenditure of Manpower Division (except Group head 'D') ..	157

APPROPRIATION ACCOUNTS

352. *Up-to-date position of reconciliation.*—As desired by the Committee, the department submitted a statement showing the latest position of reconciliation of their accounts. The Committee was not satisfied with the progress in reconciliation work and directed that reconciliation be completed by the 20th June, 1980 and a report about it sent to Audit.

353. *Grant No. 81—Other Expenditure of Ministry of Industries (Page 100—AA).*—The saving of Rs. 106,990 under the Group head "G-NDVP" was explained by the Division as being due to vacant posts as well as reduction in the establishment on the recommendation of a Committee, set up by the Establishment Division. *The Committee observed that the saving should have been surrendered and the Division should note that they failed to do so.*

354. *Grant No. 98—Manpower Division (Page 117—AA).*—It was explained that the excess of Rs. 315,536 shown against group head 'C' was due to wrong booking made under this grant by the Chief Accounts Officer, Ministry of Foreign Affairs, of expenditure incurred by the Liaison Offices in the U.K. and Abu Dhabi though the expenditure pertained to Grant No. 109, controlled by the Ministry of Religious Affairs.

355. In reply to a query whether there was an excess or not, the Audit representative explained that as long as due provision for it was not made in the Budget of the department to which a particular subject was transferred, the expenditure on it had to go under the grant in which the provision therefor was originally made, irrespective of any changes in the control of the subject. The only condition for operating on that grant was that the latter department concerned had been given the authority to do so.

356. *Grant No. 110 (Page 129—AA).*—A saving of Rs. 301,539 was depected against the group head "A—Welfare Offices". The departmental representative contended that the actual saving came to Rs. 175,248 and the difference between the department and Audit figures was due to the fact that the amount of Rs. 126,476, which was duly surrendered, had not been taken into account. *The Committee observed that the saving should have been surrendered.* The departmental representative submitted that this should have been done by the Ministry of Religious Affairs who controlled the grant at that time.

357. *Grant No. 153—Group head "D-General Administration" (Page 175—AA).*—The reported excess of Rs. 4,783,341 against this group head was claimed as being due to belated adjustment of an amount of Rs. 6,092,408 which pertained to the year 1975-76. The Audit representative admitted that these debits of earlier year related to the NDVP and were adjusted in 1977-78.

358. A member remarked that, had the belated adjustment not been made, there could have been a saving of Rs. 1.30 million, which was not surrendered. The departmental representative submitted that this subject was then with the Industries Division and this should have been done by that Division.

359. *Grant No. 157-Development Expenditure of Manpower Division (Page 179—AA).*—There was nothing material for discussion by the Committee under this grant.

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORT FOR 1972-73, 1973-74 AND 1974-75

360. Audit was requested to examine the Compliance report submitted by the Division, and report back to the Committee with their comments, if any.

361. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts, etc. These would be deemed settled subject to regularising action, if any, under the rules.

362. *General.*—About the question of audit of accounts of autonomous bodies, etc. and their examination by the PAC, the Auditor-General informed the Committee that audit of accounts of any authority or body, company or corporation, set up by the Federation or a Province, was his statutory responsibility. As for bodies, etc. not set up by Federation or a Province, are concerned, there was no bar to undertaking the audit of their accounts on consent basis. The Audit Reports in respect of such bodies would be submitted and examined by the PAC like other reports under the authority of rule 172 of Rules of Procedure and Conduct of Business in the National Assembly (1973). As regards Audit Reports pertaining to units under Government established bodies, it was felt that these too, should be placed before the PAC whether their audit was on the basis of consent or statutory obligation. The Committee agreed to these views.

363. Before concluding its deliberations for the day, the Committee requested the Auditor-General to include the unsettled Draft Paras in all the past Accounts in his next report, so that the arrears are, once and all, finally cleared.

363-A. The Committee, thereafter, adjourned to meet at 9.00 a.m. on Wednesday, the 28th May, 1980.

M. A. HAQ,
Secretary.

Islamabad, the 3rd November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 28th May, 1980

Fifth Meeting

364. The *Ad-hoc* Public Accounts Committee met, 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. Akhtar Sharif, Director, Public Relations.

(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 Husain, Accountant-General, Pakistan Revenues.

(5) Khawaja Abdul Waheed, Director, Commercial Audit.

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

(7) Mr. Ziaul Haq Khan, A. G., PT & T.

(8) Mr. M. S. Amjad, Director, Foreign Audit.

Ministry of Finance.

(1) Mr. S. Irtaza H. Zaidi, F. A. Communications.

(2) Malik Asrar Ahmad, F. A. (Ministry of Food and Agriculture).

(3) Mr. Javed Talat, F. A. (Foreign Affairs).

365. *Accounts examined.*—The accounts of the following Ministries|Divisions were examined by the Committee during the course of the day :—

(1) Ministry of Food and Agriculture (including Livestock Division).

(2) Ministry of Communications.

(3) Ministry of Foreign Affairs.

MINISTRY OF FOOD AND AGRICULTURE

(Including Livestock Division)

366. The Committee first took up the examination of Appropriation and other Accounts of the Ministry of Food and Agriculture (including Livestock Division) for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Mr. Manzoor Ahmad, Additional Secretary.

(2) Mr. M. Mohsin, Joint Secretary.

(3) Col. Mohammad Ayub, G. M. FDFI.

(4) Col. S. A. Qadeer, Director of Food.

(5) Mr. M. S. Bhatti, Deputy Secretary (Livestock Division).

(6) Ch. Mohammad Nawaz, Project Director (Milk Plant).

367. The Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Agriculture Division (except Group head 'B')	1
2.	Plant Protection Measures	2
3.	Other Agricultural Services (except sub-head A-4)	3
4.	Livestock Division	5
5.	Islamabad Milk Plant	6
6.	Fisheries	7
7.	Other Expenditure of Ministry of Food and Agriculture and Co-operatives ..	7-A
8.	Food Division	61
9.	Subsidy on Wheat	62
10.	Zoological Survey Department	121
11.	Capital Outlay on purchases of Fertilizer	124
12.	Capital Outlay on Food Purchases by Food Division	125
13.	Development Expenditure of Agriculture Division (except sub-head 0-4-3 and Group head 'Y')	135
14.	Development Expenditure of Livestock Division (except sub-head '0-3') ..	136
15.	Capital Outlay on Food Storage and other works	178

AUDIT REPORT

368. *Non-recovery of liquidated damages amounting to Rs. 2.2 million (para 3, page 22—AR).*—The Committee was *inter alia* informed by the department that liquidated damages were not recovered from the supplier on the

advice of the Law Division, that they were not legally recoverable from them. Thus, it was decided not to impose the penalty of liquidated damages on the suppliers. For this purpose, an amendment to the contract was issued, granting extension in the shipment schedules upto 1st March 1973, without reserving the right to impose liquidated damages. The amendment was made with the endorsement of the F.A.'s Organisation and a copy thereof was supplied to Audit *vide* No. F.D.F.I-1610-Proc-P|892, dated 19th February, 1980.

369. Recounting the reasons given by the Law Division, the departmental representative said that firstly, the Bank guarantee, which was returnable only on a good performance certificate, was returned to the contractor without such a certificate. Secondly, the amount could not be reduced, from time to time. Replying to a query, the departmental representative informed the Committee that the contract provided for penalty in case of physical damage to the fertilizer. As there was no physical damage to the fertilizer, the guarantee had to be released.

370. On the suggestion of the Audit representative, the advice tendered by the Law Division was read out for the benefit of the Committee, the departmental representative adding that they had examined the case and arrived at the conclusion that there was no loss to the Government, and prices were going up due to inflation. He further informed the Committee that they had also since streamlined the procedure. Replying to the query whether the Chairman of the Corporation was competent to release the amount of Bank guarantee, the departmental representative replied in the affirmative. In his opinion, it was a *bona fide* mistake.

371. *After some discussion, the Committee requested Audit to go into the record again particularly the Law Division's advice and report back, if necessary.*

372. *Loss of Rs. 72,590 on re-conditioning wheat damaged due to insufficient protection in storage (Para 4, page 22—AA).*—After seeing the written reply of the department the Committee observed that the reasons given therein were not convincing. Seeking some clarifications, the Committee directed the departmental representative to take up the question of repairs of Berth No. 17 with the authorities concerned in order to avoid the recurrence of such damages in the future.

APPROPRIATION ACCOUNTS

373. *Grants No. 1 and 2 (Pages 17-18—AA).*—The Committee did not make any observation on these grants.

374. *Grant No. 3—Other Agricultural Services (Page 19—AA).*—The Committee noted that there was a difference of Rs. 101,045 between the departmental and Audit figures of Final grant against the group head 'B-Agricultural Marketing'. *The departmental representative was directed to reconcile the figures with Audit.*

375. The excess of Rs. 56,725 against sub-head 'A-5—Agriculture Development Estates' and Rs. 188,351 against the group head 'B—Agricultural Marketing' was explained as being due to the introduction of the Revised National Pay Scales, for which no supplementary grant was made. Thereupon, the Audit representative pointed out that the department had tried to put the entire blame for the excesses on the revised pay scales, but the question was whether they

ever requested the Finance Division for supplementary grant or themselves assumed that, since there was a 5% economy cut, they could not ask for a supplementary grant. As far as the pay scales were concerned, it was obvious that a supplementary grant might be required. The departmental representative submitted that they did not go for a supplementary grant. *The Committee observed that this was an omission on the part of the department and should have been avoided.*

376. *Grant No. 5—Livestock Division (Page 21—AA).*—The Committee did not make any observation on this grant.

377. *Grant No. 6—Islamabad Milk Plant (Page 22—AA).*—The saving of Rs. 250,000 against the group head "C-Appropriation to Funds and Profits" was explained as being due to the fact that this group head was not operated. Moreover, it was dropped in the budget provision for 1980-81, in consultation with Finance Division.

378. Explaining the position of the Milk Plant, the departmental representative submitted that, during the year under review, there was a loss of about Rs. 550,000. The depreciation was about Rs. 175,000, which did not include interest. As compared to the previous year depreciation during the current year (1979-80) was a bit higher because, out of this loss, they had to pay about Rs. 395,000 as clearance charges for the machinery which was got as a gift from the Government of New Zealand. They came to know of this only when the machinery had come and papers were received. Now they had submitted a revised scheme under which all these would be charged to investment.

379. Replying to queries about the price of milk, the departmental representative informed the Committee that the price was last raised in 1978-79, when they made a gross profit of Rs. 63,000, and the net loss was Rs. 877,000, which included the pay of officers, establishment and other charges, POL, spare parts, printing|publicity, contingent expenses and clearance charges for refrigerators, etc., received from the Government of Australia.

380. A member remarked that it would appear that the Government should have made arrangements for the payment of capital expenditure rather than going in for working expenses. The Audit representative added that a separate account should be maintained for the assets and liabilities. *The form in which the accounts of the Project were presented was considered by the Committee as unsatisfactory and the departmental representative was requested to have the accounting procedures in the Milk Plant streamlined and to consider the feasibility of having the accounts of the Plant prepared on Commercial basis.*

381. When questioned about the total production of milk and its sale price, the departmental representative informed the Committee that the present production was 961,000 litres. The sole purpose of the Plant was to provide clean and good quality milk to the people residing in Rawalpindi|Islamabad, at a reasonable rate. At present, they were providing milk, door to door, @ Rs. 2.70 per litre. But, in order to cover the losses, the price of milk should be Rs. 4.50 per litre. But at that price, the whole idea of setting up the Plant, *viz.*, stabilizing prices of milk in the twin cities, might be nullified. Thereupon, a member remarked that, if the difference was only of about a lakh of rupees, the additional cost would be just 10 or 12 paisa per litre. It would be better if the department worked it on a no-profit no-loss basis. The departmental representative was directed to examine this point and examine whether administrative charges could also be reduced.

382. *Grant No. 7—Fisheries (Page 23—AA).*—Audit had pointed out an excess of Rs. 54,076 against group head "A-Central Fisheries Department". The departmental representative contested the figures of Final Appropriation as well as of actual expenditure, and informed the Committee that Final Appropriation, as communicated by the AGPR and accepted by them, was Rs. 907,200, instead of Rs. 866,185, now shown in the Appropriation Accounts. Against the Final Appropriation of Rs. 907,200, actual expenditure, as per the statement of reconciliation of expenditure figures issued by the AGPR, being Rs. 907,200, there was neither any saving nor excess. The Audit representative submitted that the economy cut had not been accounted for, while calculating the Final Appropriation. Moreover, some bookings relating to telephones, were made late. Even if these were taken into account, there was an excess of about Rs. 41,000.

383. *The Committee observed that, normally changes were not effected after the figures had been agreed to between the Audit and the department.*—There appeared to be some misunderstanding, in this case, which might be looked into by Audit, for rectification.

384. *Group head "B—Development of Fisheries" (Page 23—AA).*—The Committee noted that the position under this group head was similar to the group head "A—Central Fisheries Department". Audit was requested to check their figures.

385. *Grant No. 7-A—Other Expenditure of Ministry of Food, Agriculture and Cooperatives (Page 24—AA).*—A saving of Rs. 3,809,000 was shown by Audit against the group head "A—Grant to Roti Corporation". The Committee was informed that the entire amount of Rs. 8,809,000 was released to the Corporation through three payment authorities, issued on the 18th June, 1978 (Rs. 5,000,000), on the 28th June, 1978 (Rs. 1,052,000) and on the 9th December, 1978 (Rs. 2,757,000). The Audit representative pointed out that the third Authority, which was issued in December, 1978 could not be accounted for during 1977-78. Thereupon, the departmental representative submitted that a special sanction had been obtained from the Finance Division to the effect that this should be adjusted in 1977-78. The Audit representative contended that this did not appear correct as the payment made in December, 1978 would have to appear in the accounts for 1978-79.

386. *After some discussion, the Committee requested Audit to look into the records. The departmental representative was directed to produce all the relevant records to Audit for verification.*

387. *Grant No. 61—Food Division (Page 78—AA).*—The excess of Rs. 31,535 against the group head "A—Secretariat", was explained as being due to the introduction of Revised National Pay Scales and merger of Roti Plant Cell, for which no additional funds were provided.

388. A member complained that the quality of the Paki Pakai Roti was deteriorating whereas its price had been increased. It was explained that the price had to be increased, because Government had increased the price of atta. *The departmental representative was requested to look into the quality of bread and as to why the same was deteriorating.*

389. In reply to the query whether there was no budget provision in respect of the Roti Cell, when it was transferred to the Food Division, the departmental representative submitted that they would check up and report back to the Committee.

390. *Grant No. 62-Subsidy on Wheat (Page 79—AA).*—The Committee did not make any observation on this grant.

391. *Grant No. 121-Zoological Survey Department (Page 140—AA).*—Audit had shown a saving of Rs. 45,836 under this grant. The Committee noted that, due to surrender of Rs. 52,633, the saving had turned into an excess of Rs. 6,797. The departmental representative could not readily explain the reasons for the excess surrender. However, the Committee made no further observation.

392. *Grant No. 124-Capital Outlay on Purchase of Fertilizer (Page 144—AA).*—The excess of Rs. 95,412,425 against the group head "A—Purchase of Fertilizer" was explained by the department as being mainly due to belated adjustment of Rs. 90,915,212. Had this come to their notice earlier, the same should have been adjusted against the amount of Rs. 583,774,861, which they surrendered on 21st June, 1978. Audit was requested to check this up.

393. *Group head "B—Fare, Freight, Storage and other Incidental Charges" (Page 144—AA).*—The saving of Rs. 31,840,842 against this group head was explained by the department as being mainly due to the interest charges on cash credit, which was not booked by Audit because of the classification of the charges as "22—Interest". The Committee was further informed that the matter of setting right the classification was under correspondence and was expected to be resolved by amending the accounting procedure.

394. *The Committee took a serious view of delay in decision making in the matter and directed the representative of Finance Division to find out the factual position of the case, have it expedited and intimate the Committee about the result.*

395. *Group head "C—Administrative Expenditure" (Page 144—AA).*—An excess of Rs. 1,244,558 was claimed by Audit against this group head. It was explained that the final appropriation under this group head was Rs. 2,163,666. The difference between the departmental and Audit figures was due to the fact that Audit had not taken into account the re-appropriation order. The excess of Rs. 1,010,886 had occurred because the administrative expenditure of previous year was not received from AG, Punjab in time and was adjusted in the accounts of the year 1977-78. Replying to a query, the departmental representative informed the Committee that the amount relating to the belated adjustment was Rs. 1,386,000, which pertained to last three years.

396. *The Committee took a serious notice of the situation and directed Audit to take action against the persons who might have been found responsible for this late adjustment.*

397. *Recovery against Sale Proceeds of Fertilizer (Page 144—AA)*—Audit had pointed out that, against the estimated recovery of Rs. 1,150,880.000, the actual recovery was Rs. 870,873,311, resulting in less recovery to the tune of Rs. 280,006,689. The departmental representative explained that the amount of the estimated recovery, based on the Revised Estimates, was Rs. 1,026.012,000 and not Rs. 1,150.880.000, as claimed by Audit. As such, there was less recovery of Rs. 155,138.689, which was due to non-adjustment of certain bills, pertaining to the supply of fertilizer to the Provinces, received at the close of the year. The Audit representative informed the Committee that the original and not revised estimates were the correct basis for taking these figures and all

the bills had been included in the total recovery and not a single one had remained unadjusted. Lesser recovery was due to lesser sale of fertilizers and not due to non-adjustment of certain bills.

398. *The Committee observed that, since a very substantial amount was involved, department should reconcile, check and report back as to what was the factual position.*

399. *Loss transferred to Revenue Account (Page 144—AA).*—Excess recovery, to the tune of Rs. 8,811,398, was claimed by Audit against this head. The departmental representative explained that Audit had not taken into account the figures of the Revised Estimates of Rs. 542,500,000. Compared to those estimates, there was a lesser recovery of Rs. 70,940,602, as against excess claimed by Audit. Less recovery was due to the release of lesser subsidy claims by the Ministry of Finance on account of ways and means position. A member remarked that, unless the department did not ask for a supplementary grant, there was no use talking about Revised Estimates. The Audit representative added that, the Revised Estimates, which appeared in the Budget Book, were of no consequence. The important thing was the sanctioned grant plus supplementary grant and any reappropriation within the grant as final appropriation was determined on that basis. Unless the additional requirement was backed by a supplementary allocation, the revised estimates were of no use.

400. A member, thereupon, observed that to cover up excess of Rs. 88 lakhs the department wanted a subsidy. The department should have asked for a supplementary grant accordingly, but they did not do so. If the department had asked for a supplementary grant and the same was not given to them, that was a different matter. As the departmental representative was not sure whether they had asked for a supplementary grant or not, he promised to look into the matter and report back to the Committee.

401. *Note below Grant No. 124 (Page 144—AA).*—Audit had stated that the Running Accounts and Financial Review, along with the Statement of Losses, Shortage, Damages, etc., had not been appended to the Appropriation Accounts. The Committee was informed that the Accounts of the old scheme had been finally closed, by transferring the excess receipts of Rs. 988,080 to revenue *vide* sanction No. F. 2-1|71-F. Accounts, dated 10th January, 1980. Similarly, the unrecoverable balance of the outstanding recoveries, amounting to Rs. 591,900, had also been written off. All this had been done with the approval of the Ministry of Finance. The Financial Review, Running Accounts and other allied materials in respect of the Accounts for the years 1972-73 to 1976-77, had already been prepared and submitted to Audit. The latter had raised certain points on those Accounts which were being sorted out. The said Accounts for the year 1977-78 would be finalised as and when the previous year's Accounts were cleared by Audit.

402. *The Committee observed that the department should go on preparing their accounts and not to wait for the Audit doing their own work. It was important that the department brought their accounts up-to-date quickly.*

403. *Grant No. 125-Capital Outlay on Food Purchase by Food Division—Recoveries (Page 145—AA).*—The Committee noted that two sets of figures were given under the heads "Purchase by Food and Agriculture Division" and "Subsidy on Wheat". The Audit representative informed the Committee that the accounts of these heads were maintained by the department themselves and

whatever figures were supplied by the department were accepted by Audit and included in the Appropriation Accounts. Audit was requested to verify the position and report to the Committee, if necessary.

404. *Annexure 'B' to Grant No. 125—Running Accounts for the year 1977-78 (Pages 238-39—AA).*—The Committee was not satisfied with the form in which Running Accounts were maintained. After some discussion, the Committee observed that the department should first show as to what was the position upto 1977-78 and then they should spell out the position as in 1978-79 and 1979-80. Thereafter, as from the Accounts for 1980-81, they should give the result of the transactions, such as the opening balance, receipts and sale during the year, and the balance at the close of the year. *The Committee further directed that an exercise to evolve a form in which these accounts could be presented in an understandable and simplified manner should be carried out by the Food and Agriculture Division in consultation with Finance Division and Audit.*

405. *Shortages|damages etc., on Wheat (Page 235—AA).*—The Committee noted that claims for shortages|damages, etc., indicated in the statement of assets transferred to RECP were outstanding, particularly against M|s. Maritime Agencies, US Department of Agriculture, involving large amounts. *The departmental representative was requested to follow these cases and get them settled as early as possible.*

406. *Grant No. 135—Development Expenditure of Agriculture Division (Page 156—AA).*—The Committee sought some clarification about the "Subsidy" exhibited against the group head "O—Agriculture". It was not satisfied with the sub-heads given under this group-head and some other group-heads under grant No. 135. The departmental representative promised that they would provide the details wherever the same did not exist at present.

407. Explaining the excess of Rs. 9,196,470, under the "Scheme of Aerial Plant Protection and Procurement of Plant Protection Material", the departmental representative submitted that it was due to belated debits relating to previous years. The adjustment had been made by Audit and the department was not in a position to anticipate the excess, so as to arrange the funds through re-appropriation or supplementary grant. *After seeking some clarification, the Committee termed the explanation to be unsatisfactory and directed the departmental representative to find out as to when were the indents|tenders palced and LCs opened, the goods received and payments made, and supply this information to Audit for verification.*

408. *Grant No. 136—Development Expenditure of Livestock Division (Page 157—AA).*—The Committee did not make any observation on this grant.

409. *Grant No. 178—Capital Outlay on Food Storage and Other Works (Page 199—AA).*—Explaining the excess of Rs. 15,072,277, the departmental representative informed the Committee that a sum of Rs. 39,800 million was released to the Pak. P.W.D. for the construction of grain godowns. However, the Pak. P.W.D. utilised only a sum of Rs. 24.677 million and instead of refunding the balance amount to the Ministry of Food, kept the same in their deposit accounts for utilisation during the next year. Considering that the amount kept by the Pak PWD was not actually spent, the difference between the original grant and the net expenditure was surrendered, which resulted in the excess expenditure.

410. A member remarked that, when the department surrendered the amount of Rs. 69,146,886, they should have taken into consideration the fact that the PWD was not going to spend the whole lot of Rs. 39.800 million, and there was going to be a saving. If the department did not do so, their explanation for the excess was not relevant. *The departmental representative was, therefore, directed to check up whether the amount, lying with the PWD, was taken into consideration at the time of surrender and making provision in the next year's budget.*

411. *Reconciliation of Accounts.*—The Committee examined the statement showing the progress of reconciliation of Accounts and directed that, as the Accounts for 1978-79, were being finalised by Audit for printing, the department should complete the reconciliation of the outstanding items by the 31st May, 1980 positively, excepting those for the Federal Directorate of Fertilizer Imports, for which the department was allowed to complete reconciliation by July, 1980. As regard 1979-80, the departmental representative was advised to carry out reconciliation according to the schedule laid down by Audit. The departmental representative said that they would complete the reconciliation according to the schedule, as and when issued by the Audit. The Committee requested Audit to expedite the issue of the programme.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC's REPORTS FOR 1972-73, 1973-74 and 1974-75

412. Audit was requested to examine the replies and report back with their comments, if any.

POINTS NOT DISCUSSED TO BE TREATED AS SETTLED

413. The Committee did not make any comments on other points in the Appropriation Accounts, etc. These would be deemed settled subject to such regularising action as might be necessary under the rules.

MINISTRY OF COMMUNICATIONS

414. The Committee next took up the Appropriation and other Accounts of the Ministry of Communications for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Brig. Shareef Rahat Qureshi, Joint Secretary (G).

(2) Brig. Mansoor-ul-Haque Malik, Joint Secretary (P&T).

(3) Mr. Anwar Ahmad Khan, D. G. (U. T).

(4) Mr. S. Athar Mahmud, D. G., Post Office.

(5) Mr. Abdullah Khan, D. G., Telepgraphs and Telephones.

(6) Mr. Abul Kalam, Managing Director, Karachi Shipyard and Engineering Works.

(7) Mr. M. Rafiq, Director (F), P.N.S.C.

(8) Col. Mirza Anwarul Haq, F.W.O.

415. This Ministry controlled the following grants :—

S.No.	Name of Grant	Grant No.
1.	Ministry of Communications	24
2.	Department of Shipping Control and Mercantile Marine	27
3.	Light-houses and Lightships	28
4.	Other Expenditure of Ministry of Communications	29
5.	Investment in Maritime Shipping Companies	129
6.	Development expenditure of Ministry of Communications	140
7.	Capital Outlay on Ports and Shipping	169
8.	Capital Outlay on Communication Works	170
9.	Investment in Urban Road Transport Corporation	171
10.	Development Loans and Advances by the Federal Government (Group head 'B-1')	177
	Pakistan Post Office, Telegraph and Telephone Departments	
11.	Pakistan Post Office Department	25
12.	Pakistan Telegraph and Telephone Department	26
13.	Capital Outlay on Post Office Department	167
14.	Capital Outlay on Telegraph and Telephone Department	168

APPROPRIATION ACCOUNTS

Ports and Shipping Wing

416. *Grant No. 24—Group head "D-Director General of Ports and Shipping (Page 41—AA).*—The Committee did not make any observation on this group head.

417. *Grant No. 27—Department of Shipping Control and Mercantile Marine Department (Page 42—AA).*—Audit had shown an excess of Rs. 50,082 against the group head "B-Ports Establishment". The departmental representative contested both the figures of Final Appropriation and actual expenditure and

claimed that, against the Final Appropriation of Rs. 388,400, the actual expenditure totalled Rs. 400,417, resulting in an excess of Rs. 12,017. Audit was requested to verify and correct their figures. It was stated in the written reply that, as the excess was less than 5%, no explanation was required therefor. *The Committee observed that the department had to explain the excess, even if it was of one rupee.*

418. *Grant No. 28—Lighthouses and Lightships (Page 43—AA).*—An excess of Rs. 5,852 was shown by Audit against sub-head "D-1-Stock-D-Suspense". It was explained that the budgetory provision under the sub-head was Rs. 38,000 but, due to adjustment of economy-cut, the authorised grant was reduced to Rs. 36,100. An amount of Rs. 15,200 was re-appropriated to the sub-head "D-1-Stock", raising the final grant to Rs. 51,300. Against this, an expenditure of Rs. 53,152 was incurred during the year, resulting in an excess of Rs. 1,852. The provisions purchased under this sub-head were accounted for in the Stock Register maintained for this purpose under the Lighthouses Accounting Rules and the balance was brought forward to the next financial year. But the AGPR had recorded the expenditure figures mistakenly.

419. *The Committee directed the Audit to verify the above statement from the relevant records. The departmental representative was further directed to use the standard form of App. A|C for furnishing their replies to the Committee.*

420. *Grant No. 29—Other Expenditure of Ministry of Communications (Page 44—AA).*—A saving of Rs. 6,500,480 was depicted against the group head "E-Miscellaneous and Unforeseen Charges". It was explained that the Ports and Shipping Wing was responsible for Rs. 3,500,000 out of the Final Appropriation of Rs. 56,019,000. Since no budget provision had been made during the year 1977-78 for payment to the repatriated East Pakistan Employees, a sum of Rs. 3,500,000 was re-appropriated from the sub-head "F-1. Grant for Roads". The entire amount of Rs. 3,500,000 was spent during the year and there was no variation.

421. The Audit representative submitted that re-appropriation could be done within the same grant. The departmental representative explained that the re-appropriation was within the same grant and this had been done with the concurrence of Ministry of Finance. A member remarked that the group head 'F' related to "Grants-in-Aid to Provincial Governments", but the same was re-appropriated for use by "Ports and Shipping".

422. The Auditor-General intervened to say that it was for the Finance Division to consider as to why should there not be different grants for different services|purposes. The department should have obtained a supplementary grant for a token sum of Re. 1. The departmental representative said that this was done under the direction of the President, to avoid unrest among the employees. *The Committee observed that the procedure adopted by the department was not correct.*

422-A. *Grant No. 129—Investment in Maritime Shipping Companies (Page 149—AA).*—The Committee did not make any observation on this grant.

423. *Grant No. 169—Capital Outlay on Ports and Shipping (Page 189—AA).*—There was nothing material under this grant except that the Committee sought some clarification about the re-scheduling of the programme of Port Qasim.

424. *Grant No. 177—Government Loans and Advances by the Federal Government (Page 198—AA).*—As the departmental representative could not readily furnish all the information asked for by the Committee in respect of "I.D.A. Credit 422-Pak." and "I.D.A. Credit 492-Pak.", he was directed to submit a revised explanation.

COMMERCIAL ACCOUNTS

National Shipping Corporation

425. *Compilation of Accounts.*—Replying to a query about the compilation of Accounts of the National Shipping Corporation, the departmental representative explained that the National Shipping Corporation had been merged with the Pakistan National Shipping Corporation *w.e.f.* 1st July, 1979 and both the Corporations were operating under one Chairman from 1978. Their Accounts were also now being merged, *w.e.f.* 1st July, 1979. Replying to another query, the departmental representative informed the Committee that the Accounts of the Pan-Islamic Shipping were being kept|audited separately. He added that a decision had almost been taken to denationalise it.

426. *Freight receiveable (Para 201, page 408—CA).*—The Committee noted that the pace of recovery was very slow. The departmental representative explained that there had been a total recovery of more than one crore. There were some complications, which they were trying to sort out. Replying to a query regarding the "Amount received without details", the departmental representative submitted that they had not been able to tie them up. They had got too many bills outstanding against the Ministry of Defence. Moreover, some *ad-hoc* payments had been made, details of which were not being furnished by that Ministry. He added that they were in the process of identifying those items. *The Committee observed that in cases where recoveries were not possible, the department might consider to write them off.*

427. *Review of fixed assets (Para 205, page 410—CA).*—Audit had pointed out that the review of the schedule of Fixed Assets for 1977-78 had disclosed that the building under acquisition, valuing Rs. 1.55 million (relating to articles of *Lat* Long Club), were reduced to Rs. 0.2 million by charging Rs. 1.350 millions as depreciation to the current income. This was irregular as the above assets were never put to use. The amount should have been shown in the Accounts as a distinct loss after proper investigation. Moreover, the inventory of the above articles were not produced to Audit.

428. The department explained that, as per advice of their Auditors, M|s. A.F. Ferguson & Co., Chartered Accountants, this amount was charged as depreciation during the year 1977-78. M|s Ferguson *vide* their letter No. A-714, dated February 4, 1980 had advised as follows:—

> "The assets referred to in your letter although being shown under acquisition, were in fact lying unused with the Corporation since 1974-75 and no depreciation was charged on these assets. We understand some of these assets were damaged by rains also. During the year these were with the Corporation, the value of these assets depreciated and to account for wear and tear and the decrease in value of the assets due to damage by rains; depreciation totalling Rs. 1,350,000 was provided in the Accounts for the year ended June 30, 1978. You will appreciate that the only way to account for the decrease in value of fixed assets is by way of charging depreciation and the treatment adopted in that year was correct".

429. Replying to a query, the departmental representative informed the Committee that the assets in question were furniture articles, which were lying unused because the project was abandoned. The Audit representative intervened to say that, as per directions of the PAC, Audit made an attempt to physically check the articles, but the Corporation could not produce any records. The departmental representative explained that all the invoices were not available; only some were available. He added that the materials, furniture, equipment, etc. had arrived under the orders of the then Managing Director, who had placed the order for their purchase through a consultant, based in Germany. In all, there were seven invoices, showing their value. Against these invoices, some equipment was shipped to Pakistan, while some was stored in Germany. They were never delivered to the Corporation. The packing, of course, arrived here and the customs raised objection. With a special permission of the Ministry of Commerce, those items were got cleared and kept in the space earmarked for the restaurant, under lock and key. In 1974, they tried to sell those articles through public tenders, but no buyer came forward. About the same time, the supplier wanted payment and finally, filed suit in the court. Then the Corporation's Attorney-General advised them not to sell any items until a decision was given by the court. Under the orders of the Minister these equipments etc. were shifted to the basement. Because of bridge construction and flow of water, the same got flooded and some of the items therein were destroyed, while litigation was going on. In December 1974, a compromise was reached but the lists had not yet arrived. Only recently, they had got a copy of the packing list, which showed that some of the articles in question were still in Germany.

430. A member remarked that, since a compromise had been struck, the equipments could be sold. The Chairman observed that the cost should be written off. The departmental representative submitted that the Audit objection was that it should not be charged to depreciation. The Chairman said that Audit were right that it could not be depreciated.

431. The Committee thought that there was more than one aspect of the case. The department should first find out the total amount which they had paid. The goods received were obviously not equal to total amount, because some had not been received and some might have disappeared. Some goods had been even liquidated because of the compromise. Again, some goods were lost|damaged due to flood, and had to be written off. Then there was the furniture, which the Corporation was using, which should be priced. Finally, on a suggestion made by the Auditor-General, *the Committee agreed that the Corporation should first prepare a complete list of the equipment and hand it over to Audit, for verification.*

Karachi Shipyard and Engineering Works Ltd.

432. *Working results (Para 192, page 388—CA).*—When questioned about the increase in sales, the departmental representative replied that it was paradoxical; with the increase in their out-put, unabsorbed overheads were also increasing. Actually, until this year (1977-78), they were carrying a large number of extra-workers which they did not happen to carry now. They introduced an incentive scheme in 1975-76. As the scheme started getting into operation and people started getting payments for their work, there were benefits to certain individuals, but the unused capacity began to increase. A member pointed out that the sales of the Corporation increased from about Rs. 16 crores to Rs. 21 crores, but overheads increased from Rs. 9 crores to Rs. 10 crores, and the allocated overheads increased from Rs. 8.28 crores to Rs. 8.50 crores. He wanted a clarification about these figures. The departmental representative explained that there was no rationale or logic that net profit must incraese by the

same ratio as the gross profit. Unabsorbed overheads were unavoidable, if an organization making engineering and foundry products was to function on commercial lines. If any attempt was made to recover all the overheads on each job in each year, it would only result in a loss of several orders in a competitive market. It must also be borne in mind that the KSEW has to compete in the open market for obtaining its engineering and foundry orders. Further, the overhead percentages on the Shipbuilding Division had to be kept to the minimum otherwise, as the efficiency of the KSEW improves, the benefits of lower subsidy *i.e.*, less than 30% of the world price of each ship, would not accrue to the Government. It would be easy for the KSEW to 'average' out its overhead recoveries but that would only increase Shipbuilding losses and consequently impose an unnecessary financial burden on the Government. Consequently, unabsorbed overheads would exist and vary with the percentage of capacity utilization. The format of the profit and loss Account had been designed after taking these aspects fully into account.

433. *Reconciliation of Accounts.*—The Committee reminded the departmental representative that the reconciliation work should not go into arrears. The department should stick to the schedule and reconciliation for 1978-79 should be completed by the 31st May, 1980.

Ministry of Communications

APPROPRIATION ACCOUNTS

434. *Grant No. 24—Ministry of Communications (Page 41—AA).*—An overall excess of Rs. 798,556 was shown by Audit under this grant. It was explained that the material in respect of group head "D-Directorate General, Ports and Shipping" has been furnished by the Ports and Shipping Wing. As regard group heads 'A', 'B', and 'C', against the final grant of Rs. 2,628,300 the actual expenditure was Rs. 2,958,207 involving an excess of Rs. 329,907, which was mainly due to wrong booking of telephone charges to the extent of Rs. 262,417 against the Ministry, though in actual fact they pertained to some other departments. The matter was taken up with the Accounts Officer, Telephone Revenues, who had since written to the AG, PT & T Lahore, under intimation to the AGPR, Rawalpindi.

435. The Audit representative pointed out that the difference between the Audit and departmental figures was due to the fact that all the figures had not been reconciled by the department. *The Committee requested Audit to check the figures and make necessary corrections. The T & T representative was directed to check up, for suitable action, as to who was responsible for not having sent these telephone bills to the Ministry to whom they actually pertained and also take action to withdraw the debits from the wrong department.* The Ministry was directed to see that it is done expeditiously.

436. *Grant No. 29—Other Expenditure of Ministry of Communication (Page 44—AA).*—The Committee did not make any observation on this grant.

437. *Grant No. 140—Development Expenditure of Ministry of Communications (Page 161—AA).*—A saving of Rs. 11,599,300 was depicted against the group head "X-Civil Works". The departmental representative contested this figure and claimed that there was neither any excess nor saving in this group head. The saving shown in the Appropriation Accounts was due to less booking by Audit. This position was accepted by Audit.

438. *Grant No. 170—Capital Outlay on Communication Works (Page 190—AA).*—An excess of Rs. 49,457,992 was shown by Audit against the group head "A-Communication Works". The figures of both the Final Appropriation and actual expenditure were contested by the departmental representative. He claimed that, against the final grant of Rs. 361,990,000, actual expenditure amounted to Rs. 351,011,958, leaving a saving of Rs. 10,978,042. The Audit representative informed the Committee that they were still looking into it. *The Committee observed that, as the amount involved in this case was very large, Audit should reconcile and report back to the Committee.*

439. *Grant No. 171—Investment in Urban Road Transport Corporation (Page 191—AA).*—An excess of Rs. 9,917,300 was shown against this grant. The departmental representative claimed that, against the Final Grant of Rs. 25,000,000, actual expenditure was Rs. 24,917,300. There was thus a saving of Rs. 82,700, which was duly surrendered. Audit accepted the position.

Pakistan Post Office Department

APPROPRIATION ACCOUNTS (PAK. P.O)

440. *Grants No. 25 and 167 (Pages 21-22—AA—Pak. P.O).*—There was no material point for consideration by the Committee under these grants.

AUDIT REPORT (PAK. P.O)

Financial irregularities, Losses, etc.

441. *Compensation for losses (Para 2, page 15—AR—Pak. P.O).*—The Committee noted that payment to senders of insured and other articles on account of compensation had increased (Rs. 65,457), as compared to the previous year (Rs. 11,497). The department explained that increase in the amount was due to increase in the number of losses or mishandling of postal articles, arising from inadequate supervision by the supervisory cadre who felt extremely frustrated. There was no incentive for them even on promotion because, according to the new pay scales, increase in emoluments on promotion to supervisory cadres was not very attractive.

442. A member remarked that this seemed to be a valid point, but the Committee could not help in the matter as it involved the general policy of Pay Scales for various posts.

443. *Payment of inadmissible compensatory allowance—Rs. 22,200 (Para 3, page 15—AR—Pak. P.O.).*—The Committee was informed by the department that payment of hill allowance was not irregular; and difference on the interpretation of the orders between the Audit and the department would soon be resolved, as the matter had again been taken up with the Ministry of Finance. If the matter was not resolved, the question of write-off of the over-payment would be examined.

444. *Shortage of stamps.*—A member pointed out that there was general complaint about non-availability of stamps at the Post Office counters. The departmental representative said that now there was no shortage of the stamps, it did exist sometime earlier. Thereupon, the member observed that if there was a shortage earlier, then the Department should see if there were any bottlenecks in the distribution and try to remove them. He promised to do do.

445. *Rate of interest.*—The Auditor-General while viewing the rate of interest on capital outlay *viz* increase from 11.75% to 12.5% suggested that the department might consider charging interest at higher rates than indicated because it had always been the case that the final rate was much greater than the previous rate. The Auditor-General clarified that he was merely making a suggestion for consideration by the Department.

Pakistan Telegraph and Telephone Department

APPROPRIATION ACCOUNTS (PAK. T&T)

446. *Grant No. 26 (Pages 63-64—AA—Pak. T&T).*—There was nothing material for consideration by the Committee under this grant.

447. *Grant No. 168 (Page 64—AA—Pak. T&T).*—Audit had shown an excess of Rs. 84,596,767 under this grant. The department explained that the excess under this grant could not be foreseen during the financial year, as an expenditure of Rs. 318,770,330 only against the authorised grant of Rs. 430,001,000 had been booked by Audit upto 20th June, 1978. It was further explained that an expenditure of Rs. 15,001,000 had been wrongly debited by the CMA, FWO to the grant of the Ministry of Communications, instead of the T&T Department.

448. The Chairman remarked that wrong posting would not make any difference. The departmental representative submitted that this issue of capital excess had been discussed by the Committee successively two or three times. As explained, the department depended entirely upon the figures of the Accountant General. He admitted that, unfortunately, they had not been able to maintain their own figures, which was the major reason for this excess. They had not been able to keep the progressive total of actual expenditure, and that was falling on their part. However, in future, they would be getting quarterly statement of expenditure.

449. The Audit representative informed the Committee that the figures, being quoted by the departmental representative, actually pertained to the period ending April, 1978 and were communicated to the department on the 20th June, 1978. The department should have by then estimated as to what was going to happen in the remaining two months. The departmental representative admitted this omission. In reply to a query as to how such a situation would be avoided the departmental representative submitted that, in future, they would try to get the figures from the regions regularly and try to assess the situation. He further stated that their accounts were being departmentalised *w.e.f.* 1st July, 1980 and they hoped that the situation would improve thereafter. *The Committee observed that the regions should not be allowed to exceed their budget provision in any case.*

450. *Financial results of the working of the department by branches compared with those of the preceding two years (Page 46—AA—T&T Department).*—A member invited the attention of the departmental representative that, on the telegraph side, there was a loss of Rs. 165,062,000 and enquired as to what steps were being taken in that respect. The departmental representative replied that the figures shown there pertained to wrong charging of interest. Thereupon, another member enquired as to how had the department got figures of Rs. 157,786,000 for telegraphs and Rs. 48,678,000 for telephones against the item "(vi) Interest Charges". The departmental representative explained that it was due to some adjustment from the previous years' interest. He added that the department charged rebate on accumulated profit but in the case of losses, interest had to be paid.

451. Replying to a query whether it was Government's policy to subsidise the loss on Telegraphs, the Audit representative replied that interest was paid on Capital Outlay. A member, thereupon, observed that the Ministry of Communications should examine this case and see as to what could be done in the matter. In his view, it should be subsidised from the telephones.

452. Replying to a query regarding remittances, the Audit representative informed the Committee that this item related to adjustments between the Post Office and the T&T Departments. Some amount was due from the Post Offices and there was a similar liability in their balance sheet. When questioned if these could not be sorted out, the Audit representative said that they were sorting it out. A Committee was working on it and they had identified the relevant items.

453. Reply to a query about the suspenses of Rs. 14 crore, the Audit representative submitted that this was also under examination and it would also be reconciled. When questioned as to who would pay the debt, the Audit representative replied that it was to be paid by the Post Office Department. Thereupon, a member suggested that, if the debt was to be paid by the Post Office to the T&T Department and remittances were due from the T&T Department, then these could be adjusted on *ad hoc* basis. The Audit representative replied that this would be looked into as suggested by the honourable member. The details could be linked after the department had accepted the debt. *Audit was requested to consider this alternative and report back to the Committee.*

AUDIT REPORT (PAK. T&T DEPARTMENT)

454. *Fictitious payments of Van hire Charges amounting to Rs. 390,210 (including Rs.* 82,385 *on POL)* (*Para* 2, *page* 55—*AR—T&T*).—After hearing the departmental explanation, *the Committee observed that they presumed that the department would be taking disciplinary action and directed that the matter should be disposed of by the* 30*th June*, 1980, *positively.*

455. *Irregular payment of inadmissible allowance of Rs.* 60,376 (*Para* 3, *page* 55—*AR—T&T*).—After going through the written reply submitted by the department, the Committee made no comments.

456. *Irregular payment of Rs. 15,367 to coolies for casual works (Para 4, page 55—AR—T&T).*—It was *inter alia* mentioned in the departmental reply that, though rules required that the muster roll|A.C.G. 17 Forms should be witnessed by an outsider, the Department had, on practical experience, found that, normally, no outsider was willing to offer his services as a witness.

457. A member suggested that, in view of this position, the department should consider deleting the rule. The departmental representative promised that they would consider to change it.

458. *Non-recovery of temporary advance amounting to Rs.* 8,633 (*Para* 5, *page* *55—AR—T&T).*—Audit confirmed that they had since verified the recovery. The para was treated as settled.

459. *Loss of Rs.* 9,698 *due to non-acceptance of lower tender* (*Para* 6, *page* 55—*AR—T&T*).—The Audit representative informed the Committee that they would check it in the light of departmental reply and report back, if necessary.

460. *Non-accountal of stores valuing Rs. 145,043 (Para 7, page 56—AR—T&T).*—After going through the written reply submitted by the department, a member remarked that the report said that the articles were missing and were not available in the stock. The departmental representative submitted that the articles were not missing. Only, the accounts had not been kept properly. Replying to a question, the departmental representative informed the Committee that they had called for action against the person concerned. A member, thereupon, observed that the department was asking for an explanation after five years. *The departmental representative was directed to submit a separate report on this by the 31st July, 1980.*

461. *Overpayment of Rs. 8,652 on account of daily allowance to driver (Para 8, page 57—AR—T&T).*—The Audit representative informed the Committee, that they would verify this in the light of the departmental explanation and report back to the Committee, if necessary.

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

462. Audit was requested to check the replies and report to the Committee, if any.

463. *Points/para not discussed to be treated as settled.*—The Committee made no comments on the other points|paras in the Appropriation|Commercial Accounts or Audit Reports (Civil|Pak. P.O|Pak. T&T Departments). These would be deemed settled subject to regularising action, if any, under the rules.

MINISTRY OF FOREIGN AFFAIRS

464. After the Ministry of Communications, the Committee took up for examination the Appropriation and other Accounts pertaining to the Ministry of Foreign Affairs for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Dr. S. M. Qureshi, Additional Secretary (Admn.).

(2) Brig. Sardar Ahmad, Director General (Hqrs).

(3) Mr. Hamid Ali Khan, Director (B&C).

465. This Ministry controlled the following grants :—

S.No.	Name of Grant	Grant No.
1.	Ministry of Foreign Affairs	64
2.	Foreign Affairs	65
3.	Other Expenditure of Ministry of Foreign Affairs	66
4.	Capital Outlay on Works of Ministry of Foreign Affairs	132

APPROPRIATION ACCOUNTS

466. *Grant No. 64—Ministry of Foreign Affairs (Page 81—AA).*—The excess of Rs. 662,213 under this grant was explained by the department as being due to the late receipt of debits from the A. G., Posts, Telegraphs and Telephones, Lahore, on 31st December, 1978, *i.e.* 6 months after the close of the financial year, on account of telephone charges, through AGPR, including old bills for the last ten years, 1966 to 1976, for Rs. 163,900.

467. The Committee was not satisfied with the reply and directed the departmental representative to submit another report covering the following points:—

(a) Provision in the budget for telephones,

(b) actual expenditure on telephones,

(c) when excess on this account came to notice,

(d) were the adjustments made after the close of the year. If so, when ?

(e) the date or dates when the department came to know that adjustments of old bills were being made ; and

(f) why no supplementary funds were obtained ?

468. *Grant No. 65—Foreign Affairs (Page 82—AA).*—Explaining the saving of Rs. 794,714, against the sub-head "A-2-Other Offices", the departmental representative submitted that the main reason for saving in this case was postings| transfers. In certain cases the department did not find appropriate persons for immediate postings, mostly in case of ambassadorial assignments. A member remarked that such general explanations were not deemed by the Committee to be very satisfactory. *The Committee wanted to have explanations which were specific and quantified.* The departmental representative said that the above explanation had come from the missions abroad and they could not quantify them further. Thereupon, the member observed that the missions should in that case, be directed to relate the explanations exactly to the amounts of saving|excess in question.

469. *Sub-head "A. 3-Expenditure on Transfers" (Page 82—AA).*—An excess of Rs. 1,149,294 was shown by the Audit against this sub-head. The departmental representative explained that the excess, as projected in the printed Appropriation Accounts, did not reflect the factual position. In fact, a short-fall of Rs. 23,64,900 was foreseen by the Ministry at the time of final re-appropriation, which was ignored by Audit. Taking into account the above adjustment, this sub-head would reflect a saving of Rs. 12,15,606, which was due to the fact that some of the planned transfers from one mission to another and from a mission to the Headquarters in May and June 1978 could not be effected.

470. The Audit representative pointed out that the Ministry had issued the re-appropriation order, but the same was not accepted by the Chief Accounts Officer as it was not in the proper form; and did not show clearly from where the re-appropriation had been done and to where. After hearing that there was an over-all saving of rupees one million, the Committee made no further observation.

471. *Grant No. 66—Other Expenditure of Ministry of Foreign Affairs (Page 83—AA).*—The excess of Rs. 203,764 against the group head "A—Entertainment Charges" was explained as being due to receipt of debits for the previous years in the Chief Accounts Officer's office through the Exchange Accounts Circles. The reconciliation of heads like "A—Entertainment" and "F—Technical Assistance Programme" was not possible, as the debits relating to these heads did not reach the CAO from the various Accounts Offices through the Exchange Accounts, in time. Even the debits for 1976-77 were raised by these Accounts Offices during 1977-78. The Chairman observed that a little more administrative control needed to be exercised by the Ministry. The Audit representative informed the Committee that there was an over-all saving under this grant, but according to department there was excess expenditure of Rs. 92,722 under 'Charged' section (Group head 'B'). *Audit was requested to find out if there was an excess expenditure under 'Charged' section.*

472. *Grant No. 132—Capital Outlay on Works of Ministry of Foreign Affairs (Page 153—AA).*—The Committee did not make any observation on this grant.

AUDIT REPORT

473. *Avoidable expenditure of Rs. 99,820—Non-disposal of stores, etc. valuing Rs. 13,333 and non-utilization of a Government building (Para 5, page 23—AR).*—After going through the written reply submitted by the department, a member remarked that the medicines could easily be disposed of. The departmental representative replied that this point should be seen from the political angle. Some times, things just could not be tackled on the basis of Audit requirements.

474. The Committee did not make any further observation on this para.

475. *Mis-use of Buick Car resulting in a loss of Rs. 88,838 (Para 6, page 23—AR).*—After going through the written reply and seeking certain clarifications, *the Committee observed that the department should examine the feasibility of getting the car repaired.*

476. *Over-payment due to incorrect fixation of pay of local recruited staff Rs. 86,486 (Para 7, page 24—AR).*—The Committee was informed that the Finance Division had since agreed to regularise the amount.

477. *Non-recovery of £ 380 (Rs. 9,120) on account of excess payment of daily allowance (Para 9, page 24—AR).*—It was explained that this para related to the Ministry of Defence. A member remarked that the Ministry of Defence had informed the Committee that the para related to the Ministry of Foreign Affairs. The Audit representative informed the Committee that, unless a person re-joined the Armed Forces, he remained a part of the Embassy. When questioned as to who authorised the expenditure, the departmental representative replied that it was authorised by the Ambassador. Thereupon, *the Chairman observed that, in that case, the Ministry of Foreign Affairs were to explain because they spent the money. As such reply to the para should be submitted by the Ministry of Foreign Affairs. The Chairman further observed that, as the staff was working under the Ministry of Foreign Affairs, the responsibility was theirs.* A member observed that the Ministry might regularise it and inform the Committee. The departmental representative undertook to do the needful.

478. *Reconciliation of Accounts.*—The departmental representative informed the Committee that they had cleared the reconcilation work upto March, 1980.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC's REPORTS FOR 1972-73, 1973-74 AND 1974-75.

479. Audit was requested to check the replies and report back with their comments, if any.

480. *Points|paras not discussed to be treated as settled.*—The Committee did not make any comments on the other points|paras in the Appropriation Accounts etc. These would be deemed settled subject to such regularising action as may be necessary, under the rules.

481. The Committee then adjourned to meet at 9.00 a.m. on Thursday, the 29th May, 1980.

M. A. HAQ,
Secretary.

Islamabad, the 3rd November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 29th May, 1980

Sixth Meeting

482. The *Ad-hoc* Public Accounts Committee met 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. Akhtar Sharif, Director, Public Relations.

(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. Abdul Majid Khan, Director, Railway Audit.

Ministry of Finance

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

(2) Malik Asrar Ahmad, F. A. (Religious Affairs).

(3) Mr. S. Irtaza H. Zaidi, F. A. (Ministry of Railways).

(4) Mr. Zulfiqar Ali, D. F. A. (Railways).

483. *Accounts Examined.*—The Accounts of the following Ministries| Divisions were examined by the Committee during the course of the day :—

(1) Ministry of Religious Affairs and Minority Affairs.

(2) Ministry of Railways (for 1969-70 and 1977-78).

MINISTRY OF RELIGIOUS AFFAIRS AND MINORITIES AFFAIRS

484. The Committee first took up the examination of the Appropriation and other Accounts of the Ministry of Religious Affairs and Minority Affairs for the year 1977-78 and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Mr. Fazlur Rehman Khan, Additional Secretary (Incharge).

(2) Col. Mohammad Mohsin Khan, Joint Secretary.

485. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Religious Affairs, Minorities Affairs and Overseas Pakistanis ..	109
2.	Council of Islamic Ideology	109-A
3.	Other Expenditure of Ministry of Religious Affairs, Minorities Affairs and Overseas Pakistanis (excluding Group-head 'A')	110

APPROPRIATION ACCOUNTS

486. *Reconciliation of Accounts with Audit.*—After going through the statement showing the latest position of reconciliation, the Chairman remarked that the picture was very dismal, particularly for the year 1979-80. He particularly pointed out that the reconciliation of Grant No. 109 was not carried out at all. When questioned as to when did the Audit issue the programme for the second quarter, the Audit representative informed the Committee that the programme was issued on the 2nd May, 1980. The departmental representative added that they were required to come on the 10th May, 1980. Thereupon, the Chairman remarked that it was too late. The programme for reconciliation should be sent by Audit well in time, as sometimes delayed reconciliation may not afford time to ask for supplementary grants. The departmental representative was requested to have the reconciliation speeded up because the reconciliation of the accounts of the Ministry was not very satisfactory. Besides, steps should also be taken to keep the Accounts upto-date.

487. A member expressed the opinion that the Committee should devote a full day to accounting matters. The Audit should supply to the Committee information on all the points. They should prepare working papers, preferably by the end of July, which should be discussed by the Committee with the Audit| Accounts representatives only. The Committee made no observation on the suggestion.

488. The Audit representative pointed out that, for the current year *i.e.* 1979-80, there was still time for reconciliation, but if the department could not carry out reconciliation for the last year, *i.e.*, 1978-79, it would make a great difference. He added that the skeleton appropriation account was sent to the Ministry on 15th January, 1980 and thereafter they were reminded thrice to expedite its acceptance. The departmental representative replied that the Accounts had been completed except that correct figures in respect of telephone charges were not available for which they had made a reference to the T&T Department. A member added that the department should depute an official to get the matter settled.

489. The Chairman remarked that, so far as the current year was concerned, the department will have to carry out the reconciliation after the close of the financial year. The Auditor-General added that, so far supplementaries are concerned, the same had never been dependent on the reconciliation of accounts. The Chairman finally observed that, in such cases, the time-lag in reconciliation should not be more than two to three months.

490. The Audit representative submitted that, if the accounts were closed upto December, then it would be at least the third week of February that the accounts could be communicated to Ministries. Their basic aim at that stage was an initial compilation of accounts and, for that purpose, one had to admit that adequate preparations were not there, with the result that the whole process got delayed. But now they were catching up and reconciling two years' accounts simultaneously. The Chairman said that there was no intention to apportion blames but the question was of fact. Thereupon, a member observed that he saw no harm in laying the blame where it might be due. The Chairman finally concluded that all concerned must speed up these reconciliations.

491. *Grant No. 109—Ministry of Religious Affairs (Page 127—AA).*—Audit had claimed an excess of Rs. 42,165 against the group head "B-Auqaf Directorate". The Committee desired to know as to why did the department not ask for a supplementary grant. The departmental representative replied that the excess came to their notice much later. In actual fact, the reconciliation took place much later, otherwise they could have asked for a supplementary grant.

492. The Chairman observed that the departmental actuals must have shown excess expenditure. The departmental representative was requested that he should first check up as to what actually happened and take action against those who failed to check the excess at the proper time.

493. *Group head "L-Lump Provision" (Page 127—AA).*—A saving of Rs. 80,491 was depicted against this group head. The departmental representative contested the figure and claimed that the actual expenditure being Rs. 659,509 instead of Rs. 679,509 as shown in the Appropriation Accounts, the saving came to Rs. 100,491. It was explained that the saving could not be surrendered, as it came to their notice after 30th June, 1978, when it was procedurally not possible to surrender the same.

494. A member asked as to what steps were the department going to take to ensure that such mistakes did not recur in the future? The Chairman added that the department was supposed to keep the accounts up-to-date. The departmental representative assured the Commitee that they were trying to keep them up-to-date, and an improvement therein would be noticeable next time.

495. *Grant No. 110—Other Expenditure of Ministry of Religious and Minorities Affairs and Overseas Pakistanis (Page 129—AA).*—The saving of Rs. 456,152 against the group head "C-Grant-in-Aid, Contribution, etc." was explained being due to non-availability of Foreign Exchange, the payment authorities issued for the expenditure could not be finalised. When questioned as to why the saving was not surrendered, the departmental representative replied that the contributions had to be given to various Muslim Organisations all over the world, depending on recommendations of various Ambassadors. Replying to the query if the payment authorities were issued for the entire amount of Rs. 456,152, the departmental representative submitted that they would have to check up. He gave a similar reply when asked that, when no foreign exchange

was available in this particular year, whom could these contributions be given to. *The departmental representative was finally directed to check up as to why was the saving not surrendered.*

496. *Group head "E-Port Haj Office, Karachi" (Page 129—AA).*—The excess of Rs. 46,382 was explained by the departmental representative as being due to telephone charges during the Haj Season. The departmental representative also informed the Committee that the total expenditure on telephone charges during the year was about Rs. 18 lakhs. A member remarked that the expenditure was very high and enquired as to how many telephones were installed in the department and whether it was physically possible to make so many calls. The departmental representative replied that, during the Haj Season of four months, the offices were almost open for 24 hours and they had to remain in touch with Jeddah. Thereupon, a member suggested that they should change the system and make use of telex. The department should consider to stop making trunk calls at this rate. The departmental representative informed the Committee that they had been using a telex for the last one year in their Karachi Haj Office. He also added that the excess expenditure had yet to be reconciled with the T&T Department. It was also not known whether this expenditure was actually incurred on telephones.

497. *Group head "C-Lump Provision for pilgrims" (Page 129—AA).*—The saving of Rs. 464,000 against this group head was explained as being due to no expenditure having been incurred. Explaining further, the departmental representative said that this was actually a grant for the welfare of the Hajis. But they were meeting the expenditure on welfare from the "Welfare Fund". Therefore, the provision made in this grant was not utilised. *The Committee was of the view that the saving should have been surrendered.*

498. *Group head "H-Medical Mission to Hejaz" (Page 129—AA).*—The departmental representative explained that the excess expenditure of Rs. 685,234 against this group head was due to a longer period of the stay of Medical Mission in the interest of public service in Saudia Arabia. He added that the entire expenditure was in foreign exchange. *The Chairman observed that the department should have obtained additional funds to cover it, but this was not done. Obviously, the Accounts had not been kept properly.* The departmental representative submitted that, last year, they had requested the Auditor-General to arrange for the audit of their accounts at Jedda and Mecca, so that they should, at least, know as to where the things went wrong. They had made a similar request this year also. Thereupon, a member remarked that all the accounts belonged to the Ministry and had to be kept by them properly. It was not for the Auditor-General to audit all of them for pin-pointing as to how they should be maintained. If the Secretary of the department kept a close watch regularly over the progress of expenditure, there would be no need for the audit to point this out. *The departmental representative was requested to ensure that the accounts were properly maintained and irregularities were not allowed to recur in future.*

499. *Grant No. 109-A—Council of Islamic Ideology (Page 128—AA).*—The Committee noted that the department failed to surrender the saving of Rs. 9,278,592, which occurred in this grant according to the department. *The Committee also observed that, as the Council of Islamic Ideology being more or less independent, should be requested to send their representative separately to represent the Council before the Committee.*

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORTS FOR 1972-73, 1973-74 and 1974-75

500. The Committee did not make any observation on the compliance Reports and requested Audit to let the Committee have their comments on them, if any.

501. *Points not discussed to be treated as settled.*—The Committee did not make any comments on the other points in the Appropriation Accounts, etc. These would be deemed settled subject to such regularising action as might be necessary under the rules.

MINISTRY OF RAILWAYS

502. The Committee thereafter took up the examination of the Appropriation and other Accounts of the Ministry of Railways for the years 1969-70 and 1977-78 and the Reports of the Auditor-General thereon. The following departmental representatives were present :—

(1) Mr. Hasan Zaheer, Secretary.

(2) Mr. Gulzar Ahmad, Chairman, Railway Board.

(3) Kh. Shafqat Ali, Member (Finance), Railway Board.

(4) Mr. M. Y. Khan, Member (Traffic).

(5) Mr. Z. I. Puri, Member (Mechanical Engineering).

(6) Mr. S. I. Shabbir, Financial Adviser and Chief Accounts Officer.

(7) Mr. Z. H. Bokhari, Financial Adviser and Chief Accounts Officer. (Projects).

(8) Mr. K. M. Arshad, Chief Commercial Manager.

(9) Mr. Farogh Ahmad, Chief Engineer.

(10) Mr. M. Y. Khattak, Joint Director (Finance).

503. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
	(CIVIL)	
1.	Ministry of Railways	107
2.	Capital Outlay on Investment in Railways	133
3.	Capital Outlay on Pakistan Railways, ...	187
	PAKISTAN RAILWAYS	
1.	Expenditure Charged to Railway Revenue	108
2.	Other Capital Expenditure of Pakistan Railways	134
3.	Capital Outlay on Pakistan Railways	187
	APPROPRIATION ACCOUNTS PAKISTAN RAILWAYS (1969-70) :	
1.	Ordinary Working Expenses-General Administration	1
2.	Ordinary Working Expenses-Repairs and Maintenance	2
3.	Ordinary Working Expenses-Operating Expenses	3
4.	Appropriation to funds and payment of Return on Central/Provincial Government Capital investments and Miscellaneous other expenditure	4
5.	Expenditure not met from revenue	5

504. *Reconciliation of Accounts.*—It was explained that reconciliation for 1977-78 was mainly held up due to the wrong booking of telephone bills, amounting to Rs. 1,801,889. A member remarked that, in his opinion, reconciliation

did not mean agreement. The department should state that they accepted such and such bills except those which did not belong to the department. The T & T Department should be informed of the bills in dispute and asked to give the numbers which related to them, with a copy thereof to the AGPR. The departmental representative submitted that they had written to the T & T Department but nothing had come out as yet.

505. A member doubted that what the T & T were billing against the Ministry of Railways might be pertaining to the Ministry of Communications and *vice versa*. He suggested that a cross-checking should be done, as it might help resolve the problem. The departmental representative agreed with the member.

506. The Audit representative submitted that, as they were going to finalise the accounts for 1978-79, the departmental representative might be directed to depute somebody within the next few days to reconcile Grants No. 105 and 106. The departmental representative was requested to look into this.

APPROPRIATION ACCOUNTS (1969-70)

507. *Regularisation of excess expenditure.*—The Chairman desired to know as to how could the excess, which occurred in 1969-70, be regularised now and whether the President had the power to do so? The Auditor-General submitted that the point needed study and the Law Division should be consulted in the matter. The departmental representative added that the One Unit was dissolved on the 1st July, 1970. There was no Legislature and the four Provinces were then being administered by their respective Martial Law Administrators.

508. No further observation was made by the Committee on the Appropriation Accounts for 1969-70.

AUDIT REPORT (RAILWAYS) 1969-70

509. *Theft of permanent way material Rs. 436,078 (Para 1, page 10—AR—Railways—1969-70).*—After going through the written reply submitted by the department, a member remarked that, on every third day, there was a case of theft all along the track, but no action was taken. 193 cases of removing railway material continued for three years strangely without any action by the department. He added that there seemed to be a state of utter helplessness on the part of the department. The departmental representative submitted that it was a continuous process in the Lahore-Raiwind sector, which was notorious for pilferage and robbery. Thereupon, the member remarked that the department should know the reason for this ugly position. Their continuous silence led one to think that either they did not know their job or were not willing to stop this nefarious activity. The departmental representative said that such cases were brought to their notice when it was too late to take an action thereon. There was perhaps something wrong in the Watch and Ward Section. They might have colluded with the bad elements.

510. *The Committee termed the explanation as unsatisfactory and directed the departmental representative to find out as to who were responsible to look after this work at that time? Was any inquiry held? If so, what action was taken on such Inquiry Report and what steps were taken to ensure that such incidences did not recur in the future? He should also find out as to how many cases pertaining to that period were reported to the Police, and whether all these cases were reported at on Police Station or different Police Stations? A fuller report should then be submitted to the Committee.*

511. *Loss due to procurement of Cement in excess of requirement (Para 2, page 10—AR—Railways—1969-70).*—After going through the written reply submitted by the department a member remarked that unplanned requisitions were sent for the procurement of cement. The departmental representative agreed that the system for procurment was defective, but it had since been changed. Now cement was not being stocked by them; it was the contractor's responsibility to suppply cement. Subject to these remarks, the para was deemed as settled.

512. *Loss due to contamination of diesel oil Rs. 11,678 (Para 3, page 11—AR—Railways—1969-70).*—The written explanation given by the department was deemed to be satisfactory and the para treated as settled.

513. *Loss due to wrong delivery of a wagon (Para 4, page 12—AR—Railways—1969-70).*—After hearing the departmental explanation, the Chairman remarked that this was a valuable article which was re-directed to a different station. *The departmental representative was asked to find out as to when did the matter come to the notice of the department and who was responsible for checking it.* The departmental representative submitted that the matter had been reported to the police, who caught hold of a shopkeeper, and recovered the material from his shop. The accused took the stand that the material recovered from his shop was not the stolen one. His contention was accepted by the Court and the material recovered from his shop had to be restored to him. Replying to a query, the departmental representative explained that the goods involved were Art Silk Yarn, and the department paid compensation therefor.

514. After hearing this explanation, the para was dropped.

515. *Fraudulent use of Concession Tickets (Para 5, page 12—AR—Railways—1969-70).*—The Committee was informed that the case was *sub judice* and the decision had not been announced by the Court as yet. Action would be initiated after the case was decided. Replying to a query about departmental inquiry, the departmental representative informed the Committee that two persons, who were involved in the case, had been identified. When questioned if the persons were given a Charge-Sheet, the departmental representative replied that, when there was a Court of Enquiry going on, the question of Charge Sheet did not arise. *The departmental representative was requested to consider issuing a Charge Sheet to them now, departmentally.*

516. *Under-charges on consignments of cotton loose—Rs. 19,110 (Para 6, page 13—AR—Railways—1969-70).*—After going through the written reply submitted by the department, the Committee made no further observation. The para was treated as settled.

517. *Embazzlement of Cash—Rs. 19,078 (Para 7, page 13—AR—Railways—1969-70).*—In the written explanation submitted by the department, it was *inter alia* stated that the question of responsibility of the Accounts Office staff was examined, but definite responsibility could not be fixed as the connected records, which had become time-barred, had been destroyed. A member remarked that it had come to the notice of the Committee, again and again that there had been inordinate delay in the settling of such cases, so much so that the records had become time-barred and were destroyed in this case. If simultaneous action were taken by the department soon on the receipt of the audit para, it would have been found easier to settle this case. The departmental representative replied that cases have been pending with the FIA since 1970. Thereupon, the member suggested that departmental action should had been initiated simultaneously. The departmental representative informed the Committee that, in this case, departmental inquiry was held and the Goods Clerk was removed from service.

APPROPRIATION ACCOUNTS (CIVIL) 1977-78

518. *Grant No. 107—Ministry of Railways (Page 126—AA).*—Audit had claimed an over-all excess of Rs. 268,705 under this grant. The departmental representative explained that according to their accounts, there was an excess of Rs. 266,753, which was mainly due to (i) belated adjustment of Rs. 82,000 relating to Saloon Charges for the year 1976-77, and (ii) wrong billing of Rs. 179,462 on account of telephone charges. The Audit representative informed the Committee that Saloon Charges were actually raised in May, 1978 and not during 1976-77. The departmental representative stated this amount appeared in the reconciliation figures of the AGPR in the 1976-77 accounts also. *Thereupon, the Committee directed that the department should show the reconciliation statement to Audit and get the figures settled.*

519. *Grant No. 133—Capital Outlay on Investment in Railways (Page 155—AA).*—There was nothing material for discussion by the Committee under this grant.

520. *Grant No. 187—Capital Outlay on Railways (Page 211—AA).*—The Committee noted that this grant had been mentioned twice—once in the Railways Appropriation Accounts and again in the Civil Appropriation Accounts. The Committee wondered as to what was the use of showing a twice. The departmental representative informed the Committee that they would take this up with the Ministry of Finance. *The Committee also desired Audit and F.A. & CAO (Railways) to check whether Government was primary borrower of the loan and Railway, the second borrower.* If so, the figures under this grant and page 13 of Railways Appropriation Accounts should agree.

521. The Committee discussed at length the procedure of carrying out negotiation for foreign currency loans, their disbursement to the spending agencies, keeping of their accounts, etc., and *directed that the F.A. & C.A.O. Railways and Audit should look into these aspects and find a way of incorporationing the figures of foreign currency loans in the Government accounts also, so that the figures on both sides,*i.e., *the spending agency and the Government tailed with* each other. The departmental representative informed the Committee that they would go into this matter and report back with their comments. He agreed that the Accounts, in the present form did not depict the full picture, as the expenditure met from the funds was not being shown therein.

AUDIT REPORT (RAILWAYS) 1977-78

Expenditure incurred in excess of Grants|Appropriation

522. *Grant No. 108—Expenditure Charged to Railways Revenue (Para 1.4, page 2—AR—Railways).*—The department explained that the excess of Rs. 177,963,129 against this grant was due to the following reasons :—

(a) Impact of introduction of Revised National Scales of Pay (Rs. 93.976 million).

(b) Increase in contingent office expenses (Rs. 4.856 million), and

(c) Other miscellaneous expenses (Rs. 79.131 million).

523. Explaining the reasons for the excess, the department, *inter alia*, stated that the consumption of fuel was related to level of operations and budget allotments|cuts imposed arbitrarily thereon could not be strictly *adhered* to.

Though efforts were made to curtail expenditure, an economy equal to the cut (Rs. 7.705 million) could not be achieved. A member remarked that, if there was extra traffic, the department should also have got extra income. He added that such routine answers in respect of excess expenditure did not convince the Committee. *The departmental representative was directed to let the Committee know in detail as to what was the consequential increase in the income of the Railways due to extra traffic and excess expenditure.*

524. The Chairman observed that the items on which excess expenditure was incurred were not new ones. Therefore, the department should have asked for a supplementary grant to cover the excess. The departmental representative replied that they had applied for a supplementary grant. But, firstly, the Finance Division imposed a 5% cut on the revised estimates. In the original budget also Rs. 160 crores were provided to them, but immediately a cut of Rs. 8 crores was applied. After this the Government issued instructions for another 5% cut. The Audit representative said that, in fact, there was only one 5% cut which was printed in the Budget Book. Audit were not aware of the other 5% cut mentioned by the departmental representative. The departmental representative explained that the directive of the CMLA was "Try to reduce expenditure by 5%". Keeping in view those instructions, 5% cut had to be voluntarily imposed by the department, involving a forced economy cut of about Rs. 16 crores inspite of the additional expenditure on account of revised NPS. At the end of the year, the total grant was restricted to Rs. 156 crores whereas the actual expenditure, including the additional expenditure, came to Rs. 174 crores.

525. The Audit representative said that the Finance Division had agreed, by implication, to grant a supplementary for the increased N.P.S. if the department could not meet this additional expenditure from within the sanctioned grant. So, the question for not asking for a supplementary grant did not arise.

526. After some discussion, *the Committee observed that they would like to have a report, stating as to what was asked for through the supplementary grant, how much was agreed to and what were the grounds on which the request was not acceded to in full.*

527. *Extent to which provisions remained unutilized-Grant No. 134—Other Capital Expenditure of Pakistan Railways (Para 1.5—page 3—A.R.—Railways.—* The Committee noted that the department failed to surrender the saving of Rs. 19,102,213, which had occurred under 'Charged' section of this grant. The Committee further noted that Grant No. 134 had been shown only in the Railways accounts and not in the Government civil account like Grant No. 187, discussed earlier, although the heads of account under both the Grants were identical. *The Committee thought that this point also required a detailed study by Audit and a report thereon may be submitted to the Committee.*

528. *Grant No. 187-Capital Outlay on Pakistan Railways (Para 1.5 page 3—AR Railways).*—A saving of Rs. 448,724,994 was depicted by Audit against this grant. The Committee noted that only half of the money was spent and, against the saving of Rs. 448,724,994, a sum of Rs. 282,603,000 only was surrendered. The Committee desired to know as to why was the rest of the saving not surrendered? The departmental representative submitted that, after the year under review, the position would be different. For example the total annual development grant for 1979-80, was Rs. 50 crores but, for various reasons, the same might not be utilized during the year. In his opinion, therefore, Capital

Development account should be shown separately in the internal and external expenditure. Thereupon, the Chairman remarked that foreign exchange was involved in almost every project. About 30% economy of the country had a foreign component and it might not be possible to make a distinction between the internal and external component in all the cases. The departmental representative said that it was only meant for the purpose of pin-pointing the two. A member observed that the explanation given did not add up to the saving. When questioned as to whom was the saving of Rs. 282,603,000 surrendered, the departmental representative informed the Committee that intimation was given to the Finance Division and not to the Audit. The surrender of the amount was shown in their revised estimates. *The Chairman concluded that this was then not surrender in the real sense. On the 30th June, or earlier, the department had to issue a formal letter to the Accounts showing the amount of surrender.*

529. After some discussion, the Chairman observed that there were two points which had to be gone into. Firstly, there had been a very serious shortfall in actual expenditure. The budget was prepared without taking into account the implementation capacity of the Railways. Secondly, it seemed that the surrenders were not made in the normal manner. If Government might have issued different orders in respect of the Railways, they should be mentioned, otherwise the normal procedure laid down for surrenders should be followed. The *Chairman also observed that the amount released by the Government on the civil side should also be shown in the Government Account and the Capital expenditure incurred by the Railways should be shown in their own accounts. The two figures might not be the same, as the money released by the Government for meeting the Capital expenditure might not be equal to the actual total Capital expenditure. The whole question required a thorough study.* The departmental representative and Audit undertook to do so.

Chapter VI—Audit Observations on Important Financial Irregularities

530. *Misappropriation of Railway earnings by fraudulent issue of blank paper and excess fare tickets at a station (Para 6.1, page—15—AR—Railways).*— After going through the written reply given by the department, the Audit representative remarked that the department had furnished a general statement. He requested the departmental representative to supply copies of the instructions claimed in the reply to have been issued to all concerned. The departmental representative said that the same had already been provided to Audit. He added that this case was initially detected by Audit and, thereupon, a detailed investigation was carried out. They detected certain recoveries. Subsequently, some more cases were detected in another inspection. A member remarked that it meant that the checking was not effective. The departmental representative replied that effective checking could be made by screening the "Collected tickets". Discrepancies could only come to notice if they could get hold of the tickets collected at the station, because then there would be discrepancy between the passenger foil and the station foil. Actually, the persons involved issued excess-fare tickets. They were said to have had a book with them, which had three copies for each fare ticket; one copy was issued to the passenger, the other sent to the Accounts and the third to the Commercial Office. The person involved in the case gave different amounts on the passenger and accounts foils. The authorities were able to get hold of some "collected tickets", but later on some more were discovered. When questioned as to what was the department doing to prevent this in future, the departmental representative informed the Committee that the percentage of "collected tickets" was very low. These were not normal tickets as

they were issued on printed documents. Figures were changed on the carbon copies. One step taken in this behalf was to make the ticket books foolproof, as far as possible. For that purpose, they had issued instructions that double carbon be used for giving impression on both sides of the foils. The second measure was checking. But, unless the accounts foils were compared with the "collected tickets", it was not easy to detect the foul play. A member thought that the amount involved must be very large and requested the Railway authorities to take effective measures to stop this irregularity.

531. *Leakage of Railways revenue due to misdeclaration of timber as firewood (Para 6.2 page 15—AR—Railways).*—The explanation given by the department was deemed to be satisfactory and the para treated as settled.

532. *Loss of revenue estimated at Rs. one hundred and fifty thousand and loss of material worth Rs. 6.930 approximately (Para 6.3 page 16—AR Railways).*—The Committee expressed its concern over the fact that the wagon remained standing in 'B' yard for three years and nobody knew about it. The departmental representative explained that they had already held an enquiry in this case and certain persons had been held to be responsible. Disciplinary action was being taken against them. He admitted that it was a bad case. Thereupon, a member remarked that many wagons might have disappeared from the system like this. He enquired if the department had some periodical maintenance system under which by certain date, all the wagons have to come back. The departmental representative briefly explained the procedure being followed by them for the maintenance of wagons. He also informed the Committee that the system of maintenance of wagons, etc. was being computerised. The para was treated as settled.

533. *Wasteful expenditure of Rs. 90,000 due to delay in carrying out repairs to vehicles (Para 6.6, page 18—AR—Railways).*—The Committee was not satisfied with the written reply submitted by the department and *directed that a revised explanation should be furnished, covering all the four points raised by Audit in the draft para.*

534. *Irregular expenditure on bank charges and its non-recovery from the defaulting firm—Rs. 5,842 (Para 6.8, page 19—AR—Railways).*—After going through the written reply given by the department, the Committee observed that the later should decide whether Bank Guarantee must now be necessary or not. Subject to this observation, the para was treated as settled.

535. *Manufacture of bridge slabs according to a defective drawing—loss of Rs. 18,256 (Para 6.9, Page 20—AR—Railways).*—After going through the written reply given by the department, a member enquired whether any disciplinary action had been taken in the matter. The departmental representative replied that it was a genuine mistake, as the direction was wrongly given. There was no *mala-fide* intention. No further observation was made by the Committee and the para was treated as settled.

536. *Non-recovery of Rs. 243 thousand for water supplied to Government departments and private parties (Para 6.11, page 21—AR—Railways).*—The Committee noted that no explanation was given to the Audit regarding "Non-billing". *The departmental representative was requested to look into this and furnish a proper explanation.*

Chapter VII—Other Topics of Interest

537. *Unsanctioned expenditure (Para 7.1, page 23—AR—Railways).*—The Committee was informed that there was no change in the position of unsanctioned expenditure of Rs. 76,269,000, as shown in the accounts for the year 1977-78. However, necessary directives were being issued to clear the outstanding amount immediately. The Committee observed that the position was unsatisfactory. The departmental representative stated that they had now decided to delegate powers to the Divisional Engineers. *The Committee felt that even a delegation of powers would not solve the problem. The departmental representative was advised to have some action taken against these works not having been sanctioned initially and the old ones not having been sanctioned until then.* The departmental representative explained that they had since issued instructions that no work should be undertaken without prior sanction. Prior to this, the sanction power was 10% which had now been raised to 15%. The Chairman said that, under the rules, the department could not implement the job without a fresh sanction. The departmental representative said that they had now imposed a ban on any works being undertaken without their estimates having been sanctioned. If there was an excess of 15%, it had also to be sanctioned by the competent authority. There was a provision for issuing sanction to emergency certificates and the rule provided that, after the period, prescribed in the certificate, detailed estimate should be got sanctioned. The Audit had taken the sanction emergency certificate to be unsanctioned expenditure. But the department had regularised the same. *The Committee observed that a sanction for detailed estimates, was necessary in any case. The Committee further observed that, if it had since been laid down that no work would be started without prior sanction, then the heading "un-sanctioned expenditure" could be deleted.*

538. *Undercharges in traffic earnings (Para 7.2, page 23—AR—Railways).*—It was explained that, out of the total outstanding amount of Rs. 4,100.955 as on 30th June, 1978, Rs. 2,839,573 had since been cleared up to 29th February, 1980, leaving a balance of Rs. 1,261,382. All possible efforts were being made to clear the balance. The Committee noted that cases of outstanding undercharges dated back to 1966-67 onwards and enquired whether the amounts pertaining to the year 1966-67 could be recovered and whether legal limitation was applicable in these cases? The departmental representative informed the Committee that limitation did not apply in the case of Government dues. Thereupon, a member observed that, even then, the department would not be able to recover Rs. 117 pertaining to 1966-67, and might have to spend much more on its recovery. *The Committee observed that the department should consider writing off small amounts, which had become irrecoverable or would involve expenditure more than the recoverable amount itself.*

539. *Transfer transactions (Para 7.5, page 24—AR—Railways).*—The Committee was informed that the balance of Rs. 38,113,235 comprised of (i) Transfer Divisional, and (ii) Transfer Modernization. With a view to avoiding and controlling the upward trend of debt balances under these heads of account, a reconciliation of the transactions was carried out every month after the close of the accounts. However, as it was a recurring feature, it could not possible be brought to "NIL". A member wondered if it was a reflection on the modernisation system or some-one was trying to prove that the modern system was not effective or workable. He suggested that those who were in favour of the modern system should work harder to make it an unqualified success. The departmental representative informed the Committee that they would make special efforts to make the system work.

540. *Bills payable (Para 7.7, page 25—AR—Railways).*—The Committee was informed that the amount under this head, as on 29th February, 1980, stood at Rs. 47,625,875 and action to clear the outstandings was under way, in consultation, with the Finance Division. *The Committee directed that more attention should be paid towards this matter.*

541. *Results of verification and re-valuation of stores (Para 7.10, page 26—AR—Railways).*—The department explained that adjustment of Rs. 21 crores had been carried out in the accounts for 6|79, to clear the outstanding balance of Rs. 289,789,000 at the close of June, 1979. The adjustment included the amount of Rs. 104,710,000 pertaining to the year 1977-78, leaving a balance of Rs. 53,388,000 at the close of the Accounts for June, 1979. This balance had been further reduced to Rs. 97 lacs at the close of the Accounts for February, 1980. The remaining balance would remain outstanding till the relevant vouchers were received and accounted for. The necessary review to clear these items was under way. The Audit representative informed the Committee that they would check the information given by the department.

542. *Statement showing suspense balance (Para 7.11, page 27—AR—Railways).*—The Committee directed the departmental representative to up-date the suspense registers and to reduce the suspense balances expeditiously. The departmental representative promised to do it.

543. *Delay in disposal of Audit Notes, Inspection Reports and Specific Reports (Para 7.12, page 29 AR—Railways).*—The departmental representative was directed to get the pending Notes|Reports cleared, as early as possible. The departmental representative ensured the Committee that they would pay a special attention to this matter.

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

544. Audit was requested to go through the Compliance Reports and let the Committee have their comments, if any.

545. *Points|paras not discussed to be treated as settled.*—The Committee did not make any comments on the other points|paras in the Appropriation Accounts or Audit Reports (Civil|Railways). These would be deemed settled subject to such regularising action as might be necessary under the rules.

546. The Committee then adjourned to meet on Saturday, the 23rd August, 1980, to examine the Appropriation Accounts, etc. for 1977-78 in respect of the remaining Ministries|Divisions.

M. A. HAQ,
Secretary.

Islamabad, the 3rd November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Saturday, the 23rd August, 1980

Seventh Meeting

547. The 11th Session of the *Ad-hoc* Public Accounts Committee started in the State Bank Building, Islamabad, at 10.00 a.m. on Saturday, the 23rd August, 1980, to examine the Appropriation and other Accounts and the Report of the Auditor-General thereon relating to the year 1977-78, in respect of the Ministries|Divisions, which were not covered during its 10th Session held in May, 1980. The following were present :—

(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. Yusuf Bhai Mian, Chartered Accountant. .. *Member.*

548. Mr. Abdul Qadir, Member, could not attend on the 23rd, 24th and 25th August, because of his illness.

National Assembly Secretariat.

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

(2) Mr. I. H. Siddiqi, Deputy 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) Khawaja Abdul Waheed, Director Commercial Audit, Karachi.

(6) Mr. M. Idris, Audit Officer, I.S. & F., Karachi.

Ministry of Finance.

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

(2) Mr. S. Irtaza H. Zaidi, F.A. (L.G. & R.D.).

(3) Malik Asrar Ahmed, F.A. (Inf. & B).

(4) Mr. Abdul Hamid, F.A. (Production).

DEATH OF A MEMBER OF *AD-HOC* PAC.

549. On hearing of the sad demise of Mr. Mushtaq Ahmad, Member, a condolence telegram, on behalf of the Committee, was sent by the National Assembly Secretariat to Begum Mushtaq Ahmad on 19th June, 1980 with the Chairman's approval. The Finance Division were also requested by the National Assembly Secretariat on 24th June, 1980 to consider the appointment of a member on the *Ad-hoc* PAC in the vacancy caused by the death of Mr. Mushtaq Ahmad.

550. *Accounts examined.*—The Accounts of the following Ministries|Divisions in the order given below were examined by the Committee during the course of the day :—

(1) Ministry of Local Government and Rural Development.

(2) Ministry of Production.

(3) Ministry of Information and Broadcasting.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

551. The following were present :—

(1) Mr. Abdur Rehman, Joint Secretary.

(2) Malik M. Siddiq, Joint Secretary.

(3) Mr. A. S. Bokhari, Director (Planning).

(4) Mr. S. A. Hamid, Deputy Secretary.

552. On being asked about the Principal Accounting Officer himself not appearing before the Committee, the departmental representative explaind that the Secretary had been called to be present in the Seminar on National Health Programme, which was being inaugurated by the President of Pakistan just at that time.

553. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Agriculture Division (Group head ' B ' only)	1
2.	Local Government Division	22
3.	Other Expenditure of Local Government Division	23
4.	Development Expenditure of Agriculture Division (Group head ' Y ' only). ..	135

APPROPRIATION ACCOUNTS

554. *Grant No. 1—Agriculture Division (Page 17—AA).*—A saving of Rs. 128,978 was shown by Audit against the group head "B-Rural Development Wing". It was explained as being due to non-receipt of telephone bills, anticipated by the department. The departmental representative could, however, not furnish an exact information about the actual expenditure on telephones and the telephone bills pertaining to 1977-78, which were adjusted in the subsequent years. He was asked to furnish to the Committee the exact amount of telephone bills paid by the Ministry, duly verified by Audit.

555. As all payments for telephone bills were to be made in cash, in the future, the department should sort out the past accounts of debits etc. without any more delay. The departmental representative promised to furnish the exact figures, as wanted.

556. *Grants No. 22—Local Government Division and No. 135—Development expenditure of Agriculture Division.*—The department's explanation for the excess of Rs. 217,327, against the group head "A-Secretariat" under Grant No. 22 and for saving of Rs. 6,590,208 against the Group head "Y-Miscellaneous" under Grant No. 135, as depicted by Audit, were not considered by the Committee to be satisfactory.

557. *The Ministry was, accordingly, directed to furnish to the Committee by 28th August, 1980 a revised explanation, after reconciling the figures with Audit and preferably, with the concurrence of Audit expenditure the final position of the grant, the final expenditure, the reasons for not obtaining a supplementary grant and not surrendering the saving in time etc.*

558. *Grant No. 23—Other Expenditure of Local Government.*—There was nothing material for consideration by the Committee under this grant.

AUDIT REPORT

Loss in People's Works Programme

(Para 14, page 28—AR).

559. (i) *Non-submission of Accounts.*—Audit had objected to the non-submission of accounts for advances of Rs. 413,000 and Rs. 500,000, made to the Project Leaders for 33 and 57 Projects, during 1973-74 and 1974-75 respectively. They had further observed that the Administrative Ministry did not keep a closer watch on the satisfactory completion of the projects nor asked for payment submission adjustment accounts as only 18 out of 90 accounts were received by Audit.

560. The department's written reply stated that the subject of People's Works Programme was assigned to the Economic Affairs Division during 1973-74 and transferred to the Planning Division in December, 1974. The subject was transferred to the Ministry of Local Government and Rural Development only during February, 1976. As such, the Economic Affairs and Planning Divisions were responsible for rendering adjustment accounts of the advances referred to in the Audit, para.

561. Besides, according to the statement furnished by the Economic Affairs Division, an amount of Rs. 315,500 was drawn by that Division and advanced to the Project Leaders during 1973-74 for the implementation of various P.W.P. Projects in the Federal Capital Area. Adjustment accounts for Rs. 263,500 had

already been rendered to the AGPR, Islamabad against the above amount. Efforts were being made to render the adjustment accounts for the balance, as early as possible.

562. As for the advance of Rs. 500,000 made during 1974-75, it was stated that this amount was advanced for the implementation of 57 Projects. Adjustment accounts in respect of 41 Projects, amounting to Rs. 373,783, had already been submitted to the AGPR, Islamabad. Efforts were being made to furnish adjustment accounts of the balance amount of Rs. 126,217 to Audit, as quickly as possible.

563. Regarding the observation that the Administrative Ministry did not keep a watch on the satisfactory completion of Projects nor asked for adjustment accounts, the departmental representative maintained that the responsibility for the execution of the Projects and rendering of accounts rested with the Project Leaders and the members of the Project Committees, appointed by the Federal Area People's Works Council, headed by the then Minister of State, Malik Mohammad Jaffar. Supervision and watch on the satisfactory completion of the Projects was the responsibility of the Council through the members of the Council, on whose recommendations the Project Leaders and members of Project Committee were nominated by the Council. Under the orders of the Chairman of the Council, the Secretariat of the Council did ask the Project Leaders and the members of the Federal Area People's Works Council to submit the accounts of the Projects.

564. (ii) *Wasteful expenditure of Rs. 12,500.*—According to Audit, 2 wells costing Rs. 12,500 were dug in village Shahpur Phulgran and Jandala, without preparing any feasibility report. No water was found in these places and the Project had to be given up. The expenditure of Rs. 12,500 thus proved to be wasteful.

565. In their written reply, the Ministry stated that, during the visit of the Chairman, Federal Area People's Works Council in August, 1975, he was informed by the villagers that, on digging of some water wells, water was not found in some of the wells which were dug up and, in some cases, the newly dug up wells dried up later. The Council accordingly, decided that, in future, proper survey of all the sites proposed for digging of wells should be carried out by a specialised agency, before funds for the purpose were sanctioned by the Council.

566. The Geological Survey of Pakistan, Islamabad and, on their advice, the Chief Engineer, Water and Soil Investigation, Lahore were requested to carry out test boring of the wells, which had dried up, and to undertake the survey of the sites proposed for digging new wells, before expenditure on them was incurred out of the People's Works Programme funds. The Agriculture Department, Rawalpindi and the Municipal Committee, Rawalpindi were also approached for a similar technical advice. These organisations, unfortunately, regretted their inability to provide the said advice.

567. In the circumstances and keeping in view the pressing need for the supply of drinking water to the villagers, the Council decided to sanction the digging of new drinking water wells on the ground that most of the wells, dug on various sites in different villages, had been successfully completed and drinking water had become available to the villagers.

568. The Committee did not make any further observation on the issue.

569. (iii) *Wasteful expenditure of Rs. 215,900.*—During 1973 and 1975, work on 90 Projects, costing Rs. 215,900, was started without any feasibility study or technical advice. The Projects were also not supervised by the authorities. Accordingly the above expenditure was regarded by the Audit to be wasteful.

570. Audit had further pointed out that the accounts of only 11 Projects were made available, which were commented upon by them as follows :—

(a) Rs. 120,000 were spent on the extension of a "Katcha Road" from village 'Phulgran' to 'Mulata'. The estimates, reportedly prepared by the Engineers of the CDA, were not available. There was no indication that the road had been either surveyed or supervised, for a satisfactory completion of work.

(b) Four Projects of digging wells, costing Rs. 31,900, were started without technical advice and estimates. Satisfactory Completion Certificates were also not available in respect of them.

(c) Six schools under the Directorate of Federal Government Educational Institutions were to be repaired at a cost of Rs. 64,000, in consultation with the Director (Planning). Neither the work was supervised nor its completion certified.

571. (iv) *Un-economical purchase of building materials.*—Building material was purchased for Rs. 31,442 by the Project Leaders in total disregard of rules and without obtaining competitive rates. The utilization of material was not known, as no stock registers were produced.

572. Replying to the Audit observations, the Ministry stated that the total amount involved in the 90 Projects, referred to by Audit, was Rs. 913,000 and not Rs. 215,900. The responsibility for the execution of the Projects and submission of accounts for the expenditure or advances therefor was that of the Project Leaders, nominated by the Federal Area People's Works Council, and the responsibility for the supervision of the Projects till their completion was that of the Council. The Secretariat of the Council, located in the Administrative Ministry, had no control over the Council, which was headed by the then Minister of State, Malik Mohammad Jaffar.

573. As regard feasibility study and technical advice, the Council had available to it the services of a part-time Engineer|Sub-Engineer of CDA who, under the orders of the Council, did prepare estimates of Projects and rendered technical advice, wherever called for by the Council.

574. Th departmental reply in regard to the cases, referred to in sub-paras (iii) (a), (b) and (c) above was that Katcha road from Phulgran to Mulata had been duly sureved and estimates therefor prepared and handed over to the Deputy Secretary (PWP Cell), Economic Affairs Division by the Overseer of the CDA. However, as the estimates had been misplaced, they could not be produced to the Audit Party at the time of inspection in 1976.

575. Regarding the Projects pertaining to the digging of wells, the Department conceded that relevant files relating to these Projects were not readily traceable. Efforts were being made to locate the same. The position in regard to technical advice and the completion certificates will be got checked, as soon as the files were traced.

576. Discussing the objections in Para 14 (iii), the Committee noted that, out of 90 Projects, accounts of only 11 Projects had been examined by Audit. Even in some of these cases, relevant records, particularly the feasibility reports and completion certificates, were not available. In the absence of records, *the*

Committee could not appreciate the Audit observation which held the entire expenditure as 'wasteful', as the same needed to be substantiated with evidence. The Chairman pointed out that, in the case of Projects executed under People's Works Programme, the agencies were not supposed to keep a record of the small works. A simplified procedure for the implementation of Projects under the People's Works Programme, had been laid down by the Ministry of Finance, in consultation with the Planning Division. A detailed Manual of instructions was also issued in this behalf. After some discussion, the Committee directed that :—

(1) *Up-to-date audit of the Projects accounts should be ensured.*

(2) *The Ministry should furnish to the Committee|Audit completion certificate for the completed works and also make available to the Audit the manual of procedure, issued by the Ministry of Finance about these works, so that they may be able to see, in the future, whether expenditure on such works had been and was being incurred according to those instructions.*

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORT FOR 1972-73.

577. The Committee left the Report to be considered, later, along with comments, if any, of Audit thereon.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORT FOR 1973-74.

578. *Audit of Development Expenditure of the Ministry of Local Government etc: (Para 24, page 26—AC Report).*—The Committee was informed that the audit of Development expenditure had not, so far, been carried out by the AGPR. Audit was requested to expedite this work and report progress to the Committee in its next session.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORT FOR 1974-75

579. *Grants No. 38 (Group head " B ") and 124 (Group head ' Y ')—(Para 19, page 24—PAC Report).*—The Committee was informed that records in respect of the grants in question were with the Ministry of Food and Agriculture and Economic Affairs Division respectively, who had been requested to supply necessary explanations for placing the same before the Committee.

580. *The Committee directed that the Divisions concerned may be sounded immediately to explain the reported excesses to the Committee when the Accounts of the Economic Affairs Division were being considered by the Committee on the 25th August, 1980.*

Note.—Necessary explanations were furnished by the Ministry of Food and Agriculture and Economic Affairs Division on the 25th August, 1980. The Committee decided to refer the same to Audit for verification and report, if necessary, along with the Compliance Report for 1974-75.

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

MINISTRY OF PRODUCTION

582. The Committee next took up the examination of Appropriation and other Accounts pertaining to the Ministry of Production for the year 1977-78 and the Report of the Auditor-General thereon.

583. The following departmental representatives were present :—

(1) Mr. Asif Rahim, Additional Secretary (Production).

(2) Mr. Parvez Ahmed Butt, Joint Secretary.

(3) Mr. S. M. A. Ashraf, Director (Finance), Pakistan Steel Mill.

(4) Mr. M. Anwar Khan, G. M., SEC.

(5) Mr. Anees Ahmad, General Manager (F), NFC.

(6) Mr. A. S. Ansari, General Manager, PIDC.

(7) Mrs. Salima R. Ahmad, Director (Finance), PIDC.

584. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Production	103
2.	Capital Outlay on Industrial Development	186

585. *Reconciliation of Accounts with Audit.*—The department was directed to expedite the reconciliation of their Karachi Office in respect of Grant No. 186 for 1979-80.

586. The Committee further directed that all the information about the programmes of reconciliation and actual up-to-date position of reconciliation, done by the Ministries|Divisions should be available with the AGPR on a central basis, so that they might be in a position to apprise the Committee, if and when wanted, of the up-to-date position in each case. The reconciliation at various Audit Offices, particularly Karachi and Rawalpindi, should also be effectively co-ordinated by the higher Audit authorities.

APPROPRIATION ACCOUNTS

587. *Grant No. 103 Ministry of Production (Page 122—AA).*—A saving of Rs. 406,191 against the group head "A-Secretariat", appeared in the Appropriation Accounts. The departmental representative contended that the discrepancy was due to the surrender of savings not being accounted for in determining the Final Grant. According to the Department, the final grant was Rs. 3,442,600 and not Rs. 3,772,695, as shown in the Appropriation Accounts. Therefore, the actual saving amounted to Rs. 76,096 only, which was due to vacant posts. Audit admitted the position and stated that correction in this behalf was being issued by them.

588. *Correction|rectification in the Appropriation Accounts.*—When questioned as to what kind of action was being taken for effecting corrections in the records, the Auditor-General informed the Committee that they would look into it keeping in view the practice followed in the past. The Chairman added that there were two kinds of Accounts, *viz.*, Capital Accounts and Revenue Account. There was no problem in so far as the Revenue Accounts were concerned but, if a change in any figure was made in the case of Capital Accounts, then the necessary correction in the Accounts will have to be made.

589. *The Committee finally desired that the Audit should more thoroughly examine this point in the light of past practice and come to the Committee, if necessary, about how any needed rectifications may be effected in the Appropriation Accounts, already printed by Audit, and to whom and in what form should the corrected version be circulated.*

590. *Grant No. 186—Capital Outlay on Industrial Development (Page 210—AA).*—A saving of Rs. 120,000,000 was depicted by Audit against the group head "A-Investment in Industrial Development Corporation". The Committee was informed that Rs. 120,000,000 were provided for liquidating the liability of foreign loans and interest in respect of the Peoples Steel Mills, Karachi. The AGPR had to carry out the necessary adjustment, as required *vide* letter No. 10 (3) F|77-Engg, dated 13th June, 1978, but the same amount was not adjusted by them and had been shown as savings. The omission was pointed out by the Ministry *vide* their letter No. 21 (10) PD-AO|79-80, dated 14th April, 1980, with request for adjustment through the latest accounts of 1978-79.

591. The Audit representative conceded that the amount in question could not be detected earlier due to non-reconciliation. However, the debits had since been adjusted in the Accounts for 1978-79 and no further action was needed.

COMMERCIAL ACCOUNTS

P.I.D.C. Head Office

592. *Failure to obtain financial safeguards in contract, involving claim of Rs. 1,292,600 (Para 8, page 13—CA).*—In their written reply, the Corporation justified their omission in not obtaining any bank guarantee or security from the firm on the ground that M|s. Ismailji and Sons had been doing re-rolling work for the Corporation in the past, satisfactorily. Therefore, at their request and, since there was no provision for a bank guarantee in the Tender Inquiry and the party had a clear record, bank guarantee was not insisted upon. However, waiving of the bank guarantee was agreed upon by the then Financial Director on 20th January, 1966 on the note of the Purchase Division of the same date. The orders of the Financial Director, agreeing to the waiving of the bank guarantee, were available in the file and could be seen by Audit, if required.

593. It was further stated that an attempt to reach a settlement outside the Court having failed, a suit against M|s. Ismailji & Sons had been filed in November, 1974, although the decision to file the suit had been tentatively taken about sixteen months earlier, *i.e.*, 21st July, 1973. The case was now ripe for hearing on a date to be fixed by the Suit Branch of the High Court.

594. Stating the position about hearing of cases by Courts, the Committee was informed that, owing to heavy back-log in the Sind High Court matters, filed as long ago as in 1970-71 were coming up before that Court now. This suit, being of 1975, might still take some years to get decided. The Committee

desired that the reported position of the back-log of cases in the Sind High Court should be brought to the notice of the Government for their suitable action.

595. After going through the written reply of the department, the Committee desired to know further reasons, if any, for the Corporation not having obtained any bank guarantee|security from the firm. The departmental representative explained that they did not demand a guarantee, because the money was originally to come from the importer and not the PIDC. An LC was opened by the firm and the Corporation later reimbursed it. Actually, when this matter was modified at that time, it was strongly recommended by the Purchase Division that the firm was reliable and had already incurred so much expenditure. So, they should not take a further guarantee from it. The case was put up to the Finance Director, who agreed with the advice of the Purchase Division.

596. Audit maintained that the main reasons advanced for dispensing with an established safeguard, namely, good past performance of the firm, was not convincing. The Corporation had supplied billets worth millions of rupees to a private party and ordinary prudence required that a bank guarantee|security should have been obtained therefor. The responsibility for this lapse, therefore, needed to be fixed.

597. The departmental representative admitted that it was a wrong decision. After some discussion, *the Committee came to the conclusion that discretion had not been properly exercised in the case. Moreover, there was inordinate delay in deciding on the next step, i.e., recourse to legal action by the PIDC. The Corporations must take effective steps to guard against such defaults in the future.*

GENERAL REFRACTORIES LIMITED

598. *Blockade of Capital (Rs. 114,098) in unnecessary stores (Para 9, page 13—CA).*—The Committee was informed that the surplus stores had since been disposed of through auction. Replying to a query, the departmental representative submitted that the loss suffered in this case amounted to about Rs. 55,000 only. Subject to these remarks, the para was treated as setteled.

599. *Audit Comments (Paras 34-35, page 52—CA).*—The General Refractories Limited sustained a net loss of Rs. 5,823,122 during the year under review, as compared to Rs. 1,238,573 in the previous year, *i.e.* 1976-77, and of Rs. 6,249,678 during the year 1978-79. According to the Ministry's reply, the increase in losses during 1977-78 was mainly due to increase in the amounts of depreciation and financial expenses. According to Audit, the debtors stood at Rs. 1,139,856 as on 30th June, 1979. The Committee was informed that the company was now registering improvement, as compared to 1978-79. With the installation of new machinery, the firm's Marketing Director hoped to reduce the losses to Rs. 14 lakhs per annum, as compared to Rs. 50 to 60 lakhs in the earlier years. It was further stated that a financial re-structuring of the firm was also underway. The production during this year had gone upto 400 tons and the sales were of the order of Rs. 45 lakhs.

Harnai Woollen Mills

600. *Working results (Paras 41-42, page 65—CA).*—Audit had pointed out that the Mills sustained a net loss of Rs. 2,381,240 during the year under review, as against a profit of Rs. 747,066 (before Taxation) in the preceding

year. The loss was mainly attributed to increases in (i) the cost of sales, from 82.18% to 91.41% (ii) Interest and Bank charges from 8.59% to 14.15% (iii) Selling and Distribution expenses etc., and (iv) non-utilisation of the installed capacity to full extent. According to the Ministry's reply the decrease of Rs. 14.75 lacs in the Gross Profits was mainly due to increases in the prices of raw-materials (4.90 lacs), salaries and wages (2.35 lac), Stores and Spares (4.43 lac) and other manufacturing expenses (3.07 lac). Audit had observed that effective steps needed to be taken to utilise the full capacity of the Mills and to minimise the avoidable expenditure. The Committee was apprised of the various steps that were being taken in the above direction. The Audit representative pointed out that the mills was being modernised (Finishing and Worsted Sections only) after 28 years. The process of improving the machines should have been a continuous one and the Corporation should not have waited for it till the losses gradually reached unbearable proportions, as in this case.

601. After discussing various aspects, *viz.* fixation of prices, delay in installation of machinery in the Spinning and Finishing Sections, financial structure, total capital in progress, assets, raising of equity, etc., the Committee directed that the PIDC should re-assess the position to see whether this industrial unit could be at all made profitable. Government must also be apprised, without any more delay, of the exact financial picture, without mincing words or trying to conceal the real position under the garb of re-structuring.

602. The Committee also requested Audit to make an independent assessment of the Spinning and Finishing section. The Auditor-General added that he would request the Production Division to issue directions to let the Audit find out the facts. The departmental representative informed the Committee that they had already made the assessment, which could be made available to the Audit. *The Chairman, finally, observed that the PIDC would do well to assess whether the Mills could be made profitable and to take the needed steps with this objective in view.*

Larkana Sugar Mills, Naudero

603. *Working results (Para 63, page 129—CA).*—The Mills crushed 3,222,461 maunds of sugar-cane during the year under review as compared to 4,182,590 maunds in the preceding year, against the installed capacity of 50 lacs maunds in 178 working days of a year. This under crushing was mainly due to non-availability of sugar-cane.

604. It was explained that the main reason for less crushing of sugar-cane, as compared to the previous year, was non-availability of sugar-cane pointed out in the para itself. Moreover, sugar-cane had also been allocated to the Dadu Sugar Mills and the Consolidated Sugar Mills, Ranipur, due to which the supply position of sugar-cane to the Larkana Sugar Mills had further deteriorated during the year under review.

605. When questioned as to what had been done to increase the production of sugar-cane, the departmental representative informed the Committee that, as from 1980-81, a very aggressive policy, to encourage the sugar-cane growers in these areas, was going to be followed. Now, the Agricultural Development Bank was committed to give liberal loans, amounting to Rupees one crore. Moreover, better quality seeds had been made available to the farmers at the site, free of cost. Roads were being constructd to reach the farthest areas. Further, the Mills had purchased twenty tractors and trailors, for reaching the

farthest areas to collect sugar-cane. Previously, due to bad roads, the Mill's trucks were able to collect only 100 manuds of sugar-cane per truck, whereas now the trailors were bringing back 250 maunds each way. Last year, in 1979-80, they were able to grow sugar-cane in a 15 to 20 mile area, but now they were planning to grow it in 25 to 30 mile area. Next year, they should be able to produce 40 to 50 lakh tons sugar-cane and, the year after that, production was expected to reach the level of 80 to one lakh tons.

606. *Comparative Balance Sheet (Para 66, pages 130-131—CA).*—The Committee briefly discussed the Comparative Balance Sheet and observed that the form in which the Commercial Accounts were being presented was not very helpful. It directed that Audit might examine as to how the presentation of commercial accounts could be made more realistic and meaningful.

Pak-American Fertilizer Ltd., Daudkhel

607. *Loss on account of interest amounting to Rs. 231,895 (Para 6, page 12—CA).*—After hearing the departmental explanation, *the Committee observed that the irregularity of diversion of funds, meant for one project to another, was taking place frequently. It directed that, in the interest of financial discipline, this practice must be stopped forthwith. The Committee further directed that the Ministry should take steps to ensure that default does not recur in the future.*

Natural Gas Fertilizer Factory, Multan

608. *Loss of Rs. 18,490 due to import of articles not covered by import licence (Para 10, page 14—CA).*—In their reply, the department had stated that the PIDC had imported stainless forged flanged pipes and elbowe on behalf of the Natural Gas Fertilizer Factory. The import licence, covering this consignments, contained specifications slightly different from the goods actually imported and the customs authorities refused to release the goods, unless the import was properly covered by an import licence. NFC was not aware as to why an import licence, giving proper specifications of the consignment imported, was not arranged in the first instance and why a subsequent amendment to the licence could not be arranged, to have the goods released. The final disposal of the material was also not made known to the NFC nor was the NFC in a position to fix responsibility for importing material without arranging a proper covering import licence therefor. Despite repeated references, the PIDC had not furnished the requisite information to the fertiliser corporation. The Auditor-General observed that the NFC had laid the responsibility on the PIDC. The Administrative Ministry, which controls both Corporations, *i.e.*, the PIDC and NFC, should look into the case and furnish a detailed reply to the points raised in the Draft Para.

609. The reply furnished by the department was not considered by the Committee to be satisfactory. As the Committee dealt with the Ministry and not with organisation under them, *it directed the Ministry to find out the real facts and furnish a detailed report to the Committee|Audit above the losses incurred in this case.*

Zeal Pak. Cement Factory Limited

610. *Loss of Rs. 593,158 on account of liquidated damages not claimed (Para 5, page 11—CA).*—After going through the reply submitted by the department and having noted that the department had been able to secure the rated production from the plant during January—March, 1980 the para was treated as settled.

State Engineering Corporation Limited

611. *Loss of Rs. 286,520 due to delay in the execution of a job (Para 7, page 12—CA).*—The explanation of the department was accepted and the para treated as settled.

612. *Provision for earned leave and gratuity (Para 270, page 61 of PAC Report for 1973-74).*—A member of the Committee noted misreporting of figures of Rs. 2.25 crores attributed to departmental representative in the reported proceedings of the PAC in this para. The Ministry in their compliance reported the total liability on this account as Rs. 13,494,484 which was fully provided for in the accounts of the factory. The member wanted Audit to look into the case and have the previous proceedings corrected.

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

613. Audit was requested to go through the replies furnished by the Ministry and report back with their comments, if any.

614. *Paras|points not discussed to be treated as settled.*—The Committee did not make any observation on the other paras|points in the Appropriation|Commercial Accounts or Audit Report thereon. These would be deemed settled subject to such regularising action as might be necessary under the rules.

MINISTRY OF INFORMATION AND BROADCASTING

615. The Appropriation and other Accounts for the year 1977-78 pertaining to the Ministry of Information and Broadcasting and the Report of the Auditor-General thereon was the last to be taken up by the Committee for examination on the 23rd August, 1980. The following departmental representatives were present :—

(1) Mr. Masudur Raouf, Additional Secretary.

(2) Mr. Muhammad Tufail, Joint Secretary.

(3) Mr. Mutee-ur-Rehman Mirza, Finance Director, PTVC.

(4) Mr. Ajaz Ahmad, Finance Director, PBC.

(5) Mr. Ali Ahmad Khan, D.P.I.O., P.I.D.

616. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Information and Broadcasting	82
2.	Directorate of Publications, Newsreels and Documentaries	83
3.	Press Information Department	84
4.	Information Services Abroad	85
5.	Pakistan National Centres	86
6.	Other Expenditure of Ministry of Information and Broadcasting	87
7.	Capital Outlay on Purchase of Newsprint	127
8.	Development Expenditure of Cabinet Division (Sub-head Y-3)	137
9.	Development Expenditure of Ministry of Information and Broadcasting ..	154
10.	Capital Outlay on Ministry of Information and Broadcasting	182

617. *Reconciliation of Accounts with Audit.*—The Committee noted that progress in respect of reconciliation was not satisfactory. The Audit representative informed the Committee that programmes for all the three quarters had already been issued to the Ministry. As the Ministry were not getting the reconciliation carried out according to the prescribed programmes, Audit addressed several reminders to the Liaison Officer. Thereupon, the Committee observed that, apart from sending written reminders, the officer concerned of the Ministry|Department should also be rung up, intimating him the dates fixed for the reconciliation of accounts of the Ministry|Department.

618. *The Committee desired it to be again impressed upon the Ministries that Government had, in their wisdom, rightly prescribed quarterly reconciliation of accounts and both the Ministry and the Audit must take prompt action to have these effected timely.*

619. The Committee noted that Grant Nos. 87 and 127 were in bad shape so far as reconciliation was concerned. The Additional Secretary, Ministry of Information and Broadcasting was requested to ensure that the outstanding reconciliation was completed by 15th September, 1980.

AUDIT REPORT

620. *Loss of K.Sh. 10,000 (Rs. 13,860) on hiring residential accommodation (Para 8, page 24—AR).*—The para was dropped subject to regularisation of the expenditure of Rs. 5,544.

621. *Loss of Rs. 6,615,000 due to non-acceptance of favourable offer (Para 13, page 27—AR).*—After seeing the department's reply, the Committee came to the conclusion that an error of judgment had been committed by not placing the orders when, in fact, more than one bidder was available. The responsibility was that of the Secretary of the Ministry. But since he was no longer in service, no further action could now be taken in this case. The para was, therefore, dropped.

APPROPRIATION ACCOUNTS

622. *Grant No. 82—Ministry of Information and Broadcasting (Page 101—AA).*—An excess of Rs. 1,364,518 was exhibited by Audit against the group head "A-Secretariat". The Committee was informed that actual expenditure amounted to Rs. 13,445,462 against the final grant of Rs. 12,440,100. There was, thus, an excess of Rs. 1,005,362. The difference of Rs. 19,776 in actual expenditure between the Audit and departmental figures was due to misposting by Audit of the amount under Grant No. 84. The Audit representative accepted the position and was asked to correct their figures. Audit was further requested to verify the re-appropriation of Rs. 1,467,000 against the group head "E".

623. *Grant No. 83—Directorate of Publications, Newsreels and Documentaries (Page 102—AA).*—An excess of Rs. 101,657 was reported by Audit against the group head "A-Publication Wing". The departmental representative contended that, according to the reconciled departmental figures, the actual expenditure amounted to Rs. 5,823,359 and not Rs. 5,698,677, resulting in an excess of Rs. 226,339. The difference of Rs. 124,682 between the Audit and departmental figures was explained at length. The Audit representative informed the Committee that the difference related to the Punjab Circle, where no reconciliation had been carried out. Audit was requested to check up the position and correct the accounts.

624. *Grant No. 84—Press Information Department (Page 103—AA).*—There was nothing material for consideration in respect of this grant.

625. *Grant No. 85—Information Services Abroad (Page 104—AA).*—The excess of Rs. 373,173, shown by Audit against the group head "A-Information Sections", was explained as having been due to revision of pay scales, etc. When questioned as to why a supplementary grant was not asked for, to cover this excess, the departmental representative informed the Committee that the subject at that time, *i.e.* in 1977-78, was not under the Ministry of Information and Broadcasting. It was under the Ministry of Foreign Affairs, who faced a great difficulty in collecting the information. The Committee made no further observation.

626. *Grants No. 86—Pakistan National Centres and 87—Other Expenditure of Ministry of Information and Broadcasting (Pages 105-106—AA).*—There was nothing material for consideration under these grants.

627. *Grant No. 127—Capital Outlay on purchase of newsprint (Page 147—AA).*—The Committee noted that the Ministry had neither given any reasons for not surrendering the over-all saving of Rs. 26,202,330 nor for the excess expenditure of Rs. 6,924,086 against the sub-head "A-2-Storage and Incidental Charges" as worked out by Audit. After some discussion, *the Committee desired that a complete history of the State Trading Scheme of Newsprint setting out as to who in the Ministry of Finance agreed to give the guarantee for cash credit and for how long and how were the various transactions financed, etc., should be furnished to it before its next session.*

628. *Grants No. 137 Sub-head "Y-3", 154—Development Expenditure of Ministry of Information and Broadcasting and 182—Capital Outlay on Ministry of Information and Broadcasting (Pages 158, 176 and 204—AA).*—There was no material point for consideration by the Committee in these grants.

COMMERCIAL ACCOUNTS

Pakistan Broadcasting Corporation
[Para 3 (vii)—Page 5—CA].

629. A Member observed that within six months of close of accounts of the Corporation, these should be given to Audit whether audited or un-audited by the internal auditors.

(i) **Pakistan Television Corporation.**

(Paras 236—241, pages 466—485—CA).

(ii) **Asian Television Service Ltd.**

(Paras 242—245, pages 486—493—CA).

629-A. No comments were made by the Committee on these accounts.

Associated Press of Pakistan.

(Paras 246—254-B, pages 494—501—CA).

630. After some discussion the Committee decided to recommend that *Government should take decision, as early as possible, about the future set up and financial aspect of the Associated Press of Pakistan, as* uncertainty, due to non-decision there about, could not be conducive to an optimum working of the organisation. The diversion of the grants-in-aid of Rs. 5 lacs meant for the replacement of worn out equipment, towards revenue expenditure might, however, be regularised.

COMPLIANCE ON THE POINTS CONTAINED IN PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

631. Audit was requested to check the replies and report back with their comments, if any.

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

633. The Committee then adjourned to meet again at 9.00 a.m. on Sunday, the 24th August, 1980.

M. A. HAQ,
Secretary.

Islamabad, the 3rd November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 24th August, 1980

Eighth Meeting

634. The *Ad-hoc* Public Accounts Committee continued the examination of the Federal Accounts for 1977-78, when it met again 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. Yusuf Bhai Mian, Chartered Accountant. .. *Member.*

National Assembly Secretariat.

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

(2) Mr. I. H. Siddiqi, Deputy 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, Islamabad.

(5) Khawaja Abdul Waheed, Director, Commercial Audit.

(6) Mr. A. S. Ansari, Director of Audit, Defence Services.

Ministry of Finance.

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

(2) Mr. Ghazanfarullah Khan, F. A. (D. P.).

(3) Mr. Waheed Ahmad Khan, DFA (Commerce and Education).

(4) Mr. Mahmood Ahmad, DFA (National Assembly and Senate Secretariats).

635. *Accounts examined.*—The accounts of the following Ministries/Divisions, etc. were examined by the Committee during the course of the day :—

(1) National Assembly Secretariat.

(2) Senate Secretariat.

(3) Ministry of Commerce.

(4) Ministry of Education.

(5) Defence Production Division.

NATIONAL ASSEMBLY SECRETARIAT

636. The Committee first took up examination of the Appropriation Accounts for the year 1977-78 pertaining to the National Assembly Secretariat and the Report of the Auditor-General thereon. The following departmental representatives were present :—

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

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

637. This Secretariat controlled Grant No. 101—National Assembly.

APPROPRIATION ACCOUNTS

638. *Grant No. 101—National Assembly (Page 120—AA).*—There was nothing material for consideration by the Committee in respect of this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

639. There was no point for consideration by the Committee in the Compliance Reports.

SENATE SECRETARIAT

640. After the National Assembly Secretariat, the Committee examined the Appropriation Accounts for the year 1977-78 and the Report of the Auditor-General thereon in respect of the Senate Secretariat. The following departmental representatives were present :—

(1) Mr. Aslam Abdullah Khan, Secretary.

(2) Mr. Ashraf Ali, Joint Secretary.

641. This Secretariat controlled Grant No. 102—The Senate.

APPROPRIATION ACCOUNTS

642. *Grant No. 102—The Senate (Page 121—AA).*—There was nothing material for consideration by the Committee in this Grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

643. There was no point for consideration by the Committee in the Compliance Reports.

MINISTRY OF COMMERCE

644. The Appropriation and other Accounts of the Ministry of Commerce for the year 1977-78 and the Report of the Auditor-General thereon were the next to be taken up by the Committee, for its examination. The following departmental representatives were present :—

(1) Dr. A. K. Tanweer, Joint Secretary.

(2) Mr. S. I. Ghauri, Deputy Secretary.

(3) Mr. Riaz Ahmad Naik, Chairman, RECP.

(4) Mr. Salahuddin Chaudhri, CCI & E.

(5) Mr. N. A. Jafery, Chairman, N.I.C.

(6) Mr. M. Yaqub, Chairman, PIC.

(7) Mr. Aftab Ahmad, Chairman, TCP.

(8) Mr. Aurangzeb Khan, Chairman, Pak. Tobacco Board.

645. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Commerce Division	19
2.	Export Promotion	20
3.	Other Expenditure of Commerce Division	21
4.	Development Expenditure of Commerce Division	139
5.	Capital Outlay on Commerce Division	166

646. *Reconciliation of Accounts with Audit.*—On seeing the reconciliation statement submitted by the Ministry, the Committee made the following observations :—

(a) *Grant No. 14—Group head "C-Special Commission of Inquiry" (1978-79).*—Reconciliation work should be completed and reported about soon.

(b) *Grant No. 14—Group head "D-Compensatory Rebate on Export of Cotton Textile (1978-79).*—The Ministry should see as to who has been maintaining the accounts pertaining to this group head and been responsible for its reconciliation. The responsibility for not having carried out the reconciliation should be fixed and suitable action taken against the defaluter.

(c) *Preparation of incorrect statement.*—The Committee noted several discrepancies and variations in the reconciliation statement presented to them. As the departmental representative could not account for all of them, the Committee directed the Ministry to furnish a revised and correct reconciliation statement and take to task the employee (s), who may have prepared the statement, circulated to the Committee, containing some incorrect information.

(d) *General direction.*—All reconciliation statements, being furnished by the Ministries|Divisions etc., must be invariably signed by a responsible officer, giving his designation thereon so that the responsibility for the correctness thereof could not be in doubt.

APPROPRIATION ACCOUNTS

647. *Grants No. 19, 20, 21, 139 and 166 (Pages 36, 37, 38, 160 and 188—AA).*—There was no material point for consideration by the Committee under these grants.

COMMERCIAL ACCOUNTS

Pakistan Insurance Corporation

648. *Report of Board of Directors on the Working of the Corporation (Para 137, pages 274—77—CA).*—The Committee noted that losses during the year 1977 were large. The departmental representative explained that, in this year, a number of sizeable claims, were preferred :—

(i) Claim for accident of PIA DC—10 :—Rs. 6.50 crore.

(ii) Flood losses :—Rs. 7 crore.

(iii) Fire in Fateh Textile Mills, Hyderabad :—About Rs. 2 crore.

In all there were claims for loss of about Rs. 22 crore which had affected the profitability of the Corporation. He further explained that the years 1978 and 1979 were also marked by claims for large losses and they had a very poor record for these years.

649. When questioned as to whether insurance rates of all the airline companies were uniform, the departmental representative informed the Committee that they differed from country to country and even from airline to airline, depending on their performance. The rates were negotiated in December. In case any Losses taking place upto November comes to the knowledge of the re-assurers, who have to pay the claims, accordingly a higher rate was fixed by them for the future year.

650. *Reserve on account of assets in former East Pakistan (Para 145, page 293—CA).*—The Committee noted that there had been, so far, no policy decision in regard to the assets in the former East Pakistan, being still carried in the accounts of Corporation. Asked about the possibility of recovery, it was stated that, although the chances were nil, these cases were being kept alive for counter claim in the event of claim being preferred by the Bangladesh Government. After some discussion on the issue, the Committee thought that there were two alternatives to deal with these assets *viz-a-viz* the Pakistan Insurance Corporation, namely :—

(i) Government should take over the assets, pay to the Pakistan Insurance Corporation whatever compensation therefor it decides to pay and enable it to have some tax relief ; or

(ii) the Pakistan Insurance Corporation may be allowed to write off the amount and then the Finance Division may maintain such accounts centrally for counter-claims, if any, at a future date.

The Committee recommended that Government should take a policy decision in the matter at the earliest possible.

National Insurance Corporation

651. *Sundry debtors (Para 149, page 299—CA).*—According to Audit, an amount of Rs. 13,843,320 on account of the Sundry Debtors pertained to the National Co-Insurance Scheme, the assets and Liabilities of which had been taken over by the National Insurance Corporation. It was explained, as also confirmed by the Pakistan Insurance Corporation, that the National Insurance Corporation had not taken over the assets and liabilities of the said Scheme, which was still in the process of being wound up by the Pakistan Insurance Corporation. The assets and liabilities of the Scheme would be passed on to the member Insurance Companies by the Pakistan Insurance Corporation and there was no legal provision or order for the transfer of the same to the National Insurance Corporation.

652. The Committee directed that recoveries be expedited, as the outstandings were getting very old and further recoveries might become more difficult. The *Committee recommended that the Ministry of Commerce should go into the matter quickly, so that the National Co-Insurance Scheme was wound up expeditiously.* The Pakistan Insurance Corporation|National Insurance Corporation should adjust the mutual claims of all Government departments or 100% Government owned organisations and then consider writting off the balance. Without this, the scheme could continue to drag on *ad infinitum.*

653. *Reserves of NIC.*—A member remarked that the National Insurance Corporation could consider to increase their reserves.

Export Credit Guarantee Scheme (Paras 158—161—pages 314—320—CA).

654. The Committee made no observation on these paras.

Trading Corporation of Pakistan

Note 2—Amount due to the Federal Government—Rs. 6.04 crores.

Note 7—Cash and Bank Balance—Rs. 2.34 crores—Para 165—pages 325-326—CA).

655. Noticing an amount of Rs. 6.04 crores due to Federal Government a member remarked that it should be cleared. About the Cash and Bank Balance of Rs. 2.34 crores, the Auditor-General wondered if the Corporation needed so much cash at commercial banks. He further suggested that if these amounts were kept in short-notice deposit accounts, these would earn interest. The departmental representative said that they already did that.

Cotton Export Corporation of Pakistan (Para 167—Page 334—CA).

656. Enquired about the latest position of Godown construction, the departmental representative stated that they had started work on 20 Godowns. Out of 30 Godowns, 20 would be completed, in the first instance in about 2 years. A contractor had also been appointed for it. According to the existing arrangements, while the construction of 10 Godowns would be in the process of completion within the next 22 months, another 10 Godowns would have been built upto the roof level. These would be completed in 1981-82, provided that necessary funds were made available. The existing available allocation for the Project was Rs. 12 millions. If the allocation for the year 1980-81 was also received, then coupled with the amount in hand the funds might be sufficient to cover the cost of the project. A member suggested that it would be, perhaps,

wiser to have completed 5 Godowns each year, instead of putting 10 Godowns upto the roof level. The departmental representative submitted that contract had already been awarded for the completion of the entire work in 2 years. 10 Godowns were to be completed during the current year and 10 more were to be put up partially.

657. *Trade Debtors (Para 170, page 335—CA).*—As reported, Trade Debtors as on 30th June, 1978 stood at Rs. 33,962,228 as against Rs. 16,939,274 in the previous year. Of this amount, a sum of Rs. 10,556,455 was more than three years old, but no provision for bad or doubtful debts had been made in the accounts. The need for an early realisation of old dues and making necessary provision for doubtful debts called for the immediate attention of the management.

658. It was explained that, out of Rs. 11,316,920 outstanding against the Trade Debtors (Local Sales) for 1974-75 and 1975-76 as on 30th June 1978, an amount of Rs. 1,878,226 had already been recovered|adjusted upto 31st October, 1979, and efforts were being made to realise the amount outstanding against the Local Textile Industry.

659. Audit informed the Committee that the Saigol Group had not yet started the payment of agreed instalments, whereas no such agreement had, till yet, been made with M|S Dawood Cotton Mills. Substantial amounts were outstanding against the Saigol and Dawood Groups. The departmental representative informed the Committee that they had since entered into agreement with the Dawood Group also. Clarifying the position, the representative added that the Corporation's demand amounted to Rs. 72 lakhs, but the Corporation had to pay to Dawoods about Rs. 28 lakhs, on account of penalty. The demand having been accepted, only Rs. 42 lakhs remained recoverable from Dawood. Explaining the incidence of penalty, the departmental representative said that, according to the contract, if the Corporation failed to gin the stipulated quantity, a penalty was to be paid at the rate of Rs. 40 per bale. The Corporation had failed to gin 46,380 bales in the Burewala Ginning Factory in 1975, as kapas was not available. Hence the claim of Dawoods had to be accepted. In reply to the query, as to why did the Corporation enter into such a contract when the area was a tricky one, it was stated that, initially, the production of kapas had been verified from the past statistics in that area, but it had been verified that the kapas yield in that area got reduced to only 30% of the originally expected production.

660. The Committee noted that, although the provision of penalty had been included in the contract, there was yet a saving clause in the contract. The departmental representative explained that Dawoods insisted on the payment of penalty and, to settle the matter, the Corporation agreed to its payment. The departmental representative confirmed that, actually, the full amount had been recovered, bacuse they had charged interest from 1975 to 1980 and increased their claim to 48 lakhs against an actual claim of Rs. 46 lakhs receivable from Dawoods.

661. Not being fully satisfied with the department's explanation, the *Committee desired the Audit to furnish a full and complete report to the Committee about the long-outstanding debtors of the Corporation. The Committee directed that the Corporation should, in turn, furnish all the relevant information to Audit, as early as possible.*

Rice Export Corporation of Pakistan Ltd.

662. *Funds, liabilities and assets (Para 179—Item 2—page 353—CA).*—After some discussion, the Committee observed that the amount of Rs. 29.29 crore, shown as Government of Pakistan Fund, should be reconciled with the Ministry of Food and Agriculture and the Government account. Audit should then report back to the Committee.

663. The Committee further observed that all the borrowings by the Corporation on the Government account and as an agent should appear in Government account and should have been shown in deficit financing. *A similar exercise could be undertaken by other organisations, which act as agents of Government, in order to set the record straight.*

Pakistan Tobacco Board (Paras 180—182—Pages 358—363—CA)

664. No observation was made by the Committee on these accounts excepting some information sought for and furnished about money deposited in the Treasury, construction of buildings for Research Centres, etc.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

665. Audit was requested to check the replies furnished by the Ministry and report back with their comments, if any.

666. *Points|paras not discussed to be treated as settled.*—The Committee did not make any observation on the other points|paras in the Appropriation|Commerical Accounts or Audit Report thereon. These would be treated as settled subject to such regularising action as might be necessary under the rules.

MINISTRY OF EDUCATION

667. The examination of Appropriation and other Accounts pertaining to the Ministry of Education for the year 1977-78 and the Report of the Auditor-General thereon was taken up next. The following departmental representatives were present :—

(1) Mr. Abdul Ali Khan, Secretary.

(2) Dr. Tahir Husain, Joint Secretary.

(3) Mr. A. K. Husain, Joint Educational Adviser.

(4) Mr. M. Ashraf Qureshi, Joint Educational Adviser.

(5) Col. M. A. Saleemi, D. D. E. I.

668. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Education	39
2.	Education	40
3.	Federal Government Educational Institutions in the Capital and Federal Areas	41
4.	Federal Government Educational Institutions in Cantonments and Garrisons	42
5.	Development Expenditure of Ministry of Education	144
6.	Capital Outlay of Ministry of Education	174

669. *Reconciliation of Accounts with Audit.*—The Committee noted that, so far as 1977-78 was concerned, the department had completed reconciliation except for the Directorate of Federal Educational Institutions. The Committee was informed that, as from 1977-78, expenditure on such institutions was being incurred by the Directorate of Army Education. Before that, control of the Institutions rested with the Ministry of Education and there was no difficulty in getting the figures of expenditure reconciled. As from 1977-78, the Ministry of Defence had been administering the Federal Educational institutions, but finances therefore were being made available by the Ministry of Education. The Army representative explained that it was only three years ago that the control of these institutions had been transferred to the Army and they were not aware of the accounting procedure. Now they were doing their best to catch up. The Committee observed that the outstanding reconciliation should be completed at the earliest possible.

APPROPRIATION ACCOUNTS

670. *Grant No. 39—Ministry of Education (Page 53—AA).*—The excess of Rs. 148,083 against group head "A-Secretariat" was explained as having been mainly due to adjustments made by Audit, after the reconciliation of accounts of the sub-heads "A. 1 (4)—Other Charges (Rs. 54,984)" and "A. 1 (5)—Contribution to International Organisations (Rs. 61,750)". A member remarked that the explanation about the excess of Rs. 61,750, as being due to post-reconciliation

adjustment by Audit, was not very satisfactory. It was the known annual liability of the Ministry to make contributions to international organisations in time. That being so, a provision for the same should have been made in the budget of the Ministry. Payment in such cases would, no doubt, be made by Audit on the instructions of the Ministry.

671. Thereupon, the departmental representative submitted that he was not very sure about issue of any authority to Audit for such payment, as he was doubtful whether the expenditure pertained to his Ministry at all.

672. The Audit representative informed the Committee that it was on the authority of the Ministry that this payment had been made. They could show from the Budget that it pertained to the Ministry of Education.

673. *Audit was, thereupon, requested to have the position resolved in consultation with the Ministry.*

674. *Group head "F-Cultural Sections|Centres in Foreign Countries" (Page 53—AA).*—The Committee observed that the saving of Rs. 100,335 against this group head should have been surrendered by the Ministry. The departmental representative admitted the omission.

675. *Grant No. 40—Education (Page 54—AA).*—Audit informed the Committee that expenditure in respect of this Grant would be sorted out by them with the Ministry and they would report back the final position to the Committee, later. The Committee agreed with the suggestion.

676. *Grant No. 41-Federal Government Educational Institutions in the Capital and Federal Areas (Page 55—AA).*—Against the Final Grant of Rs. 23,193,000, there was an overall excess of Rs. 133,271 which was explained as being mainly due to cut in the Supplementary Grant asked for Rs. 5,912,000, to meet the effect of the Revised National Pay Scales. The Finance Division agreed to a supplementary grant of Rs. 5,766,000 only. As a result, the excess, reported by Audit could not be covered. The actual excess would have amounted to Rs. 167,495, but it was reduced to Rs. 133,271 due to a saving of Rs. 34,224, mainly under the group-head "C", Middle.

677. *The Committee observed that, since a categorical statement had been made by the Ministry, Finance|Audit should check whether the Supplementary Demand had been rejected by the Finance Division. If so, what reasons were given by the Finance Division for doing so?*

678. *Grant No. 42-Federal Government Educational Institutions in cantonments and Garrisons (Page 56—AA).*—There was no material point under this grant for consideration of the Committee.

679. *Grant No. 144-Development Expenditure of Ministry of Education (Page 165—AA).*—The saving of Rs. 2,223,565 against the group head "Z-Grants-in-Aid" was explained as being mainly due to non-adjustment of debits pertaining to the payment made to the Secretary, Education Department, Punjab, as sanctioned by the Ministry, *vide* authority letters No. F. 2,110|76-P&D, dated the 15th January, 1978 and the 23rd May, 1978 for Rs. 625,000 and Rs. 1,875,000, respectively. When questioned as to why were these not posted the Audit representative accepted the omission and informed the Committee that they were improving the system and hoped that this would not happen in future.

680. The Committee noted that there was some confusion in the accounts of the Ministries of Education, Commerce, etc., in respect of the accounts passing through the Chief Accounts Officer, Ministry of Foreign Affairs and that the matter should be gone into for effecting the necessary procedural and other required improvements. Audit representative promised to see as to why the debits were not being accounted for promptly in all the cases and who was responsible for the same.

681. *Recoveries—Group head "L-Education (Pages 165-166—AA).*—An excess recovery of Rs. 10,700,000 was reported by Audit against the item under "Introduction of Agro-technical Subject in the General School System". The Committee was informed that details of actual recovery had not been made available to the Ministry. The Audit representative submitted that adjustment was made on advice from the Economic Affairs Division *vide* their letter No. 15 (17) FA-IV|78, dated 21st November, 1978. The departmental representative said that the Audit might have received information from the Economic Affairs Division, but the Ministry of Education were totally unaware of it. *After some discussion the Committee requested Audit to look into the matter and report back the factual position to the Committee.*

682. *Grant No. 174-Capital Outlay of Ministry of Education (Page 194—AA).*—There was nothing material for consideration under this grant.

COMMERCIAL ACCOUNTS

National Book Foundation

683. *Compilation of Accounts [Para 3 (iii), page 5—CA].*—Audit informed the Committee that audit of the accounts for 1972-73 to 1974-75 was in progress, whereas the accounts for 1975-76 to 1977-78 had not yet been compiled. The department corrected Audit by saying that the accounts for 1975-76 to 1977-78 were also now complete. The departmental representative was requested to have the same furnished to Audit. He promised to do so.

684. *Misappropriation of sales proceeds amounting to Rs. 501,779 (Paras 14, page 17—CA).*—After some discussion, the Committee directed that a fresh explanation should be furnished to Audit, who would examine the same and report back to the Committee, if considered necessary.

COMPLIANCE ON POINTS CONTAINED IN THE REPORTS FOR 1972-73, 1973-74 AND 1974-75

685. Audit was requested to examine the replies furnished by the Ministry and report back with their comments, if any.

686. *Points|paras not discussed to be treated as settled.*—The Committee did not make any observation on other points|paras in the Appropriation|Commercial Accounts or Audit Reports thereon. These would be deemed as settled subject to such regularising action as might be necessary under the rules.

DEFENCE PRODUCTION DIVISION

687. The Appropriation and other Accounts of the Defence Production Division for 1977-78 and the Report of the Auditor-General thereon were examined by the Committee on 24th May, 1980 in their earlier session. However, some items, complete replies in respect of which were not considered by the Committee on the above date, were taken up for examination on 24th August, 1980. The following departmental representatives were present:—

(1) Mr. M. A. Jabbar, Joint Secretary.

(2) Maj. Gen. Sajjad Hussain, DGP (Army).

(3) Mr. M. M. Saeed, DICR.

688. *Reconciliation of Accounts with Audit.*—The Committee was informed that reconciliation up to 30th June, 1979 had already been completed. Reconciliation work for 1979-80 was going to be taken up *w.e.f.* 25th August, 1980, as the relevant ledgers of the AGPR office were not found to be complete earlier. The Committee desired that Audit should look into this and the reconciliation speeded up.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

689. *Irrecoverable amount on account of risk purchase—Rs. 10,000 [Item II (i) 28, page 7—AA—Defence Services].*—It was explained by the department that as the stores offered by M|s. Allied Metal Industries, Lahore were found to be defective, the firm was asked to re-offer standard stores as per the terms of the contract and complete the supplies, failing which the sub-standard stores would be repurchased from the maker at their risk and cost. As the firm did not respend to the notice, the contract was cancelled at their risk and another contract was concluded with M|s. National Containers Limited, Karachi involving risk purchase amounting to Rs. 11,000 against M|s. Allied Metal Industries. On an appeal submitted by the firm, the case was referred to arbitration. The learned Arbitrator decided that Rs. 1,000 only be recovered from the firm and the balance Rs. 10,000 be borne by the State. Accordingly, the balance of Rs. 10,000 had been written off.

690. In view of the explanation offered by the department, the para was treated as settled.

691. *Irrecoverable amount of Rs. 6,314 on account of risk puchase [Item II (i) 29, page 7—AA—Defence Services].*—The Committee was informed that, since M|s. H. Ghulam Mohiuddin and Sons had failed to supply the material within the stipulated period, the contract was cancelled at the firm's risk and expense and a fresh contract for the supply of stores was concluded with another firm, involving risk purchase, amounting to Rs. 6,314. The defaulting firm was repeatedly requested to deposit the amount in Government Treasury|State Bank of Pakistan, but to no avail. After making all possible efforts to recover the amount, the case was reviewed by the DGP (Army) on November, 1976, and, finally, the risk purchase amount was written off by the competent authority.

692. No observation was made by the Committee on the above explanation and the para was treated as settled.

AUDIT REPORT (DEFENCE SERVICES)

693. *Extra expenditure of Rs. 110,750 due to delay in acceptance of the lowest offer (Para 24, page 14—AR—Defence Services).*—Audit complained that the irregularity had been pointed out to the Department as long ago as in January, 1974, but they did not respond to it until March 20, 1976 when they stated that the loss

amounted to only Rs. 18,111, caused mainly due to delay on the part of the indentor in accepting the offer, as it then exceeded 20% of the indent value. Though this contention helped to shift part of the responsibility to another department under the same Ministry, it did not absolve the Ministry of the delay, which :—

(a) in the first instance took place due to tenders having been called for a forbidden item (imported instead of indigenous); and

(b) was also caused due to non-processing of the case by the Purchasing Agency and the indenting authority as promptly as they should have done the same.

694. Audit further questioned the figure of loss, namely, Rs. 18,111, as worked out by the Department, inasmuch as it reflected only the difference between the FOR cost of the first tender which included duties and taxes, and the C & F cost of the accepted tender, which excluded them, as the shipment was being handled by the Department. In the Audit's estimation, the actual loss to the State amounted to Rs. 110,750 which needed to be investigated into for remedial measures to prevent the disregard of technical instructions and delay in processing of cases, in the future.

695. While explaining the background of the case, the departmental representative submitted that delay in the procurement of stores and an extra expenditure of Rs. 18,111 took place due to the procedural requirement which necessiated—

(a) retendering (on 28th January, 1971) to provide a fair chance to all quotee firms for offering stores (un-armoured type of cable) on competitive terms; and

(b) referring the case on 26th April, 1971 to the Indentor for the acceptance of rates *vide* para F of Financial Regulations 1961, and delayed decision by the indentor|user, probably due to lack of required funds, resulting in the expiry of validity of the first lowest offer.

696. After some discussion, the Committee observed that the department (Defence Production Division) should examine as to why (i) the irregularity of indenting without funds should have been at all committed and (ii) delay should have been caused by the indentor in taking a prompt decision resulting in the increased cost. The procedural defects, if any, leading to the above situation, might also be located for necessary rectification|modifications, etc. A report should then be furnished to the Committee.

697. *Cases of serious irregularities* [*Para 25.6 (a) (i) to (v), pages 16—19—AR—Defence Services*].—Audit was requested to look into these cases in the light of the report of escalation committee and report to the Committee with their comments, if any.

698. The Committee then adjourned to meet again at 9.00 a.m. on Monday, the 25th August, 1980.

M. A. HAQ,
Secretary.

Islamabad, the 3rd November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 25th August, 1980

Ninth Meeting

699. The *Ad-hoc* Public Accounts Committee continued its examination of the Federal Accounts for 1977-78 in the State Bank Building, Islamabad, from 9.00 a.m. The following were present :—

Ad-hoc *PAC :*

(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. Yusuf Bhai Mian, Chartered Accountant. *Member.*

National Assembly Secretariat :

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

(2) Mr. I. H. Siddiqi, Deputy 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, Islamabad.

(5) Khawaja Abdul Waheed, Director, Commercial Audit.

Ministry of Finance :

(1) Mr. Inamul-Haq, Joint Secretary, Finance Division.

(2) Mr. Abdul Hameed, F. A. (Finance).

(3) Ch. Mahmud Ahmed, D. F. A. (Law, Parliamentary Affairs, Election Commission and Supreme Court).

700. *Accounts examined.*—The accounts of the following Ministries|Divisions etc., were examined by the Committee during the course of the day :—

(1) *Ministry of Law and Parliamentary Affairs :*

(a) Law Division.

(b) Parliamentary Affairs Division.

(2) Supreme Court of Pakistan.

(3) Election Commission of Pakistan.

(4) *Ministry of Finance and Economic Affairs :*

(a) Finance Division.

(b) Central Board of Revenue.

(c) Economic Affairs Division.

LAW DIVISION

701. The Committee first took up, for its examination, the Appropriation Accounts of the Law Division for the year 1977-78 and the Report of the Auditor-General thereon. Mr. G. S. Ghanghro, Joint Secretary, represented the Division.

702. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Law and Parliamentary Affairs (except Group-head 'B') ..	99
2.	Other Expenditure of Ministry of Law and Parliamentary Affairs	100

APPROPRIATION ACCOUNTS

703. *Grant No. 99—Ministry of Law and Parliamentary Affairs (Page 118—AA).*—No observation was made by the Committee on this grant.

704. *Grant No. 100—Other Expenditure of the Ministry of Law and Parliamentary Affairs (Page 119—AA).*—The saving of Rs. 32,260 against the group head "A—Income Tax Appellate Tribunal" was ascribed to less expenditure having been incurred than anticipated. To the Audit representative's observation that the saving had not been properly explained, the departmental representative replied that the saving accrued because some posts in Peshawar Circle remained unfilled. Requisition was sent to the Public Service Commission, but appointments could not materialise till the close of the year. Replying to another query, the departmental representative submitted that as the Income Tax Tribunal anticipated this expenditure, it was not surrendered.

705. *Reconciliation of Accounts with Audit.*—The Committee noted that reconciliation in respect of Grant No. 98—"Other Expenditure of the Ministry of Law and Parliamentary Affairs (1978-79)" and Grant No. 96— "Other Expenditure of the Ministry of Law and Parliamentary Affairs (1979-80)" was not completed, particularly in the Karachi, Lahore and Peshawar Circles. The departmental representative assured the Committee that the outstanding reconciliation would be completed early and the department would depute their own Section Officer for the purpose.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

706. Audit was requested to check the replies furnished by the department and report back with their comments, if any.

PARLIAMENTARY AFFAIRS DIVISION

707. The Committee then took up the examination of the Accounts for 1977-78 pertaining to the Parliamentary Affairs Division and the Auditor-General's report thereon. Mr. G. S. Ghanghro, Joint Secretary, represented the Division.

708. This Division controlled Grant No. 99—Ministry of Law and Parliamentary Affairs (Group head "B").

APPROPRIATION ACCOUNTS

709. *Grant No. 99—Group head "B—Parliamentary Affairs Division." (Page 118—AA).*—Audit had shown an excess of Rs. 52,079 in the Appropriation Accounts against this group head. The departmental representative contended that, there was, in fact, a saving of Rs. 221. Regarding the difference between the Audit and departmental figures, it was stated that the amount of Rs. 61,475 included the 5 per cent economy cut of Rs. 52,300, which was surrendered. But Audit had double counted this economy cut, resulting in the claimed excess. The Audit representative, thereupon, explained that the final grant was intimated to the department on 11th November, 1979, its skeleton was issued on 3rd December, 1979 and an extract of account was sent on 31st January, 1980, but there was no response from the department till 8th March, 1980, when the accounts were finally printed. *The Chairman remarked that reconciliation should have been duly effected by the department at the skeleton stage.*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

710. Audit was requested to check the replies furnished by the department and report back with their comments, if any.

FINANCE DIVISION

719. The Accounts to be taken up next by the Committee was that of the Finance Division. The following departmental representatives were present :—

(1) Mr. Qamaruddin Siddiqi, Additional Secretary (F).

(2) Mr. Inamul Haq, Joint Secretary (F).

(3) Mr. Jamil Nishtar, Chairman, M.D., A.D.B.P.

(4) Mr. S. Azam Ali, Chairman, H.B.F.C.

(5) Mr. Adnan Ahmad Ali, Chief Director, National Savings

(6) Mr. S. M. Shaukat, Mint. Master.

720. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Finance Division	45
2.	Pakistan Mint	46
3.	Superannuation Allowances and Pensions	47
4.	National Savings	48
5.	Other Expenditure of Finance Division	49
6.	Grants-in-Aid and Miscellaneous Adjustments between the Federal and Provincial Governments	50
7.	Provincial Coordination	60
8.	Capital Outlay on Pensions	129-A
9.	Federal Miscellaneous Investments	130
10.	Other Loans and Advances by the Federal Government	131
11.	Development Expenditure of Finance Division	146
12.	Capital Outlay on Mint	175
13.	Miscellaneous Capital Investments	176
14.	Development Loans and Advances by the Federal Government	177
15.	Audit	—
16.	Servicing of Internal Debt	—
17.	Servicing of Foreign Debt	—
18.	Repayment of Internal Debt	—
19.	Repayment of Foreign Debt	—

GENERAL

721. *Attendance by Principal Accounting Officers.*—The Committee noted, with concern, the phenomena of increasing absence of Principal Accounting Officers from its meetings during the Sessions, held in May and August, 1980

to examine the Federal Accounts for 1977-78. On the other hand, the level of representation of Ministries|Divisions, in some cases, went down to even that of Deputy Secretary. This, occasionally, not only rendered the deliberations of the Committee far less meaningful, but also deprived it of the benefit of the views of Principal Accounting Officers concerning the points raised by Audit on the Accounts etc. of their Ministries|Divisions.

722. The Committee was requested to recall that, it was only after considering its need, that the Principal Accounting Officers were *enjoined by the Ministry of Finance to satisfy the PAC that the Policy approved by the Legislature|Government had been carried out with due regard to economy and to furnish them with explanation of any examples to the contrary to which their attention might have been drawn. It was stated that the PAC had, for the same reason, been repeatedly †urging that the Ministries|Divisions must be represented at its meetings by the Principal Accounting Officer himself.

723. The Committee, therefore, desired that the necessity of personal appearance of Principal Accounting Officers at its meetings be re-emphasised. Besides inducing the employees, responsible for incurring expenditure and maintaining accounts, to be more careful, the presence of Principal Accounting Officers at the meetings of the PAC was also a means to enable them to locate, at first hand, the areas which needed their attention most for improvement and to know the working of their Ministries|Divisions, from the PAC's viewpoint. The Committee thought that this also provided an opportunity to the Principal Accounting Officers to identify, through it, to the Government, their genuine problems and difficulties in matters like securing funds for inescapable expenditure in time, maintenance of accounts in the required manner and effective supervision to control irregularities and improprieties.

724. The Committee felt that, since the programme of PAC meetings was fixed and intimated to all concerned well six to eight weeks ahead, it should be adequate notice for the Principal Accounting Officers to order their own engagements so as to be able to appear before the Committee. Therefore, except where he might be called upon, at very short notice, to attend a high level meeting or to pay a visit, outside the headquarters, on the same date and time, the Committee saw no reason why the Principal Accounting Officer should not himself represent his Ministry|Division at its scheduled meeting.

725. Even in the event of a short notice meeting or visit, as above, having been fixed, the Principal Accounting Officer should immediately send an intimation about it to the Committee, who may then, if at all possible, try to refix another date and time for the examination of Accounts etc. of the Ministry/ Division in question, when the Principal Accounting Officer could be present. If, however, such a re-scheduling may not be feasible, the officer next to the Principal Accounting Officer must invariably deputed to represent the Ministry| Division.

726. *Reconciliation of Accounts with Audit.*—After examining the statement, showing the latest position of reconciliation, the Committee observed that :—

(a) Reconciliation upto the third quarter of 1979-80, should be completed according to the programme laid down by Audit.

* Para 9 of Ministry of Finance O.M. No. F. 1(3)/E-I/72, dated 18-5-1973.

† Last request made in Annexure to National Assembly Secretariat u.o. No. F. 17(1)/79-Com., dated 14-5-1979.

(b) *Grant No. 48—National Savings (1978-79).*—Reconciliation should be completed at the earliest possible and the same should be carried out in all the circles.

APPROPRIATION ACCOUNTS

727. *Grant No. 45—Finance Division (Page 59—AA).*—The excess of Rs. 219,715 against the group head "A-Secretariat" could not be explained to the satisfaction of the Committee. Accordingly, *the departmental representative was directed to submit a revised explanation therefor.*

728. *Group head "I-Economic Minister Tehran" (Page 59—AA).*—The saving of Rs. 100,498 was explained as being due to (i) less booking by Audit (Rs. 49,148), and (ii) postponement of repairs of EM's residence. It was further stated that the surplus funds could not be surrendered|re-appropriated due to late receipt of information from the EM's office. The Audit representative pointed out that the CAO had informed them that the Economic Minister, Tehran had already accepted the actual expenditure, as shown in the Appropriation Accounts. He added that the CAO was the main person concerned and he would suggested that the department should contract him, for reconciliation. The departmental representative admitted that reconciliation in respect of this group head had not been carried out and they would have to check it up. *The Committee directed that a fresh explanation should be submitted to it along with one on group head "A" of this Grant.*

729. *Grant No. 46—Pakistan Mint (Page 60—AA).*—There was a small excess of Rs. 950 under this grant which was not accepted by the department. *The Committee directed Audit to verify the position and report back, if necessary.*

730. Audit had pointed out in Note 1 to this grant that the proforma Accounts of Nickel Mintage, Bronze Mintage, Aluminium Mintage, Subsidiary Account and Review of Stores Position had not been appended, as the same were not made available. The Committee was informed that the Proforma Accounts of Nickel Mintage, Bronze Mintage and Aluminium Mintage for the years 1976-77 and 1977-78 were supplied to the Accountant General, Pakistan Revenues (Sub-Office), Lahore under Mint letter No. B7 (i)-A|4081-4082, dated 15th January, 1980 and No. B. 7(i)-A|4104-4105, dated 27th January, 1980 respectively for onward transmission to the A.G., Pakistan Revenues, Rawalpindi. after due attestation by Audit. The Accounts were attested by the Office of A.G., Punjab, Lahore on 26th March, 1980 and forwarded to the A.G.P.R. (Sub-Office), Lahore under Mint letter No. B. 7 (i)-A|4226-4227, dated 26th March, 1980. Similarly, the Subsidiary Accounts and Review of Stores position for the year 1977-78, duly audited, had already been made available to the A.G., Punjab, Lahore under Mint letter No. Com. 4|79-80|6, dated 1st August, 1979.

731. The Audit representative pointed out that the Accounts were prepared late by the Pakistan Mint and, therefore, these could not be included in Appropriation Accounts for 1977-78, which were printed on 15th January, 1980. The Subsidiary Accounts and Stores Review for 1978-79 also could not be included in the book for 1978-79. *The Committee directed that the Accounts should be brought up-to-date and sent to the Accounts Office concerned, so that the same could be included in the printed Accounts.*

732. *Grant No. 47—Superannuation Allowances and Pensions (Pages 61-62—AA).*—According to Audit, there was a saving of Rs. 731,463 against the "charged" section and an excess of Rs. 21,489,394 against "Other than charged" section. It was explained that, on the basis of Revised Estimates for 1977-78,

furnished by the Accounts Offices, a Supplementary Grant of Rs. 18,549,000 was asked for to cover the additional expenditure against "Other than charged" section. But in spite of this, the total excess could not be covered, because the expenditure under this grant was not susceptible to accurate estimation. Under the provisions of the GFR, the Accounts Offices were responsible for framing the estimates, keeping in view the trends in the past. These trends were disturbed by various factors, like compulsory retirements, premature voluntary retirements, revision of pay and pension of retiring public servants. The Accounts Offices could have no control over excesses on these accounts, because of the obligatory nature of payments involved.

733. The Auditor-General submitted that such large variations year after year did underscore the need for a thorough study of the existing arrangements for the formulation of budget estimates under this head. He would suggest that Finance Division should go into it soon in association with the AGPR. The Finance Division representative assured the Committee that they would certainly look into it and apprise the Committee of the position later.

734. Discussing the excess, the Committee held the view that it was only a question of timely periodical reconciliation. Deviating from the past practice, a quarterly reconciliation would be the best possible answer and variations could be minimised this way.

735. *The Committee directed that the procedure for the estimation of original/supplementary grant should be looked into by the Finance Division, in consultation with Audit. Further, the demand for supplementary grants should be normally made on the basis of duly reconciled figures of actuals for the previous eight to nine months.*

736. *Grant No. 48—National Savings (Page 63—AA).*—The saving of Rs. 8,139,094, as shown against this grant, was contested by the departmental representative, who claimed that, according to the departmental figures, the actual expenditure was only Rs. 15,918,100 instead of Rs. 7,756,906, as shown in the Appropriation Accounts. There would be hence an excess of Rs. 22,100 instead of saving. The excess was ascribed to increase in the rental of buildings, housing National Savings Centres.

737. The Audit representative pointed out that the Accounts of this organisation were departmentalised from 1st February, 1978. The Audit Offices booked its expenditure directly upto January, 1978. Thereafter, compiled accounts were to be sent to the Audit Offices, for consolidation. The variations did not come to the notice earlier, as no reconciliation was carried out. The Skeleton Appropriation Accounts was issued on 27th November, 1979. An extract was also furnished to the Ministry, but no reply was ever received. The departmental representative submitted that the problem was that even for reconciliation between two Accounts Offices, they had to send their men.

738. *The Committee directed that the procedure for circlewise reconciliation between the Accounts Offices be streamlined after discussion with the AGPR.*

739. *Grant No. 49—Other Expenditure of Finance Division (Page 64—AA).*—The excess of Rs. 5,468,681 was explained as being due to loss by Exchange on Remittances abroad, on account of the fluctuating value of the US Dollar, with which Pak Currency was linked. It was argued that the expenditure, being of an uncertain nature, was not susceptible to an exact estimation.

740. *After some discussion, the Committee directed that Finance Division should review the position, in consultation with the Audit, and prepare a note for the Committee, about how should the exchange risk be shown appropriately in the Government Accounts (Finance Accounts).*

741. *Grant No. 50—Grants-in-Aid and Miscellaneous adjustments between the Federal and Provincial Governments (Page 65—AA).*—Audit had pointed out an excess of Rs. 433,326,734 under Group head "A-Grants-in-Aid to Provincial Governments", against "Voted and Authorised" Sections. The departmental representative contested the figure and submitted that the Final Grant against this head was Rs. 1,186,454,000, instead of Rs. 1,191,583,000 as shown in the Appropriation Accounts. The difference of Rs. 5,129,000 between the departmental and Audit figures was due to the fact that Audit had not taken into consideration the surrender order while preparing the Accounts. The Committee was further informed that, as the actual expenditure amounted to Rs. 1,186,454,000, which was exactly equal to the final grant, there was no variation between them.

742. The Audit representative accepted the position and confirmed that investigation into the difference in actuals had been completed partially and adjustments would be made in the accounts for 1979-80.

743. The Chairman remarked that he noted this happening occasionally, though it should not have taken place, at all, because these were the grants made by the Federal Government, of which the accounts could be kept at the headquarters. *The Committee finally observed that variations should be reconciled and corrected and a procedure should be evolved, so that variations were minimised in the future.*

744. *Grant No. 129-A—Capital Outlay on Pensions (Page 150—AA).*—As pointed out by Audit, there was a less recovery of Rs. 897,990 *vis-a-vis* the estimated recovery of Rs. 1,757,000 against the item "Capital Portion of Equated Payments out of Revenue". The departmental representative explained that the recovery under this head represented the write-back of the Commuted Value of Pensions from Capital to Revenue head, by equated instalments spread over 15 years. The estimates of recovery were framed by the Accountant General, Pakistan Revenue on the basis of the trend of actual recoveries during the preceding period of the financial year. The actual recoveries subsequently booked in the accounts, however, varied with the amount of pensions commuted in the past on this basis. Hence the variation between the estimated and actual recoveries. The Audit representative submitted that the differences appearing in 1977-78 as well as 1978-79 were the result of adjustments made to correct the excess or short recoveries in previous years. The total account was being reconciled with the Finance Division and the final position would be reflected in the account for 1979-80.

745. The Chairman remarked that these variations should not normally occur at all as calculations in this account could be quite exact. The recoveries were to be charged to revenue and Audit should do it in one lump. Another member added that, if Audit know the past figures at the end of the year, they could make a hundred per cent exact calculations. *The Committee finally directed that this matter may also be included in the suggested study by the Finance Division proposed earlier. However, in this case the actual figures should be reconciled and then a write-off considered. The AGPR should also give the reasons for less recoveries as compared to the budgeted amount.*

746. *Major Head "83-A—Purchase of Annuity for payments of Sterling Pensions" (Page 150—AA).*—A lesser recovery of Rs. 2,513,649 was shown by Audit against this head. It was explained that, according to the Agreement concluded by the Government of Pakistan with the U.K. Government in July, 1948, an amount of £ 8,166,848 was funded with that Government for meeting the liability of the Federal and Provincial Governments in Pakistan on account of Sterling Pensions. In return the U.K. Government undertook to pay an annuity to the Government of Pakistan for a period 50 years, on tapering basis. The principal portion of the annuity was shown as reduction in expenditure under this Demand, while the element of interest thereon was adjusted in the Revenue Account under the head "XX-Interest". The A.G.P.R., had been requested to state the reason for less recovery as compared to the budgeted amount.

747. A member remarked that, in the instant case, conversion was involved If the exchange rate had changed, it should be in the current year. *Audit was, finally, requested to let the Committee know the reasons for less recovery, as the same were not clear.*

748. *Grant No. 130—Federal Miscellaneous Investments (Page 151—AA).*—No observation was made by the Committee on this grant.

749. *Grant No. 131—Other Loans and Advances by the Federal Government (Page 152—AA).*—A saving of Rs. 22,551,200 was claimed by Audit against the sub-head "A-5-Miscellaneous Loans and Advances". The departmental representative contested that the correct Final Grant against this sub-head was Rs. 96,565,094 and *NOT* Rs. 95,580,000, as adopted in the Accounts. The departmental actuals, duly reconciled with Audit, were exactly equal to the Final Grant of Rs. 96,565,094 and hence, in fact, there was no variation. It had been also verified through reconciliation that the Audit had booked less expenditure by Rs. 23,536,294. *Audit was requested to make the necessary correction in their accounts.*

750. *Grant No. 146—Development Expenditure of Finance Division (Page 168—AA).*—The saving of Rs. 415,657,237, exhibited in the accounts against the group head "Z-Grants-in-Aid to Provincial Governments", was contested by the departmental representative, who informed the Committee that, according to the departmental actuals, total releases to the Provincial Governments during the year amounted to Rs. 589,086,000, which were exactly equal to the final grant. Thus, in fact, there was no variation. The Audit representative admitted that an amount of Rs. 438,455,764, relating to this group head, had been erroneously adjusted under Grant No. 50.

751. *Audit was requested to effect the necessary correction in their accounts and also take suitable action against those in the Provincial Circles, who were responsible for the wrong booking of Rs. 43.8 crore.*

752. *Grant No. 175—Capital Outlay on Mint (Page 195—AA).*—There was nothing material for consideration under this grant.

753. *Grant No. 176—Miscellaneous Capital Investments (Page 197—AA).*—There was no material point for consideration by the Committee in this grant, except that the department was advised to correct the name of the "National Construction Company of Pakistan Ltd." which was being shown in the Accounts as "National *Reconstruction* Company".

754. *Grant No. 177—Development Loans and Advances by the Federal Government (Page 198—AA).*—The Accounts, as presented, showed an overall saving of Rs. 2,818,205,018 against this grant. The Committee was informed that the Final Appropriation of Rs. 2,749,280,915 was made up of (i) Rs. 2,332,712,000 as Loans out of Internal Resources and (ii) Rs. 416,568,915 as Loans out of External Resources to Provincial Governments. The entire amount of Rs. 2,332,712,000 was released to the Provincial Governments during the year 1977-78. Against the sub-head "Loans out of External Resources", the Audit actuals of Rs. 255,077,347 were correct. The saving of Rs. 161,491,568 was attributable to foreign exchange loans to Provincial Governments having been short disbursed on account of a lesser receipt of foreign loans from the foreign lenders than originally anticipated, and the actual disbursements from the lending countries could not be accurately predicted. As the saving was noticed after the close of the financial year 1977-78, it could not be surrendered in time.

755. The Audit representative submitted that reconciliation in this case had been carried out in May, 1980 after the printing of Accounts. Some short|excess bookings had been adjusted in the 1978-79 accounts and some were still being looked into. These would be adjusted in 1979-80. *The Chairman remarked that this must be done quickly, as the variations were substantial. They must be reconciled and corrected right away. They might have gone into suspense somewhere. At least the loans and grants of the Federal Government should be shown correctly.*

756. *Appropriation "Audit" (Page 218—AA).*—The excess of Rs. 24,042 against the group head "B-Accounts and Audit Offices" was explained as being due to unavoidable expenditure on the purchase of Cheque Books and repair of adding machines in two Accounts and Audit offices. The said expenditure was proposed to be financed by re-appropriation, but it was not agreed to by the Finance Division.

757. Not being fully satisfied with the explanation, *the Committee directed that it should be checked as to to what had actually happened and a detailed explanation submitted to the Committee.*

758. *Appropriation "Servicing of Internal Debt" (Page 219—AA).*—There was an excess of Rs. 121,431,316 against the group head "B-Unfunded Debt". It was explained that the "Unfunded Debt" consisted of (i) Saving Bank deposits, cash certificates, etc., (ii) State Provident Funds, and (iii) Special Deposit Accounts. The main reason for the excess under this sub-head was more encashment|withdrawal of certificates|deposits than that finally estimated. Also, the excess was due to the payment of interest on the large balances in the Provident Funds, as a result of greater accumulation during the year.

759. The explanation for excess, being due to payment of interest, was not considered to be satisfactory and *the Committee directed that item-wise details of Rs. 12.1 crore should be furnished and gone into along with the correct explanations.*

760. *Appropriation "Servicing of Foreign Debt" (Page 220—AA).*—No observation was made by the Committee on this Appropriation.

761. *Appropriation "Repayment of Internal Debt" (Page 221—AA).*—The reported saving of Rs. 627,423,851 against the group head "A-Permanent Debt-Rupee Debt" was explained as being due to redemption of Market Loans. Final

Appropriation in respect of Market Loans was worked out on the basis of redumption liability of a specific Loan|Loans, due to mature in a fiscal year. However, scrips of new loan|loans in exchange of securities of old loans could be issued by the State Bank only gradually and not all at once. Hence the vast variation between the final appropriation and actual expenditure. Replying to queries, the departmental representative submitted that if the conversion of the amount, which was to be due for redemption, took place in June, then there would be no saving. But the conversion did not take place in June and was usually spread over another period. A member remarked that he was only talking of the people, who had accepted the offer of conversion, and would naturally require that interest on loans subscribed by conversion should be paid right from the day of new floatation.

762. *The Committee finally observed that exact figures should be found out from the State Bank, as the explanation given by the department was not, at all, meaningful, and a fresh explanation might then be furnished.*

763. *Sub-head "B-2—Other Floating Loans" (Page 221—AA).*—The saving of Rs. 447,985,587, under this sub-head, was ascribed to Government Treasury Deposit Receipt and Ways and Means Advances, obtained from the State Bank of Pakistan. It was also contended that, as the transactions relating to the Government Treasury Deposit Receipts were highly fluctuating and uncertain, it was not possible to frame exact estimates in respect of these receipts. Similarly, it was virtually impossible to pre-determine as to what extent would the Ways and Means Advances be availed of.

764. A member remarked that this could be known to the department by the end of May, when the department would also know as to how many more treasury bills were they going to raise. The explanation submitted by the department was, therefore, termed as unsatisfactory. The departmental representative submitted that they did not really know this even by the end of July. Till the 30th June, Finance Division was not aware of the size of deposits that were going to be covered by the floating loans. The Auditor-General added that a larger amount in respect of *ad-hoc* was available. Whatever instructions were to be issued should have been issued by the close of the year. There had to be a closer contact with the State Bank, because the Accountant General would not have this information. The departmental representative replied that they had contacted with the State Bank at the end of the year, but the figures of 30th June were not available with them readily. The Auditor-General said that, even if the Finance Division could find this by the 3rd July, the Accountant General could keep the books open in order to reflect the final position therein.

765. The Chairman remarked that these were loans which were borrowings against stock. As such, there was no problem of GIDR. But so far as other floating loans were concerned, these included borrowings from the banking system, in which case the figures could be available almost immediately.

766. *Appropriation-Repayment of Foreign Debt—(Page 222—AA).*—Explaining the excess of Rs. 176,431,462 against the sub-head "A. 2.-Food Credits" reported by Audit, it was stated that the same was due to the charging of Rs. 176,576,741 by the State Bank of Pakistan, Karachi, erroneously to Federal Government Accounts on 6-4-1978. This had now been withdrawn in the Accounts for the year 1978-79, by preparing a Journal entry by the AGPR, Islamabad. Consequently, the excess of Rs. 176,431,462 would be converted into a saving of Rs. 145,279. *Audit was requested to verify and make the necessary rectification in the Accounts.*

766A. *Grant No. 60-Provincial Coordination (Page 77—AA).*—Audit pointed out that reply relating to this grant was not furnished by the Ministry.

COMMERCIAL ACCOUNTS

House Building Finance Corporation

767. *Working results (Para 210, page 426-CA).*—According to the Audit Report, the Corporation earned a net-profit of Rs. 6,705,766 during the year under review as compared to a net loss of Rs. 3,671,290 in the preceding year. The net profit resulted from (i) increased subsidy amounting to Rs. 22,593,600, received from the Government of Pakistan on flood loans as compared to Rs. 17,177,306 in the preceding year and (ii) receipt of interest on flood loans, amounting to Rs. 8,339,244, during the year.

768. It was suggested that it would not be appropriate to compare the profit of Rs. 6,705,766 for the year 1977-78 with the previous year's loss of Rs. 3,671,290, as Rs. 11,646,285, on account of interest of funds blocked in the assets lost in the former East Pakistan, had not been charged in the Profit and Loss Account during the year 1977-78, in terms of the latest Government instructions. If the amount on account of interest on funds blocked in the assets lost in the former East Pakistan were charged to the accounts of the year 1977-78, the profit of Rs. 6,705,766 would turn into a loss of Rs. 4,940,519.

769. It was seen that interest had been calculated and debited, but it could not be found as to whether it had been balanced in the income amount. *The Committee desired that the Finance Division might go into the policy question as to how should the assets|liabilities of the former East Pakistan be dealt with in their books, by the various organisations concerned, so that a uniform procedure and practice was followed by all. For example, the House Building Finance Corporation was showing interest calculated on the assets, whereas the Agriculture Development Bank of Pakistan was not doing so.*

770. *Disputed Cheques (Para 211, page 426—CA).*—It was reported that cheques issued by the Corporation during this year, detailed below, stood disputed with the Bank :—

	Rs.
(*i*) House Building Disbursement Loan Account	3,379,724
(*ii*) Flood Relief Disbursement Loan Account	1,429,000
(*iii*) Expenditure Account	23,524
Total ..	4,832,248

771. The Committee was informed that, out of the total oustanding amount of Rs. 4,832,248, against the disputed cheques, a sum of Rs. 2,487,375 had since been cleared. Efforts were being made to clear the remaining amount.

772. It transpired in the discussion that the account of cheques, issued by the HBFC, and the disbursement account, as furnished by the banks, did not tally. The bank was asked to produce the cheques for reconciling the difference, but they pleaded that the writings on cheques had been washed off due to floods. This position had, however, not been accepted by the Corporation and the production of mutilated cheques was being insisted upon. The Chairman observed that

there was a possibility of some fraud somewhere and it should be looked into. The written and oral explanations not having satisfied the Committee, *it desired that a detailed report, with full facts, should be furnished to it, indicating, among other, as to what was the extent of actual discrepancies, how did the dispute arise and the amount of Rs. 24,87 lakhs reconciled and whether any misappropriation was involved in the disputed cheques?*

773. *Housing loans (Para 212, page 426—CA).*—Audit had pointed out that the amount of Rs. 1,374,110,905, shown in the Balance Sheet as "Housing Loans", differed from the aggregate of the ledger balances of individual borrowers by Rs. 20,230,094. It was explained that the reconciliation of Ledger balances with the aggregate balance was being carried out to locate the variation and make the necessary adjustments.

774. *The Chairman remarked that this should be looked into immediately to find out what was the cause of the discrepancy. Perhaps the entries were not being properly recorded in the Corporation's ledgers and this entailed a serious financial risk.*

775. The Chairman further observed that the total balance amount of about Rs. 2 crores did not appear in the ledger. One member suggested that the Corporation might also make sure that the counter-foil was signed by the person, who might be signing the cheques.

776. *Outstanding advances (Para 213, page 426—CA).*—An amount of Rs. 283,108 was stated to be oustanding against the employees on account of Travelling Allowances. The Committee was informed that Rs. 127,327 had since been adjusted against the outstanding TA advance of Rs. 283,108. Efforts were being made to clear the remaining amount. Stressing the need for early recovery, the Committee observed that the very old ones should be cleared soon.

777. *Advances given against Capital items (Para 214, page 427—CA).*—According to Audit, advances against Capital items of work and other expenses to the extent of Rs. 1,219,903 were outstanding up to the end of the year under review. It was explained that advances given against Capital items of work and other expenses, amounting to Rs. 1,219,903, outstanding at the end of 1977-78, had been cleared to the extent of Rs. 327,400 and efforts were being made to clear off the outstanding amount.

778. A member remarked that the details given in the para were not helpful. What the Audit should have done was that they should have taken up two or three items, concentrated on them and given a fuller report. Audit promised to furnish more details.

(i) **Pakistan Refugee Rehabilitation Finance Corporation.**

(ii) **Agriculture Development Bank.**

(iii) **State Bank of Pakistan.**

779. No observation was made by the Committee on these accounts except certain information regarding the payment of interest and liabilities of former East Pakistan, sought for and obtained from the departmental representatives.

780. *Audit of autonomous organisation set up under the Government.*—This issue was examined by the Auditor-General at length, in consultation with the Finance Division and a Note was circulated by him to the Committee (Appendix "A"). A copy of the Note was also handed over by him to the Additional Secretary, Finance Division, who came to represent the Ministry. Since the copy of this 'Note' was given to them the same day by the National Assembly Secretariat, the Committee wanted to study it in detail and deferred it to their next meeting.

COMPLIANCE ON POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 173-74 AND 1974-75.

781. Audit was requested to check the replies furnished by the department and report back with their comments, if any, before the next session of the Committee.

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

CENTRAL BOARD OF REVENUE

783. Following the Finance Division, the Committee took up the examination of Appropriation Accounts etc. for 1977-78 pertaining to the Central Board of Revenue. The following departmental representatives were present :—

(1) Mr. N. M. Qureshi, Chairman, CBR.

(2) Mr. S. A. Nawab, Member, CBR.

(3) Mr. G.A. Jahangir, Member, CBR.

(4) Mr. Buland Akhtar, Secretary.

(5) Mr. Riaz Husain Naqvi, Chief (Central Excise).

784. This Board controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Central Board of Revenue	51
2.	Sea Customs	52
3.	Land Customs and Federal Excise	53
4.	Taxes on Incomes, Corporation Tax and Sales Tax	54
5.	Estate Duty	55

785. *Reconciliation of Account with Audit.*—The Committee noted that reconciliation work was in arrears. The departmental representative was directed to have programme chalked for carrying out reconciliation and responsibilities therefor fixed. Reconciliation for 1979-80 accounts should receive priority and it should be ensured that this work was completed by September, 1980 and a report submitted to the Committee.

APPROPRIATION ACCOUNTS

786. *Grant No. 51-Central Board of Revenue (Page 66—AA).*—No observation was made by the Committee on this grant.

787. *Grant No. 52-Sea Customs (Page 67—AA).*—The saving of Rs. 509,734, shown by Audit against the group head "A-Direct Expenditure at the Ports", was explained as being due to (i) non-submission of TA bills by the crew upto 30-6-1978 (Rs. 31,421), (ii) non-finalisation of purchases of furniture, laboratory stores and Weighing Scales (Rs. 58,544), (iii) non-receipt of bills from the Printing and Stationery Department (Rs. 14,175), (iv) non-payment of rent due to non-issue of sanction (Rs. 15,405), (v) non-receipt of bills of teleprinter and telephone charges (Rs. 28,934) and (vi) non-payment of repair and maintenance charges of boats for want of sanction (Rs. 361,255).

788. *After some discussion, the Committee directed that responsibility for the non-surrender of Rs. 361,225 for repairs of boats should be fixed and it should also be found out as to why did the Finance Division, refuse to sanction the amount.*

789. *Grant No. 53—Land Customs and Central Excise (Page 68—AA).*—The Committee noted that the department had failed to surrender the saving of Rs. 756,980 which had occurred under group head, "D-Rewards for anti-smuggling operations" due to non-finalisation of reward cases. *The department was asked to be more careful in future.*

790. *Grant No. 54—Taxes on Income, Corporation Tax and Sales Tax (Page 70—AA).*—An excess of Rs. 37,744 against the group head "B-Departmental Representatives, Income-Tax Appelate Tribunals" was reported by Audit. The Departmental representative explained that the Final Grant being Rs. 435,700 instead of Rs. 433,600 as shown in the Appropriation Accounts, there was an excess of Rs. 35,644, which was due to the wrong booking of expenditure in the Punjab Circle. The Audit representative admitted that the difference of Rs. 2,100 in the Final Grant was due to an inadvertent non-accountal of one-appropriation order dated 4-9-1977.

791. *Audit was requested to check up if the excess was due to wrong booking. If so, the accounts should be corrected.*

792. *The Committee also recommended the re-grouping of classification for rationalisation in consultation with Finance Division.*

793. *Group head "D-Commission to Post Office Department for collection of Sales Tax on Inward Parcels" (Page 70—AA).*—The saving of Rs. 325,000 against this group head was attributed to non-adjustment of the amount payable as commission to the Post Office Department. After some discussion, *the Committee came to the conclusion that where a department renders service to another department, the Commission rate should be fixed on the basis of the past performance and paid promptly. The next year's rates should also be fixed with reference to current position and payments should not be held up on this account.*

794. *Group head "E-Contributions to Staff Welfare Fund" (Page 70—AA).*—The saving of Rs. 25,200 against this group head was stated as being due to non-adjustment in the Central (Rs. 8,200) and the Punjab (Rs. 17,000) Circles of Accounts. The Audit representative pointed out that the booking of Rs. 25,000 in Karachi (Central) Circle had been reconciled and accepted by the Department on 22-7-1979 and even this was now being disputed. The saving in the Punjab Circle was not disputed and no reconciliation was carried out. *The departmental representative was requested to look into it and resolve the variations with Audit.*

795. *Group head "G-Lump Provision for re-imbursement of medical charges" (Page 70—AA).*—There was a saving of Rs. 245,500 against this group head. It was explained that the amount of Rs. 245,500 was re-appropriated to other sub-heads, reducing the final grant under this group head to nil. The Committee observed that there was again the same problem of non-accountal. There was something amiss about these re-appropriations. The Audit representative informed the Committee that they were already taking action in the matter.

796. *The departmental representative was requested to look into the advisability of retaining so many group heads and give some thought to the possibility of re-grouping them. The departmental representative undertook to do so.*

797. *Grant No. 55—Estate Duty (Page 72—AA).*—Explaining the excess of Rs. 23,363, pointed out by Audit against the group head "A-Headquarter's Establishment", the departmental representative stated that. after taking into account the amount of Rs. 33,300, which was surrendered on 29-6-1978, the excess

under this group head amounted to Rs.56,663, which was due to certain adjustments made by Audit in the supplementary accounts in the Punjab Circle, details of which were not made available to the department.

798. Replying to this explanation, the Audit representative said that the difference of Rs. 33,300 in the final grant was due to non-receipt of Surrender Order, which was never pointed out earlier. Further, the department was requested in March, 1979, to reconcile the actuals, the department was followed up by 17 reminders till June, 1980, but no reconciliation was carried out.

799. *The Committee took a serious view of this lapse and directed that, if the Audit statement was correct, the responsibility should be fixed and action taken by the department against the persons, who wilfully failed to carry out the reconciliation, in spite of 17 reminders.*

AUDIT REPORT

(CHAPTER V)

800. *Non-realisation of Customs Duty [Para 4 (i), page 40—AR].*—Audit had pointed out that three consignments of non-oral liquid contraceptives, imported in 1965 and 1968, were released free of customs duty by treating it to fall under an exemption notification issued for certain other kinds of contraceptives. It was pointed out in audit that the goods did not fall within the purview of the exemption notification and were hence assessable to customs duty at the normal Tariff rates. The concerned Customs House did not agree with Audit and the matter was referred to the Central Board of Revenue in January, 1970, who up-held Audit view point in February, 1970. The Custom House was requested to enforce the provisional demand already issued to the party in December, 1966, March, 1969 and June, 1969.

801. It was explained by the Department that the view point of Audit was accepted by the Board and a request was made to the Population Planning Division accordingly. Reminders were also issued to them *vide* Board's letter C. No. 3 (9) SS (T&V)|76-I, dated 5-6-1979, 1-7-1979, 8-10-1979, 22-12-1979 and 13-3-1980. That Division maintained their earlier position stating that, at the time of import, the consignments were exempt from customs duty and sales tax in terms of SRO 20 (R)|65, dated 22-2-1965. This was not correct as the SRO mentioned above was not found to be applicable for the category of goods, which were imported by the Pakistan Family Planning Board. The matter had been taken up with the Ministry of Health as a last resort, for directing the Population Planning Division to make the necessary payment.

802. *The Committee observed that, instead of dragging on with this case indefinitely, a write off could perhaps be considered.* The departmental representative promised that they would see if it could be recovered otherwise it would be written off.

803. *Short realization of customs duty due to incorrect application of exchange rate [para 4 (ii), page 40—AR].*—Customs Duty and Sales Tax were levied on the goods imported from U.K., by applying incorrect rates of foreign exchange. When the short realisation was pointed out in audit, a show cause notice for the recovery was issued, followed by a demand notice and a notice under MLR No. 8. In November, 1978 the case was referred to the Deputy Commissioner for enforcing recovery.

804. The Committee was informed that the latest position intimated by the Collector, Central Excise & Land Customs, Lahore, was that all efforts had been made to get the dues recovered from the defaulting party. The Deputy Commissioner, Lahore had been, approached to effect recoveries of the dues as arrears of land revenue, in terms of section 202 of the Customs Act. The dues would be recovered by the District authorities accordingly. Replying to a query, the departmental representative said that the amount involved in the case was Rs. 17,000 (roundly. *The Committee directed that further progress of the case, along with the recommendation of the Department, should be submitted to the Committee.*

805. *Short realisation of Capacity duty by ignoring increase in number of looms* [*Para 4 (iii), page 41—AR*].—The annual production capacity of a textile Mills was not recalculated by the Excise authorities on the subsequent addition of power looms, as required under the rules. Audit pointed out that this had resulted in a short realisation of Excise Duty and additional duty, aggregating to Rs. 109,662, from the concerned Mills. Consequently, a revised demand notice, covering the period from May, 1968 to June, 1974, had been issued to the Mills.

806. It was explained by the department that a demand of Rs. 103,330 for capacity duty and of Rs. 6,332 on account of additional duty (totalling Rs. 109,662) had been raised against the Mills. Hectic efforts were made to realise the arrear amounts, but there had been little response from the Mills. Now, orders for the stoppage of clearance of excisable goods, pertaining to the Mills, other than those intended for export, had been issued. Further legal action would be considered, if this action did not have the desired effect.

807. *The Committee observed that, in such cases, the department should come up with their specific assessment about whether, in their view, the amount was recoverable or had become a bad arrear.*

808. *Non-adjustment of excess export rebate on reducing Production Capacity retrospectively* [*Para 4 (iv), page 41—AR*].—The production capacity of a textile Mills was reduced in June, 1974 retrospectively from 1-10-1972. Consequently, the Mills were allowed the refund of excise duty amounting to Rs. 958,655 for the period 1-10-1972 to 30-6-1974. But export rebate already allowed to them for the period 1-10-1972 to 30-6-1973, on the basis of their pre-reduction capacity, was not adjusted, as required under the rules. This resulted in a short realisation of Rs. 130,142 as excise duty. On being pointed out in audit, a demand for the recovery of this excess duty and an additional duty of Rs. 13,014, aggregating Rs. 143,156, was raised against the Mills in December, 1975. In June, 1976, it was intimated that action to enforce Section 11 of the Central Excise and Salt Act, 1944, was being taken. This was followed by an intimation in April, 1977, that the matter was under examination at a higher level.

809. The Committee was informed that the matter was examined in the Board and it was clarified in July, 1979, to Audit that, for granting export rebate, the then authorised quantitive ceiling of the concerned category of the Mills was kept in view. In November, 1979, Audit again objected that, since the orders of the Standing Tribunal had been given retrospective effect, the rebate should also be re-adjusted retrospectively according to the reduced capacity. In the same month, the Board finally informed Audit that their decision was quite legal because, even if the rebate would have been granted to the extent of revised capacity of the medium category of the Mills, there would have been no demand against the Mills since it would have exported medium category over and above

its production capacity. Besides, no amount had been actually paid to the Mills but only the liability had been adjusted by granting rebate on exports. Hence there was no question of making any recovery and the matter stood finalised.

810. The Audit representative contended that under the Production Capacity (Cotton Yarn) Rules, 1968, (Rule 8.1), export rebate was admissible, separately, on each category of cotton yarn, *i.e.*, super fine, fine, medium and coarse. The maximum rebate was restricted to the fixed production capacity of each category. In case the export of one category exceeded the fixed capacity of that category, rebate on the excess quantity was allowed against the savings of any other category, but the rate of rebate would be that of lower category.

811. It was further added that, in this case, the capacity initially fixed for medium category was 2,169,744 lbs. The rebate was also allowed on this quantity. Subsequently, the capacity was reduced to 1,952,796 lbs. and the balance was to be adjusted against a lower category, which was not done. This resulted in an excessive rebate of Rs. 130,412. Besides, an additional duty (10% of Rs. 130,142) amounting to Rs. 13,014 was also recoverable. The Board had stated that adjustment and not recovery was due but, factually, the required adjustment had not been effected.

812. *The Committee directed that this should be gone into by the CBR and a detailed report submitted to the Committee, as a matter of principle was involved in it.*

813. *Non-realisation of sales tax from Jewellers (Para 4 (v) to (vii), pages 41-42—AR).*—The departmental representative was directed to look into these cases and have them decided, finally.

814. *Short realisation of sales tax due to application of lower rates (Para 4 (viii), page 43—AR).*—Audit had pointed out that Sales Tax on waste cotton, wire nails and wire gauze, leviable at the standard rate of 15% and 20%, was charged in certain cases, at lower rates. When the short realisation was pointed out in audit, necessary rectification was promised to be made after the verification of records, amendment etc. It was intimated in August, 1976 and November, 1977 that the differential amount of Sales Tax and Defence Surcharge had been charged and steps for their realization were being taken. The amount involved, however, still remained to be realised.

815. The Committee was informed that, in the case of M|s. Swat Textile Mills Ltd., for the years 1967-68 to 1969-70, the Sales Tax Officer had passed orders under Section 30 of the Sales Tax Act on 24-7-1976, thereby raising the Sales Tax demand previously short levied, as pointed out by the Audit party. The assessee preferred an appeal against the orders of the STO before the AAC who, *vide* Orders No. 1406 and 544, dated 24-5-1978, cancelled the STO's orders.

816. In the case of M|s. Yusuf Zai Industries Ltd., the Sales Tax Officer had passed an order under section 30 of the Sales Tax Act on 17-7-1976, after receiving the objection of the Audit party, and thereby raised the additional demand, previously short levied on account of Defence Surcharge and Sales Tax. Against this order, the assessee preferred an appeal and the learned AAC *vide* his Order No. 534, dated 28-3-1978, cancelled this order.

817. In another case of M|s. Mohsin Brothers Ltd., the Sales Tax Officer rectified the previous orders under section 30 of the Sales Tax Act and raised an additional demand of Rs. 74,704 *plus* penalty imposed at Rs. 3,735, in response to the objections made by the Audit party. The assessee had paid the whole amount on different dates, as communicated by the ITO, Company Circle, Peshawar.

818. The Audit representative pointed out that, in the case of M|s. Yusuf Zai Industries Ltd., the additional demand of Rs. 39,933, made at Audit's instance, had been cancelled by AAC, as being time-barred. Audit had pointed out the short realization on 9-12-1975, but action was not taken in time, *i.e.*, upto 26-4-1976. The responsibility for this loss needed to be fixed.

819. *The Committee desired that action be taken against those due to whom the amount of Rs. 39,933 became time-barred on 26-4-1976 and turned into a loss.*—The departmental representative promised to look into it.

820. *Non-realisation of Additional Wealth Tax [Para 4 (x), page 44—AR].*—According to Audit, an additional Wealth Tax was not realised from the various assessees, who failed to pay on or before the fifteenth day of September each year, as required under the law. In July, 1975 it was intimated that an additional tax had been levied in all cases pointed out by Audit. In April, 1976, it was intimated that show cause notices had been issued to all the assessees for recovery.

821. It was explained that Audit objections pertained to the non-levy of additional Wealth Tax for delayed payments, amounting to Rs. 204,221. It was found on scrutiny of these cases that, in seven (7) cases, additional tax was not leviable. In the remaining ones, additional tax had been levied and recovery was being pursued vigorously.

822. *Audit was requested to verify the position in the light of the departmental reply and satisfy themselves.*

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823. Audit was requested to check the replies submitted by the department and report back with their comments, if any.

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

ECONOMIC AFFAIRS DIVISION

825. The examination of Appropriation Accounts for 1977-78, pertaining to the Economic Affairs Division, was the last to be taken up by the Committee on 25th August, 1980. Mr. S. G. Ahmad, Joint Secretary, represented the department.

826. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Economic Affairs Division	56
2.	Technical Assistance Scheme	57
3.	Development Expenditure of Economic Affairs Division	147

827. *Reconciliation of Accounts with Audit.*—The Committee noted that reconciliation in respect of Grants No. 51 and 147 for 1979-80 in the Karachi Circle had not been carried out so far. The departmental representative was requested to direct their Karachi Office to do the needful.

APPROPRIATION ACCOUNTS

828. *Grant No. 56—Economic Affairs Division (Page 73—AA).*—The Committee made no observation on this grant.

829. *Grant No. 57—Technical Assistance Scheme (Page 74—AA).*—The saving of Rs. 302,521 against the group head " A—Contributions to Technical Assistance Programme " was explained as being due to non-accountal of the following expenses :—

(i) Rs. 159,600, was authorised to the Asian Institute of Economic Development by AGPR's letter No. TA-III|12-1|77-78|1197, dated 30th June, 1978, which could not be remitted by the State Bank of Pakistan, Karachi, in time, and

(ii) Rs. 142,921—Non-receipt of debits through the Chief Accounts Officer Ministry of Foreign Affairs, Islamabad on account of payments of Pay and Allowances authorised to the deputationists in foreign countries.

830. The Audit representative submitted that, as the details of the debits had not been furnished, the CAO could not be asked to get the same expedited. *The departmental representative was directed to supply the details of the debits to Audit and the CAO, Ministry of Foreign Affairs for verification.*

831. *Group head " C—Expenditure against Foreign Aid " (Page 74—AA).*—A saving of Rs. 917,849 appeared in the Accounts against this group head. The Committee was informed that the expenditure related to the grants made under USAID, Ford Foundation and the Colombo Plan. The saving was mainly due to lesser receipt of grants from the USAID Technical Assistance. Since the disbursement of Aid|Grant was made by the donor country|agency, information about the disbursement specially relating to the last quarter of the financial year was not available in the Division. It was, therefore, not possible to ascertain the precise disbursement in the financial year well in time and to regularise the excess or saving, before the close of the financial year.

832. A member remarked that the Economic Affairs Division always pleaded that they did not get the requisite information from the aid-receiving departments, but the departments put a similar blame on the EAD. He enquired if these did not go in the accounts of the EAD, at all. Recoveries were made in the respective departments and EAD did get the figures for their information|record. The Auditor-General wondered if there could be any system in the existing arrangement, so that quartely adjustments could be possible. The departmental representative submitted that the only improvement required was that in the attitude of the people concerned, who were not complying with the orders of the Government. When the EAD would ask them to verify certain things, they would reply that they had nothing to verify. So, even the best of service in the world would not work until the attitude of the concerned people changed.

833. The Committee noted that the position of EAD accounts was not registering a marked improvement for, among other, various reasons pin-pointed by the Division. *It was suggested that the problems, faced by the EAD, should be listed out succinctly and then got, preferably, considered in an appropriate ministerial meeting, for finding solutions to them.*

834. *Grant No. 147—Development Expenditure of Economic Affairs Division (Page 169—AA).*—The department contended that there was no saving of Rs. 46,418,350 against the group head "Z—Grants-in-Aid to Provincial Governments" as the entire amount of the grant had been released to the Provincial Governments. This amount was seen as saving by Audit mainly due to non-adjustment of the account in the "Central Section". It was further explained that, to obviate such non-adjustments by the Provincial Accountants General, Budget Provisions had been made in the Central Circle of Accounts since 1978-79.

835. The Audit representative submitted that debits for the expenditure, shown as savings, would be traced and adjusted in 1979-80.

836. A member remarked that there was a next step about reconciliation, namely, between the Centre and the Provinces. The Audit representative said that the problem was that of the booking of expenditure. For example, if payment was made at the Centre, the AGPR would make the booking and they would not have to send the debits. The member interjected that the problem was of major transactions, for which a simplified procedure needed to be evolved. Small amounts could continue to be resolved the way they were being done so at present.

837. Audit promised to sumbit a note to the Committee, on this issue.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

838. Audit was requested to check the replies and report back with their comments, if any.

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

840. The Committee then adjourn to meet again at 9.00 a.m. on Tuesday, the 26th August, 1980.

M. A. HAQ,
Secretary.

Islamabad, the 11th November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 26th August, 1980

Tenth Meeting

841. The *Ad-hoc* Public Accounts Committee took up the examination of the Federal Accounts for 1977-78 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. I. H. Siddiqi, Deputy 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 Husain, Accountant General, Pakistan Revenues.
(5) Khawaja Abdul Waheed, Director of Commercial Audit.
(6) Syed Jameel Ahmad Zaidi, Director, Audit and Accounts (Works), Lahore.

Ministry of Finance:

(1) Mr. Irtaza Hussain Zaidi, F. A. (Science and Technolog, Housing, Works, and Environment and Urban Affairs Division).
(2) Mr. A. Rashid Ghauri, D.F.A. (Science and Technology, Housing, Works and Environment and Urban Affairs Division).
(3) Malik Asrar Ahmad, F. A. (Health).
(4) Mr. Ainuddin, D.F.A. (Health).

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

(1) Ministry of Science and Technology.
(2) Ministry of Health and Social Welfare.
(3) *Ministry of Housing and Works:*
  (a) Works Division.
  (b) Environment and Urban Affairs Division.

MINISTRY OF SCIENCE AND TECHNOLOGY

843. The Committee first took up for its examination the Appropriation and other Accounts for the year 1977-78 pertaining to the Ministry of Science and Technology and the Report of the Auditor-General thereon. The following departmental representatives were present:—

(1) Mr. M. A. Lodhi, Joint Secretary.

(2) Mr. S. A. A. Naqvi, (OSD and F.A.).

844. It was stated that the Secretary had gone abroad and the Additional Secretary was holding charge. As such, a Joint Secretary had to be nominated to represent the Ministry.

845. This Ministry controlled the following grants:—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Science and Technology	119
2.	Other Expenditure of Ministry of Science and Technology	122
3.	Development Expenditure of Planning and Development Division [Sub-heads D-1 (2) & D-4]	148
4.	Development Expenditure of Ministry of Science and Technology (except sub-head K-1)	159
5.	Capital outlay on Ministry of Science and Technology.	198

846. *Reconciliation of Accounts with Audit.*—The Committee was informed that reconciliation in respect of 1979-80 had been completed up to 12/79 and further reconciliation would be carried out on the receipt of future programme from the AGPR's Office. The Audit representative said that programme for third quarter had already been issued and the Ministry was required to carry out the reconciliation of their accounts on the 16th July, 1980. The departmental representative contended that the programme had not reached them at all. The Committee expressed its concern over this mutual contentions and directed the Liaison Officer to find out, for suitable action against him, as to who received the programme issued by the AGPR in the Ministry and, why was no action taken by him on it?

847. It was further noted that a Lower Division Clerk was deputed by the Ministry to reconcile the Accounts with the Liaison Officer of the AGPR, who was a grade 17 Officer. *The Committee desired that all the Ministries/Divisions should be requested to depute an employee of suitable status for reconciliation work in the accounts offices concerned.*

APPROPRIATION ACCOUNTS

848. *Grant No. 119—Ministry of Science and Technology (Page 138—AA).*—The saving of Rs. 217,810, shown by Audit against the group head "A—Secretariat", was explained as being due to less expenditure on Foreign Delegates and delegations abroad and the same was duly surrendered.

849. The Audit representative contended that no surrender order was received by them and perhaps one was not issued in time because this was not pointed out by the Ministry when the "final grant" was issued on 3-9-1979 nor after the issue of sekeleton on 17-11-1979. It was only on the 21st December, 1979, that the Ministry for the first time stated that a Surrender Order had been issued, but neither a copy thereof was supplied nor the amount surrendered was mentioned. A copy of the Surrender Order dated 29-6-1978 obtained later from the Ministry, showed that Rs. 253,175 had been surrendered, which meant that Rs. 35,365 was surrendered by the Ministry in excess.

850. The Chairman remarked that the department seemed to be furnishing a misleading information. After some discussion, *the Committee directed the departmental representative to supply to Audit the full details of the expenditure under this grant for verification.*

851. *Grant No. 122—Other Expenditure of Ministry of Science and Technology (Page 141—AA).*—No observation was made by the Committee on this Grant.

852. *Grant No. 148—Development expenditure of Planning and Development Division (Page 170—AA).*—A saving of Rs. 28,859,392 was noticable against this grant. The Committee was informed that the Ministry of Science and Technology was concerned with sub-heads D. 1 (2) and D. 4 only. So far as sub-head D. 1 (2) was concerned, the actual expenditure against the Final Grant of Rs. 600,000, was only Rs. 225,600 resulting in a saving of Rs. 374,400, which was duly surrendered at the close of the financial year. As regards sub-head D.4, the expenditure against the Final Grant of Rs. 2,700,000 was Rs. 1,923,750, again resulting in a saving of Rs. 776,250. It comprised of Rs. 135,000, the 5% economy cut imposed by the Government and the balance of Rs. 641,250, which was surrendered by the Planning Division due to the transfer to the Ministry of Science and Technology of the administrative charges of ATDO from that Division.

853. Objecting to the departmental explanation, the Audit representative stated that, based on vouchers available with them, the actual expenditure against the sub-heads amounted to Rs. 212,052 and Rs. 2,622,272 respectively. He further added that neither these figures were reconciled nor was there any response from the Ministry to the skeleton issued by them on 17-11-1979. Moreover, the application of 5% economy cut, pointed out by the Ministry, was also not correct, as the same was not applicable to Development Expenditure.

854. After some discussion, *the Committee directed that the Ministry should effect the reconciliation of this grant with the Audit immediate and report compliance within the week ending 28th August, 1980.*

855. *Grant No. 159—Development Expenditure of Ministry of Science and Technology (Page 181—AA).*—Audit had pointed out a saving of Rs. 2,000,000 against the group head "C-Irrigation, Navigation Embankment and Drainage etc.". The Committee was informed that the amount was actually not a saving but it represented the aid, given by the Netherland Government through their advisers to the Drainage Reclamation Institute of Pakistan, Hyderabad in the shape of rendering advice, commodities etc. This aspect had been brought to the notice of Audit, while reconciling the departmental figures of expenditure with the figures available with Audit. The necessary adjustment could perhaps, not be made by Audit for want of advice from the E.A.D. Had this amount been taken into consideration, there would have been no saving.

856. The Audit representative confirmed the statement and said that EAD had been asked on 20-7-1980 to expedite their advice. The Chairman finally concluded that it was not a saving. The amount represented aid given by the Netherland Government.

857. *Grant No. 189—Capital Outlay of Ministry of Science and Technology (Page 213—AA).*—An excess of Rs. 194,918 appeared against the group head "Grants-in-Aid". It was explained that the excess, shown by Audit, already stood included in the final appropriation, *viz.* Rs. 11,180,418, which had been duly reconciled with the Audit. It seemed that these figures had been adjusted twice by the concerned Audit Office, who had been requested to rectify the mistake.

858. The Audit representative agreed that the amount of Rs. 194,918 had been added to expenditure as well as shown as recovery against 'Amount met from PL—480'. The Chairman observed that Audit should not have added the amount because PL—480 was not a project Aid. It was not to be added but should have been shown as deduct expenditure. *The mistake was clear. Audit should rectify the account, after verification.*

COMPLIANCE ON POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

859. Audit was requested to check the replies furnished by the Ministry and report back with their comments, if any.

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

MINISTRY OF HEALTH AND SOCIAL WELFARE

861. The Committee next took up the examination of Appropriation and other Accounts etc. for 1977-78, pertaining to the Ministry of Health and Social Welfare. The following departmental representatives were present :—

(1) Maj. Gen. Iqbal Muhammad Chaudhry, Additional Secretary.

(2) Maj. Gen. M. I. Burney, Director, National Health Laboratory.

(3) Mr. Abdul Qadir Buksh, Deputy Secretary.

862. This Ministry controlled the following grants :—

Sl. No.	Name of Grant.	Grant No.
1.	Health Division.	73
2.	Medical Services.	74
3.	Public Health	75
4.	Other Expenditure of Health Division.	76
5.	Development Expenditure of Health Division.	149

863. *Reconciliation of Accounts with Audit.*—The Committee noted that no reconciliation had been carried out by the Ministry for 1979-80. Replying to a query, the Audit representative informed the Committee that, according to the dates communicated to the department, they were required to effect reconciliation for the first quarter in March, 1980 and for the second quarter in May, 1980. The programme for the third quarter had also been sent to the Ministry. But there was no response from them in spite of the fact that two reminders were addressed for each quarter.

864. *The Committee viewed this indifference on the part of those concerned in the Ministry to reconciliation work with seriousness and directed that reconciliation with Audit must be got effected by the Ministry expeditiously by each of their office|institution, wherever there might be an accounts officer. The Liaison Officer of the Ministry should co-ordinate this and be held squarely responsible for defaults in this behalf.*

APPROPRIATION ACCOUNTS

865. *Grant No. 73—Health Division (Page 92—AA)*—According to Audit, there was an excess of Rs. 148,556 against the group head "A-Secretariat". The department claimed that, actual expenditure being Rs. 8,193,486 instead of Rs. 9,631,756, as shown in the Accounts, there was a saving of Rs. 1,289,614, instead of excess. The Audit representative pointed out that the Audit figures of expenditure were more by Rs. 1,438,270 out of which Rs. 870,722 belonged to the Central Circle, where only partial reconciliation had been carried out. The remaining amount of Rs. 567,548 related to CAO, Ministry of Foreign Affairs. *The Ministry was asked to complete their reconciliation, which had been left incomplete due to the non-availability of records in the Ministry.*

866. The Chairman remarked that in view of un-reconciled figures put forward by the Ministry, the Committee was not in a position to accept their explanation of whole of the grant until Audit reported back. *The Audit was requested to verify the departmental explanation, which, if acceptable to Audit, would have the effect of the objection being dropped, otherwise Audit might report back to the Committee.*

867. *Grant No. 74—Medical Services (Page 93—AA).*—An excess of Rs. 1,197,217 was reported against the group head "D-Medical Colleges and Schools", which was explained as being mainly due to more expenditure on the purchase of equipment by the Jinnah Post-graduate Medical Centre, Karachi. It was further stated that the information about the extra expenditure was not received in time and, therefore, the excess was left unregularised.

868. *The Committee was not satisfied with the explanation and observed that the department should look into the matter and fix responsibility, for suitable action, in respect of the excess expenditure.*

869. *Group head "E-Expenditure connected with Relief Supplies from Aid, etc." (Page 93—AA).*—The Committee was informed that the excess expenditure of Rs. 1,458,811 against this group head pertained to the Karachi Port Trust and Economic Affairs Division in connection with the handling and transportation of relief supplies. The debit could not be foreseen and, therefore, more funds were surrendered than the available saving.

870. When questioned as to when were the debits received and when did the Ministry learn about it, the departmental representative replied that the Economic Affairs Division actually sent them these debits before the close of the financial year, but the file could not be located in time and this figure could not be intimated to Audit. The Chairman observed that the department in this case accepted the responsibility for excesses both under the group heads 'D' and 'E'. *The Ministry should locate the responsibility for the irregularity of excess expenditure for suitable action and report back the results to the Committee, through Audit.*

871. *Grant No. 75—Public Health (Page 94—AA).*—The Committee noted that the department had not given any explanation for the non-surrender of the saving of Rs. 47,702, which occurred against the group head "A—Public Health Establishments". *The departmental representative was, therefore, directed to submit, through Audit, a revised explanation for the saving and its non-surrender.*

872. *Grants No. 76 and 149 (Pages 95 and 171—AA).*—No observation was made by the Committee on these grants.

COMMERCIAL ACCOUNTS

National Health Laboratories

873. *Compilation of Accounts [Para 3 (x), page 6 CA].*—Audit had complained that the accounts of the Biological Production Division from 1971-72 to 1977-78 had not yet been compiled. The Committee was informed that satisfactory progress had been made with regard to the compilation of Proforma Accounts from the year 1971-72 onwards. The Proforma Accounts for the years 1971-72, 1972-73, 1973-74 and 1974-75 had been already compiled and got audited by the A.G.P.R., Islamabad. As far as the Proforma Accounts for 1975-76 and 1976-77 were concerned, the same were expected to be ready by September, 1980.

874. After some discussion, the Director-General, National Health Laboratories undertook, and the Committee agreed, that the Accounts of the organisation upto 1979-80 be completed by the 31st March, 1981 and a completion report submitted to the Committee.

COMPLIANCE ON THE POINTS CONTAINED IN THE P.A.C. REPORTS FOR 1972-73, 1973-74 AND 1974-75

875. Audit was requested to check the replies submitted by the department and report back with their comments, if any.

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

WORKS DIVISION

877. The Appropriation Accounts etc. for 1977-78, pertaining to the Works Division, came up next for examination by the Committee. The following departmental representatives were present :—

(1) Maj. Gen. Shafiq Ahmad, Secretary.

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

(3) Mr. C. A. Qavi, Chief Engineer, Pak. PWD.

(4) Mr. A. W. K. Sherwani, Additional Chief Engineer.

(5) Maj. Farooq Khan, Estate Officer.

(6) Mr. M. A. Marghoob, Deputy Secretary, Religious Affairs Division.

878. This Division controlled the following grants :—

Sl. No.	Name of Grant.	Grant No.
1.	Works Division.	70
2.	Civil Works.	71
3.	Other Expenditure of Works Division (Except Group head " B "-Custodian of Deposit Org. which was explained by the representaive of Ministry of Religious Affairs and Minority Affairs).	72
4.	Development Expenditure of Works Division.	152
5.	Capital Outlay on Civil Works.	180

879. *Reconciliation of Accounts with Audit.*—The Committee noted that the statement of reconciliation submitted by the department was not in the proper form. It, therefore, desired that the statement should be more readable in future and in a summary form, from which it could be seen, at a glance, as to which accounts had been reconciled upto what date and the reconciliation of which remained to be completed, with period indicated against each.

APPROPRIATION ACCOUNTS

880. *Grant No. 70—Works Division (Page 87—AA).*—An excess of Rs. 379,505 against the group head " A-Secretariat " was reflected in the Accounts by Audit. The department contested the figures both of the Final Grant and Actual expenditure, and submitted that, against the Final Grant of Rs. 2,283,300, the actual expenditure, as reconciled with Audit, amounted to Rs. 2,469,814, leaving an excess of only Rs. 186,514, which was mainly due to increase in the emoluments of officers and staff following the introduction of the Revised National Pay Scales. No provision on this account existed in the budget for 1977-78 and the supplementary grant, requested to regularise the excess, was also not agreed to.

881. Replying to a query, the Finance Division representative informed the Committee that the demand was sent to them in May, when there was a Budget rush. The demand was to be examined by the DFA, who could not do so thoroughly.

882. After some discussion, *the Committee observed that the Works and Finance Division should furnish a joint report as to what actually happened, why was the supplementary grant not sanctioned and whether any procedural defects needed to be corrected. The report should cover all the cases of non-sanction of supplementary funds asked for in connection with the Revised National Pay Scales, due to which the variation occurred.*

883. Contesting the departmental explanation that the excess referred to above (Rs. 1,86,514), was due to the introduction of the Revised National Pay Scales, the Audit representative maintained that the actual difference was of Rs. 193,187, which was mainly due to booking of telephone bills and Audit could not withdraw the amount unless the issue was sorted out by the Works Division with the T&T Department. The Chairman observed that Audit had not mentioned as to when did they raise the debits. If the same had been raised after the reconciliation, the department should have been informed about the same.

884. *The Committee finally directed that, if some adjustments were made by Audit after reconciliation, then the necessary information must invariably be conveyed to the department concerned. The Committee further observed that if they found that the bills were not payable by them at all, the Works Division should follow up the debits, on account of telephone bills, with the T & T Department.*

885. *Group head "B-State Guest House" (Page 87—AA).*—The Committee noted that the department failed to surrender the saving of Rs. 34,657, which occurred under this group head.

886. *Grant No. 71—Civil Works (Pages 88-89—AA).*—The saving of Rs. 409,655, claimed by Audit against the group head "A-Original Works—Buildings" in voted section, was explained as being due to non-execution of certain minor works in the Prime Minister's House, for want of administrative approval. When questioned as to why was this saving not surrendered, the departmental representative admitted that this should have been done, but it did not take place.

887. The Committee did not make any further observation on it.

888. *Group head "B-Repairs-Building-Voted" (Page 88—AA).*—A saving of Rs. 48,654,492 was reported to have occurred against this group head. The departmental representative contested the figures of both the Final Grant as well as the actual expenditure and stated that, according to their records, the figures of Final Grant and actual expenditure were, respectively, Rs. 98,502,000 and Rs. 97,668,383, instead of Rs. 98,461,270 and Rs. 49,806,778 as shown in the Accounts. Accordingly, there was a saving of Rs. 823,617 only, which was within the permissible limit. The difference of Rs. 47,861,605 between the departmental and Audit figures was stated as being due to wrong booking of the expenditure of (i) Rs. 47,899,605 under "D-Establishment" and (ii) Rs. 38,000 relating to "C-Repairs-Communications" under this group head.

889. The Audit representative submitted that the figures of final grant, when reported to the department on 29th October, 1979 in the Skeleton Appropriation Accounts, were not questioned, but the same had been disputed now, at a very late stage. He further stated that the actuals, as accepted by the department, should be Rs. 97,330,301. He also conceded that Rs. 47,523,523 had been printed inadvertently under the group head "D-Establishment".

890. *The Committee directed that another attempt be made to reconcile the figures and make the necessary corrections in the Accounts.*

891. *Group head "E-Tools and Plants"—Voted and Authorised (Page 88—AA).*—The excess of Rs. 505,946 under this group head was stated to have been due to (i) purchase of two Mazda Cars at Karachi (Rs. 251,257); and (ii) enhancement of Pay of work-charged staff with the introduction of revised N.P.S., increase in the cost of petrol and repair charges of vehicles (Rs. 254,689). The department did ask for a supplementary grant, to cover the excess, but the same was not sanctioned during the year.

892. When questioned whether a specific mention about the purchase of two cars was made in the demand for the supplementary grant, the departmental representative replied in the negative. *The Chairman, thereupon, concluded that since the department had accepted their mitake, particularly as it had not been even mentioned that part of the supplementary grant was required to purchase two staff cars, appropriate action should be taken against the persons found responsible for the excess.* The departmental representative agreed that he would take action.

893. *Group head "F-Grants-in-Aid, Contributions" (Page 88—AA).*—According to Audit, there was an excess of Rs. 67,521 against this group head. The departmental representative contended that the actual expenditure of Rs. 115,021, shown against this group head, did not relate to the Pak. P.W.D. The Director, Audit and Accounts (Works), Lahore, in whose circle of accounts the excess appeared, was informed about it on the receipt of skeleton Appropriation Accounts. The entire grant of Rs. 47,500 against this group head remained un-utilised due to non-receipt of claim from the Provincial Government.

894. The Audit representative informed the Committee that the expenditure of Rs. 115,021 related to the years 1972-73 and 1974-75. During these years, there were saving of Rs. 375,900 and Rs. 50,000 respectively. *Audit was requested to again check this up.*

895. *Group head "G-Suspense" (Page 88—AA).*—The excess of Rs. 5,995,178 against this group head was explained as being due to payment of more advances for the purchase of cement and steel than provided for in the Budget. The major portion of these advances was adjusted during this year and had been shown on the recovery side.

896. The Audit representative pointed out that the explanation was not comprehensive, as only an amount of Rs. 5,187,356 had been accounted for under the receipt of stores during the year, against the adjustment of Rs. 9,993,648 under the head "Miscellaneous Advances".

897. *The Committee directed that the department should try to reduce the amount, under suspense, to the minimum. Audit was also requested to check why 'Nil' figures appeared in columns 3 & 4 of the table in note below Appropriation Accounts of the grant at page 89.*

898. *Grant No. 72—Group head "B-Custodian of Deposits Organisation" (Page 91—AA).*—Reply was furnished by the Ministry of Religious Affairs and Minority Affairs in respect of saving of Rs. 10,527 against this group head. The departmental representative explained that, against the Final Grant of Rs. 32,100 the actual expenditure amounted to Rs. 25,380, instead of Rs. 21,573, leaving a saving of Rs. 8,720 only. *Audit was requested to check and correct the accounts.*

899. *Grant No. 152—Development Expenditure of Works Division (Page 174—AA).*—No observation was made by the Committee on this grant.

900. *Grant No. 180—Capital Outlay on Civil Works (Page 201—AA).*—It appeared from the departmental reply that savings of Rs. 76,396 under 'Charged' and Rs. 23,576,963 under 'Voted' Sections occurred against this grant. This included a saving of Rs. 20,894,720 (voted) provided for under group head 'A-Original Works Buildings', which was explained as being due to the following :—

	Rs.
(1) Lesser expenditure on works due to non-availability of material in time.	3,855,597
(2) Due to non-completion of building works.	3,521,750
(3) Due to non-availability of site	507,442
(4) Change of site.	1,185,335
(5) Due to non-vacation of site by the un-authorised accupants of Dhana Singh Wala, Lahore.	1,688,620
(6) Due to delay in execution of works due to modification of plan ..	1,31,773
(7) Non-receipt of Administrative Approval and codal formalities by relevant Department	5,428,122
(8) Suspension of F.S.F. Works	3,505,620
(9) Non-receipt of sanction from C.M.L.A.'s Secretariat for additional item of work	589,332
(10) Due to non-finalisation of accounts of the contractor due to non-removal of defects	232,294
(11) Non-start of work due to receipt of allotment through re-appropriation at a very late stage	250,000
Total ..	20,895,895

901. Feeling concerned about the enormousness of the savings, the Committee desired that the Ministry should go into the reasons for non or under-execution of various works against this grant, for taking corrective action for the future, so that allocations asked for, initially, and made in the midst of competing demands did not lapse. It would also be necessary to exercise a closer watch over the progress of priority items. The Auditor-General observed that it was hoped that, in future, the explanation furnished for the non-utilisation of funds, provided for development purposes, would be more eleborate and analytical.

AUDIT REPORTS

902. *Non-recovery of Rs. 186,625 from contractors (Para 16, page 29—AR).*—Audit had pointed out that two divisions of the Pak. PWD awarded two contracts to two different contractors. The works, having been left incomplete, were got executed at the risk and cost of the original contractors. The additional cost of Rs. 161,144 so incurred was not recovered from them. Besides, the cost of material worth Rs. 25,481 issued to one of them was also not recovered.

903. It was explained that, in the first case, a contract for the supply of 3,337 Cft of deodar wood frames for the doors of the flood-affected areas schools was awarded on 17th June, 1975. The project was U.S. Aided with a tight time-schedule, and the cost was to be reimbursed, under agreement, by the U.S. Government. The contractor could supply only 415 Cft. of the frames,

even after the expiry of three-fourths of the stipulated period. As such, the remaining supply was secured through another agency at his cost and risk as per the relevant agreement clause. The differential cost worked out to Rs. 76,705. All the dues of the contractor in the department were frozen to adjust this amount, but a balance of Rs. 69,839 still remained to be recovered. A legal notice was served on the contractor for depositing the said amount, but there had been no response. The Deputy Commissioner was approached to effect this amount as land revenue, but with no success. The Law Division had then been moved for filing a civil suit for the recovery of the amount.

904. In the second case, the contractor went for an arbitration in October, 1974, in respect of Rs. 616,836 and the Arbitrator gave an Award for Rs. 505,485 in his favour. The Department had filed a counter-claim of Rs. 209,190 against which Rs. 108,552 was awarded. Thus, after deducting Government dues of Rs. 108,552 from Rs. 505,485, the contractor was paid out Rs. 396,933. A case contesting the Award in favour of the contractor was filed in the High Court of Sind and Baluchistan, but the award of the Arbitrator was up-held. *The objection was finally decided by the Committee to be dropped.*

905. *Non-recovery of freight charges from contractors for material supplied at site instead of* ex-*factory delivery (Para 17, page 30—AR).*—Audit had pointed out that freight charges, paid by the department for catering cement from the factories to the sites of work, were not recovered from the contractors, although the Agreements provided for the delivery of the material *ex*-factory.

906. The Committee was informed that, out of three cases, recoveries in respect of two had already been made and verified by Audit. As regards the third one, this case related to the construction of over 600 schools, scattered over the flood-affected areas in Multan and Sargodha Divisions, and which were to be completed under a tight time-schedule. As per the stipulation in the agreement, cement was to be supplied by the department to the contractor from the Gharibwal Cement Factory (Distt. Jhelum) and the carriage thereof upto the site of work was the responsibility of the contractor. However, the State Cement Corporation of Pakistan, who controlled the supplies and distribution of cement to Government Indentors allotted 1,166 tons of cement from the Zeal Pak. Cement Factory at Hyderabad instead and despatched it through the railway wagons, *ex*-destination Faisalabad Railway Station, for the schools under repairs in the districts of Faisalabad, Sargodha and Jhang. The freight charges from Gharibwal to Faisalabad were Rs. 50|72 per ton, whereas from the Zeal Pak. Factory, Hyderabad to Faisalabad, they were Rs. 131|17 per ton. Out of 1,166 tons of cement, 392 tons of cement were issued and utilized on the school buildings in Faisalabad District. A recovery @ Rs. 50|72 per ton was, therefore, effected from the contractors of Faisalabad Division (as per the Railway carriage rate from Gharibwal to Faisalabad).

907. 774 tons of 1,166 tons were issued from the Faisalabad Railway Station for works in the Sargodha and Jhang Districts, for flood-affected schools. The contractors carted it through their trucks to the sites of works. The distance between Gharibwal Factory and Sargodha was about 100 K.M., whereas it was about 108 K.M. between Faisalabad and Sargodha. Thus, the contractors, undertaking the works in the Sargodha and Jhang Districts, did pay for the cartage of cement from Gharibwal to Sargodha and Jhang. Any further recovery from them for 774 tons was, therefore, not considered to be tenable.

908. The Audit representative pointed out that the contractors, using cement in the Jhang District, would have carted it for 201 KM (from Gharibwal to Jhang), whereas they actually carted it for 76 KM (Faisalabad to Jhang). The Department should recover the difference *i.e.*, cartage for 125 KM (201—76) from contractors.

909. *The Committee directed that the department should settle the matter, in consultation with Audit.*

910. *Non-recovery of cost of material amounting to Rs. 106,062 from a defaulting contractor (Para 18, page 30—AR).*—In a Pak. PWD Division, steel and cement were issued to a contractor during 1973-74 for consumption on three works, entrusted to him under three different contract agreements at the same time. All the three contracts were rescinded simultaneously in April, 1975, as the contractor failed to complete the works in the stipulated period of six months, which expired in September, 1974, in spite of repeated reminders from the Engineers Incharge. At the time of rescission of the contracts, an amount of Rs. 106,062 was outstanding against the contractor, being the cost of the material issued but not consumed. As pointed out by Audit, neither the outstanding amount was recovered nor the un-consumed material taken back. Besides, neither the securities were forfeited nor the three works got completed at the contractor's risk and cost as envisaged in the agreements. Audit complained that the matter was brought to the notice of the Department in September, 1975, who then promised that the recovery would be effected on the finalisation of the accounts of the contractor. This had not been done, so far.

911. The department explained that the final bills of all the three works had already been prepared and the statement of the materials at site account finalized. This case was also discussed in the Departmental Accounts Committee (DAC) meeting held in February, 1980 when these facts were also verified by the Committees. Action in this case was taken under clause 3(a) of the agreement, whereby the contract was rescinded. The contractor had deposited Rs. 50,000 with the department for exemption from the deduction of security deposit in individual cases. This deposit had been frozen, for adjustment of dues to be recovered from the contractor. As this deposit would not cover the full amount, the Commissioner, Karachi had been requested to impose a ban on the transaction of any immovable property by the contractor. In the meantime the Law Division had also been approached to file a civil suit for the recoveries.

912. The Audit representative pointed out that the department had reported, during the DAC meeting in February, 1980 that the amount recoverable from the contractor had risen to Rs. 165,671, in consequence of the preparation of his final bills. The department also undertook to intimate the result of disciplinary action taken as also to effect recovery by resorting to legal action. From the reply furnished now, it was evident that even disciplinary action had not been finalised during the last six months despite the department's commitment in this behalf.

913. Replying to the question as to what was the present position of disciplinary action, the departmental representative stated that explanations had since been received and a preliminary enquiry completed. Further action regarding the appointment of an Inquiry Officer was being taken. *The departmental representative was directed that the Committee should be kept informed of the progress in the matter.*

914. *Non-recovery of Rs. 63,560 as cost of material issued to a contractor (Para 19, page 31—AR).*—The Committee was informed that the entire amount had already been recovered. Audit was requested to verify.

915. *Loss of Rs. 24,097 due to set cement (Para 20, page 31—AR).*—Audit had pointed out that 3,683 Cwts cement, costing Rs. 24,097 was found set in June, 1968 and April, 1973. The loss was neither reported to Audit as required under rules, nor was the amount placed under the suspense head "Miscellaneous P.W. Advances" to watch recovery regularisation. The matter was taken up with the department at the time of local audit in April, 1973 and January, 1974. The loss of Rs. 18,297 was surveyed off in November, 1975 but responsibility was not fixed. The loss of Rs. 5,800 had not been at all investigated into so far.

916. The Committee was informed that due to inadequate storage facilities about two decades back, about 155 tons (3,103 bags) of cement, costing Rs. 18,291, were damaged on account of rains and weather conditions. No action could be taken against the officers responsible for the loss, as they had either died or retired. Survey for the losses of Rs. 18,297 and Rs. 5,800 had been sanctioned by the competent authority and the Audit informed accordingly. Instructions had since been issued to all the officers concerned not to pile perishable materials without proper and adequate storage arrangements and that they would be held personally responsible in case of recurrence of such a loss in the future.

917. No further observation was made by the Committee on this para which would be deemed as settled.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

918. Audit was requested to check the replies and report back with their comments, if any.

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

ENVIRONMENT AND URBAN AFFAIRS DIVISION

920. The Appropriation Accounts etc. for 1977-78, taken up last for examination by the Committee on this day, pertained to the Environment and Urban Affairs Division. The following departmental representatives were present :—

(1) Maj. Gen. Shafiq Ahmad, Secretary.

(2) Mr. G. M. Samdani, Joint Secretary (E).

(3) Mr. S. A. N. Gardezi, Chairman, C. D. A.

(4) Mr. M. S. Qureshi, F.A., C. D. A.

921. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Environment and Urban Affairs Division	67
2.	Islamabad	68
3.	Other Expenditure of Environment and Urban Affairs Division	69
4.	Development Expenditure of Environment and Urban Affairs Division ..	151
5.	Capital Outlay on New Federal Capital	181

922. *Reconciliation of Accounts with Audit.*—The Committee noted that reconciliation in respect of Grants No. 73 and 180 for the year 1978-79 and Grant No. 69 for 1979-80 had not yet been completed. After some discussion Audit was requested to give revised dates to the department, who must now complete the outstanding reconciliation.

APPROPRIATION ACCOUNTS

923. *Grants No. 67, 68 and 69 (Pages 84—86—AA).*—No observation was made by the Committee on these grants.

924. *Grant No. 151—Development Expenditure of Environment and Urban Affairs Division (Page 173—AA).*—The Committee noted that the department failed to surrender the saving of Rs. 1,250,000, which occurred under this grant. *The departmental representative was directed to look into the case in order to see as to why the saving was not surrendered and take to task the person(s) found responsible for this irregularity.*

925. *Grant No. 181—Capital Outlay on New Federal Capital (Page 203—AA).*—There was nothing material for consideration by the Committee under this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

926. Audit was requested to check the replies and report back with their comments, if any.

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

928. The Committee then adjourned to meet again at 9.00 a.m. on Wednesday, the 27th August, 1980.

M. A HAQ,
Secretary.

Islamabad, the 11th November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 27th August, 1980

Eleventh Meeting

929. The *Ad-hoc* Public Accounts Committee continued the examination of the Federal Accounts for 1977-78 in the State Bank Building, Islamabad from 9.00 a.m., on the 27th August, 1980. The following were present :—

Ad-hoc *PAC.*

(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. I. H. Siddiqi, Deputy 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) Syed Jameel Ahmad Zaidi, Director, Audit and Accounts (Works), Lahore.

(6) Khawaja Abdul Waheed, Director, Commercial Audit.

(7) Mr. Najum Hosain Syed, Director, WAPDA, Audit.

Ministry of Finance.

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

(2) Mr. M. Said, F. A. Culture, Tourism, Education, Law, National Assembly, Commerce, EAD and Senate.

(3) Mr. Zafar Hussain, F. A., (Water & Power).

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

(1) *Ministry of Culture and Tourism :*

(a) Culture, Sports and Youth Affairs Division.

(b) Tourism Division.

(2) Ministry of Water and Power.

CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION

931. The Committee first took up for its examination the Appropriation and other Accounts for the year 1977-78 pertaining to the Culture, Sports and Youth Affairs Division and the Report of the Auditor-General thereon. The following departmental representatives were present :—

(1) Mr. Asghar Butt, Joint Secretary (Culture).

(2) Mr. Abdul Hamid Memon, Project Director, Moenjodaro.

(3) Mr. A. A. Ansari, Chairman, C. B. F. C.

932. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Culture, Archaeology and Sports Division	30
2.	Archaeology and Museums	31
3.	Other Expenditure of Culture, Archaeology and Sports Division	32
4.	Development Expenditure of Culture, Archaeology and Sports Division ..	141
5.	Capital Outlay of Culture, Archaeology and Sports Division	172

933. *Reconciliation of Accounts with Audit.*—The Audit representative informed the Committee that the reconciliation for the 1st and 2nd quarters had been left incomplete by the Department, though they were given two dates for carrying out the reconciliation. On both the occasions, no body turned up despite reminders. He further added that the position was still worse in Karachi circle, as no reconciliation had been carried out there.

934. *The Committee directed that the unreconciled accounts must be completed without any more delay and the responsibility for having reconciliation effected not in time, in future, should be laid fully and squarely on the Liaison Officer. This would, however, not absolve the Principal Accounting Officer from the over-all responsibility of having the accounts maintained according to rules and instructions. The departmental representative was directed to send a special report to the National Assembly Secretariat and the Audit, within a forthight, affirming that the reconciliation had been completed.*

935. *The Committee further observed that the level of officials deputed by the Department, to reconcile the Accounts with Audit, should be raised, as far as possible, to the level of the counterpart.*

APPROPRIATION ACCOUNTS

936. *Statement of Replies.*—The Committee noted that the department had annexed more than 100 pages of sanctions, reconciliation statements, etc. to their replies which was mostly a waste. *The Committee, therefore, desired that copies of all such documents need not be annexed to replies. These should, instead, be kept handy to be produced before the Committee, if required, when it was examining the accounts of the Department.*

937. *Grant No. 30 Culture, Archaeology and Sports Division (Page 45—AA).*—No observation was made by the Committee on this grant.

938. *Grant No. 31—Archaeology and Museums (Page 46—AA).*—The overall saving of Rs. 3,052,235, pointed out by the Audit against this grant was contested by the departmental representative and explained that :—

(a) The Supplementary Grant of Rs. 3,000,000, shown in the Appropriation Accounts as having been sanctioned for the preservation of Moenjodaro during 1977-78, was never sanctioned, and

(b) actual expenditure, on the basis of Reconciliation Statements being Rs. 9,105,342 instead of Rs. 9,097,765, as shown in the Accounts, there was a saving of Rs. 8,358 only.

939. The Audit representative made out that this was the over-all position of the grant, and that their figures of the final grant were correct, because a supplementary grant of Rs. 3,000,000 was available in the book of Supplementary Demands for Grants. As such, the department should explain the saving accordingly.

940. After some discussion, *the Committee directed that the Finance Division/F.A. might look into the records to see as to how was the supplementary grant of Rs. 3,000,000 sanctioned to the Division, as the whole of it remained un-spent.*

941. Replying to a query, the departmental representative explained in detail the steps which were being taken for the preservation of Moenjodaro.

942. *Group head " B-Conservation of Ancient Monuments (Page 46—AA).*—An excess of Rs. 51,622 appeared in the Accounts against this group head. The department contested the figures both of the Final Grant and actual expenditure and explained that, as per their record, the Final Appropriation under this group head was Rs. 5,622,800 against which the actual expenditure amounted to Rs. 5,615,900. There was thus a saving of Rs. 6,900 only, instead of the excess claimed by Audit.

943. The Audit representative submitted that the difference appeared in the NWFP and Sind Circles, which would be reconciled.

944. *Group head " E-Grants-in-Aid " (Page 46—AA).*—This group head comprised two sub-heads, *viz* " Contribution to save Moenjodaro Fund " and " Authority for the preservation of Moenjodaro " with identical amounts of Rs. 375,000 provided in the original budget. The Committee desired to know from the departmental representative about the existing mechanism of contra-debits to the same grant. It was stated that the Finance Division had agreed, in the case of Moenjodaro Fund that the amounts, to be contributed by the Federal Government from the revenues or provided for in the budget grant, could thereafter be transferred to the fund by contra-debits to the said grant. It would be observed from the Budget Book that against the amount of Rs. 375,000—Moenjodaro Fund, an expenditure of an equivalent amount had already been incurred for the preservation of Moenjodaro. When the fund was raised by the Finance Division, a contra-debit was raised against the Moenjodaro Fund. This year they did not make any contribution. Instead, the amount was utilised from the head 'Grants-in-Aid'.

945. The Audit representative said that the department could not operate one and the same head "Grants-in-Aid", for first feeding and then writing back an amount.

946. *The Committee observed that the existing mechanism of contra-debits to the same grant being inconsistent, should be looked into by the department, in consultation with the Audit.*

947. *Grant No. 32—Other Expenditure of Culture, Archaeology and Sports Division (Page 47—AA).*—There was nothing material for the Committee's consideration under this grant.

948. *Grant No. 441—Development Expenditure of Culture, Archaeology and Sports Division (Page 162—AA).*—The saving of Rs. 7,300,000 against the group head "K-Scientific Department", was contested by the departmental representative who claimed that actual expenditure being Rs. 4,978,600, instead of Rs. 6,678,600, as shown in the Accounts, there was a saving of Rs. 9,000,000, which was due to the fact that the amount pertaining to the "Contribution to Save Moenjodaro Fund" could not be released during the financial year 1977-78. This amount could also not be surrendered due to some misunderstanding.

949. The Audit representative submitted that mis-booking of Rs. 1,700,000 was being investigated in Sind Circle, for rectification and preventive action. *The Committee observed that Audit should look into the reasons for non-adjustment of the expenditure in time, resulting in savings. The needed measures should be taken to prevent the recurrence of such omission in the future.*

950. *Group head "L-Education" (Page 162—AA).*—The departmental representative contested that there was no saving of Rs. 7,117,915, shown in the Accounts as such, against this group head, because the actual expenditure itself amounted to Rs. 7,117,915. *Audit was requested to look into the reasons for non-adjustment of this amount and rectify the Accounts.*

951. *Grant No. 172—Capital Outlay of Culture, Archaeology and Sports Division (Page 192—AA).*—No observation was made by the Committee on this grant.

COMMERCIAL ACCOUNTS

National Film Development Corporation

952. *Loss of Rs. 2,520,272 on exhibition of imported films (Para 16, page 18—CA).*—Audit had reported that NAFDEC, which was sole agent for the import of foreign feature films and their exhibition in the country, imported fifty films during 1974-75, 1975-76 and 1976-77 on payment of Rs. 2,764,631 as royalty in foreign exchange. On exhibition, these films fetched a net income of Rs. 244,359 only, resulting in a loss of Rs. 2,520,272 in foreign exchange. Most of the films could not even meet their operational expenses.

953. The department maintained that the same objection was raised in the Audit Report and Commercial Accounts for 1975-76 and already discussed in the PAC meeting. The main object in establishing NAFDEC was to improve the taste of the public by providing quality entertainment. The words "quality entertainment" had been clearly mentioned in the National Film Policy, announced by the Government in 1973-74. Moreover, film business was risky and there were instances in the past where commercially successful films abroad did not

prove successful in Pakistan and some of the films, which were treated as non-commercial in other countries, did good business here. In the circumstances, it was difficult to fix the responsibility on any official for the reported losses.

954. After seeking some clarification, the objection was dropped.

955. *Avoidable loss of Rs. 475,786 on the exhibition of imported films (Para 17, page 18—CA).*—It was pointed out by Audit that NAFDEC had entered into an agreement with a film distribution company in August, 1974 for the exhibition and distribution of 19 imported films in the country at 20% commission of the net proceeds. Out of these, certain films were exhibited and showed discouraging business results. Anticipating that huge losses were likely to be sustained on the exhibition of the remaining films, the company invited the Corporation to take over these films on the basis of 100% income|loss on payment of total cost of the films. The Corporation took over 7 films for Rs. 594,095 and thus covered the business risk of the company. On their exhibition, the Corporation earned an income of Rs. 118,309 upto the 30th June, 1976. Due to discouraging business, further income on the films was uncertain. Consequently, the Corporation sustained a loss of Rs. 475,786, *i.e.* (Rs. 594,095—Rs. 118,309) in the deal. Had these films been exhibited and distributed at 20% commission of the net proceeds in terms of the agreement, the Corporation would have earned an income of Rs. 23,662 (20% of Rs. 118,309), instead of sustaining a loss of Rs. 475,786.

956. The Committee was informed that upto the 30th June, 1979, a sum of Rs. 260,886 was left as recoverable from the distributor. The agreement with the party was executed by the *ex*-Managing Director, NAFDEC, who was since no more in Government service. The case had since been referred for arbitration in the court. *Audit was requested to watch the progress and report back to the Committee, if necessary.*

957. *Loss of Rs. 402,437 on the publication of Magazine (Para 18 page 18—CA).*—NAFDEC had launched a programme of publishing a monthly magazine in English ("Cinema the World Over"). The first issue was scheduled for the market in March, 1975 and an initial circulation of ten thousands copies was anticipated. The first issue, which was published in July, 1975, continued to be published in alternate months during 1975-76 and 1976-77. The magazine did not attain the expected circulation (47,973 copies were printed but 26,132 copies sold) and its revenue from advertising went on decreasing with each issue. The Corporation spent Rs. 695,770 on its printing and administrative expenses, but realised Rs. 311,793 from sale and advertisement during July, 1975 to July, 1977, resulting in a loss of Rs. 383,977. In view of its irregular publication, poor sales and inadequate advertising revenue, it was converted into a quarterly publication by the Board of Directors in July, 1977 and the staff was retrenched with the exception of the Chief Editor. This arrangement also proved to be a failure and the Corporation could not bring out even a single quarterly issue till December, 1977. The expenditure of Rs. 18,460 incurred on the pay and allowances of the Chief Editor from the 1st August, 1977 to the 6th January, 1978 proved to be infructuous. Due to lack of proper planning, the Corporation sustained a net loss of Rs. 402,437 (Rs. 383,977+Rs. 18,460). In November, 1978, Audit was informed that the Magazine had been closed down, whereupon they demanded the reponsibility for the loss to be fixed.

958. It was explained in the departmental reply that the same objection was raised in the Audit Report and Commercial Accounts for 1975-76, which had already been discussed in some previous PAC meetings. The Project had been

round up. Since the *ex*-MD and *ex*-Chairman, NAFDEC who were responsible or this project, were no more in Service. Therefore, fixing of responsibility at his stage was of not much use.

959. *After some discussion, the para was treated as settled, subject to any regularisation action where called for.*

960. *Non-recovery of advance of Rs. 275,593 from a film distributor (Para 19, page 19—CA).*—As pointed out by Audit, NAFDEC had entered into an agreement with a film distributor of 19 imported films. At the time of this agreement, the owner of the company was the Director, Imports and Distribution of the Corporation, which was basically irregular. Further, in terms of the agreement, the company was advanced Rs. 600,000, to be adjusted against 50% share of the company in the net proceeds during the first twelve months, subject to a maximum of Rs. 400,000, and the balance during the next twelve months. A sum of Rs. 338,901 was adjusted upto the 28th February, 1979, leaving a recoverable balance of Rs. 261,099. In addition an amount of Rs. 14,494 was recoverable on account of the liabilities on the import of certain films, which were cleared by the Corporation, on behalf of the company. The total recoverable amount, thus, worked out to Rs. 275,593, (the Director, Import, the owner of the Company, resigned from service with effect from 19th April, 1976).

961. It was explained that this was a part of Audit para 17 and their reply was the same as under that para.

962. *The Committee observed that the decision of the Arbitrator should be awaited. The departmental representative should supply a copy of the decision, when arrived at, to Audit for verification.*

963. *Non-recovery|adjustment of advance of £ 5,241 equivalent to Rs. 89,878 (Para 20, page 19—CA).*—Audit had pointed out that NAFDEC remitted a sum of £ 7,940 (equivalent to Rs. 136,837) to a Producer during May to July, 1977, to defray the expenses for the processing of a film in London of the total remittance, £ 6,078 (equivalent to Rs. 104,905) was spent by the Producer and an account rendered to the Corporation. The balance amount of Rs. 31,932 was neither adjusted nor recovered from the Producer. The details of the accounts showed that payments, amounting to £ 3,379 (equivalent to Rs. 57,940), were irregular on various counts, *e.g.*, either their purpose was not shown, there was no acknowledgement from the payee, the payment was acknowledged on blank chits or the payments were not supported by expense vouchers, bills|invoices. A sum of £ 400 was retained by the Producer, of his own accord, on account of story, dialogues and script, without obtaining the sanction of the competent authority and any provision therefor in the agreement.

964. The Committee was informed that the Producer had to-date refunded Rs. 17,730 to NAFDEC. The accounts, submitted by the Producer, had not yet been accepted by NAFDEC and legal action the Producer had already been taken by filing a civil suit in the Court.

965. *Audit was requested to follow up the case.*—The result of this case will also include the amount in para 21 below.

966. *General—The Committee further observed that all old paras, outstanding for non-receipt of departmental replies or inadequate information etc., should be consolidated by Audit in a single para in their next Report for 1979-80.*

967. *Doubtful expenditure of Rs. 42,600 due to non-maintenance of petty Cash Book|vouchers (Para 21, page 20—CA).*—As reported by Audit, Rs. 42,600 was drawn by an Accountant during April to July, 1975, to meet the petty expenses of a project. Neither a petty cash book was maintained for keeping the account of the expenses nor any vouchers were available in support of the expenditure. As the genuineness of the expenditure appeared to be doubtful, the matter was reported to the management in November, 1976, and the administrative Ministry in April, 1979, for (a) fixing responsibility for the non-accountal of the advances, and (b) for establishing the genuiness of the expenditure or recovering it from the person concerned. Despite repeated reminders, there was no response so far.

968. It was explained that the project was handled independently by the Producer and the money was advanced to him in accordance with the agreement. The conclusion drawn by Audit that there were no supporting vouchers to establish the expenditure was, therefore, not correct. In fact, all the vouchers did exist, but they were jumbled up and were shown, as such, to the Audit party. He admitted that those were not up-to-date and were not serially filed. He added that they had filed a suit for a part of the amount. *The Committee observed that the Department should see whether it was worth while keeping the matter hanging and not write off the amount, if the circumstances so warranted the* departmental representative added that a total amount of Rs. 25 lakhs was spent on the project, which also included amount involved in this para. They have filed a case to recover the amount from the Producer and, if they lost the case, they would go in for a total write off. The Audit representative suggested that this case should be kept pending with a view to watching the final position and the department should keep the Audit informed about its progress. *The Committee agreed with these suggestions.*

969. *Irregular payment of Rs. 35,000 on account of professional fee to an employee (Para 22, page 20—CA).*—In this case, NAFDEC reportedly entered into an agreement with a Producer in April, 1975 for the production of three feature films. In terms of this agreement, the services of an employee of the Corporation were placed at the disposal of the Producer to direct the Films and his salary was to be paid by the Corporation. The employee was, however, paid an additional amount of Rs. 35,000 by the Producer on the basis of a note, by him stating that the payment had been agreed to by the Managing Director. This payment was not admissible, as it had not been approved by the competent authority and was in addition to the salary, which was payable in terms of the agreement. When objected to by Audit, it was stated in November, 1978 that a sum of Rs. 35,000, in addition to his salary and allowances was paid to the employee, on the recommendation of the Producer, for directing the film, and was sanctioned by the Managing Director. It was also stated that the employee was no longer in the service of the Corporation and had given a legal notice to the Corporation for payment certain other counts. The Corporation promised that, at the time of settling his account, the Audit objection would also be kept in view.

970. The departmental representative submitted that the top officials, who were involved those days in the affairs of NAFDEC had already left the organisation. In the circumstances, fixing of responsibility at this stage was not possible. As part of the claim was with the Court, the Committee observed that their direction in regard to para 21 would hold good in this case also.

971. *Loss of Rs. 19,416 in importing a short subject film for commercial purposes (Para 23, page 21—CA).*—Audit reported that NAFDEC had procured, in December, 1974 a short subject film from a foreign firm for commercial purposes

at a cost of Rs. 22,328. On its distribution, it fetched an income of only Rs. 2,912, resulting in a loss of Rs. 19,416 (Rs. 22,328—Rs. 2,912). A public exihibition of the film was made at a time when a live transmission of the boxing fight, which was the subject-matter of the film, had already been telecast and it had been shown in the cinemas as side film. The film consequently lost its commercial attraction. The loss had been pointed out to the Management in December, 1976 and to the Ministry concerned in February, 1979 for investigation.

972. The department explained in reply that the short subject "Clay Forman Fight" was imported by NAFDEC as a side real, to be shown with full length feature films, and no separate income was allocated for this short subject. The nominal income from this short subject, as shown by the Audit, came only from small stations, where the short subject was sold with full length feature films on a fixed hire basis. Such side reals in film trade were shown with full length feature films to boost up the business.

973. The Committee observed that it was a case of genuine mis-judgement, for which no one could be blamed. *The para was treated as settled.*

974. *Working results (Para 263, page 518—CA).*—Audit had pointed out that a grant of Rs. 20 lacs was received from the Government of Pakistan for preparing a documentary film about the Silk Route during 1975-76. Out of this grant, a sum of Rs. 10 lacs was utilised by the Corporation for other purposes, and the Project, for which the grant was received, had also been discontinued.

975. The Committee was informed that this matter was discussed in the last Public Accounts Committee meeting also when it was disclosed that entire amount had been spent. *The Committee observed that the Ministry should look into this case again and get it finalised. Audit should also follow up the finalisation.*

976. *Comparative Balance Sheet and profit and loss account (Paras 264-265, pages 520—22—CA).*—The Committee desired the Audit to look into the Balance sheet and profit and loss account relating to the National Film Development Corporation and report, if necessary.

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978. Audit was requested to check the replies and report back any point worth consideration by the Committee.

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

TOURISM DIVISION

980. The Committee then examined the Appropriation and other Accounts for 1977-78 pertaining to the Tourism Division. The following departmental representatives were present :—

(1) Mr. Shah Alam, Acting Joint Secretary.

(2) Mr. M. Yasuf Khan, Deputy Secretary (A).

(3) Mr. S. A. Kureshy, Finance Director, P.T.D.C.

981. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Tourism Division ..	33
2.	Other Expenditure of Tourism Division	34
3.	Development Expenditure of Tourism ..	142

982. *Representation of Ministry before the PAC.*—Replying to a query about the Principal Accounting Officer not representing the Division, the departmental representative explained that he was busy with a Sports Board meeting. *The Committee observed that since intimation about the PAC meeting had been sent to all concerned on the 15th June, 1980, the date for the Sports Board meeting should have been fixed so as not to coincide with that date. The Committee had, time and again, been urging that it was the Principal Accounting Officer of the Ministry|Division who must always represent his Ministry|Division before the PAC.*

983. *Reconciliation of Accounts with Audit.*—The department had not mentioned the exact period upto which the Accounts for 1979-80 had been reconciled. The Committee directed that, in future, fulll details should be given in the statement, and the outstanding reconciliation including that in the Karachi Circle, he completed within a fortnight.

APPROPRIATION ACCOUNTS

984. *Grant No. 33—Tourism Division (Page 48—AA).*—According to the Audit there was a saving of Rs. 71,414 against the group head "B—Tourist Services". The department contested the figures of both the 'Final' Grant and the 'Actual' expenditure and explained that against the Final Grant of Rs. 340,200, actual expenditure amounted to Rs. 324,382, resulting in a saving of Rs. 15,818 only, and not of Rs. 71,414, shown in the Appropriation Accounts.

985. The Audit representative submitted that the actual expenditure, as reconciled on 12th February, 1979, was Rs. 291,122, which was accepted by the Department, but the figures now quoted by them exceeded that amount. However, no explanation had been given by the Department for this variation. He further stated that, as the Audit figure of actual expenditure, *i.e.* Rs. 269,186, was less than the reconciled figure of Rs. 291,122, some adjustment appeared to be still pending. *The Committee observed that Audit should check up the variation and correct the Accounts.*

986. *Grant No. 34—Other Expenditure of Tourism Division (Page 49—AA).*— The entire grant of Rs. 1,568,000 was shown by Audit as saving. The Committee was informed that the RTDC did not float debentures during 1977-78. Hence this provision, made for interest subsidy, remained un-utilized. Further, the amount of saving in this case had been surrendered *vide* the Division's letter No. F. 2(9)|SS-72, dated 29th June, 1978, which also contained the reasons for the savings.

987. When questioned as to what was the proposed amount for the debentures and why were the same not floated, the departmental representative could not furnish details, to the satisfaction of the Committee. *The departmental representative was, therefore, directed to furnish a revised explanation to Audit and the Committee, setting out full details.*

988. *Grant No. 142—Development Expenditure of Tourism Division (Page 163—AA).*—A saving of Rs. 47,784,976 was depicted by Audit under this grant. The department contested the figure and stated that actual expenditure being Rs. 15,393,903 instead of Rs. 17,215,024 as shown in the Appropriation Accounts, the saving amounted to Rs. 49,606,097, of which Rs. 49,551,252 was duly surrendered leaving a net saving of Rs. 54,845. Audit suspected that the surrender order had been prepared long after the department accepted the final grant *vide* their letter, dated 23rd October, 1979. *After some discussion, the Committee observed that the department should satisfy Audit about the authenticity of the surrender order.*

989. As for the difference of Rs. 1.82 million between the department and Audit figures, Audit was requested to check up if any belated adjustments were made by them.

990. The Committee considered the position of development expenditure to be very unsatisfactory, as about Rs. 5 crores, out of grant of Rs. 6.5 crores, could not be spent for the purpose for which it was allocated. The Committee, therefore, *directed that the Department should furnish a complete report to Committee and Audit as to why no expenditure was incurred by them on item for which allocation in fact, existed. A report of activities of the Department should also be sent to the Committee.*

COMMERCIAL ACCOUNTS

Pakistan Tourism Development Corporation Limited

991. *Amount payable to Government of Pakistan (Para 258—Note 2, pages 507-508—CA).*—It was pointed out that the sum payable to the Government of Pakistan represented the value of assets, amounting to Rs. 3,830,082, taken over from the former Tourism Cell, and the funds, amounting to Rs. 131,349, transferred to the Corporation for completion of underway projects, taken over by the Corporation. Included in the valuation of assets taken over from the Tourism Cell were assets worth Rs. 1,705,400 located in Bangladesh, of which the Corporation had not been given the possession. The Corporation had not included in the above the estimated value of the Sound and Light project, amounting to Rs. 2,337,000, and publicity material of an estimated value of Rs. 1,314,294 in this liability. The Corporation had been maintaining this project for publicity on behalf of the Government of Pakistan.

992. A Committee appointed by the Government of Pakistan scrutinised and verified the list of assets transferred to the Corporation and determined

the book value of the assets of West Pakistan at Rs. 6,343,033, which included the value of the Sound and Light Project and the publicity material. The Ministry of Culture and Tourism, had indicated that the value of assets taken over by the Corporation would be treated as part of its contribution to the share capital.

993. The Corporation had objected to inclusion of the Sound and Light Project and the publicity material in the valuation. They had also requested the Federal Government to reduce the liability for the assets in the former East Pakistan. The decision of the Government was still awaited.

994. *The Committee directed that the Tourism Division should take this up with the Ministry of Finance for a policy decision about the items of PTDC, referred to above like, Bangladesh assets, the Sound and Light Project and the publicity material etc. and try to have these issues resolved at the earliest.*

995. *Grant for maintenance of Tourist Information Centres [para 258—note 3.3 (a), page 512—CA].*—The Committee discussed, at some length, the activities of the PTDC and observed that the state of its affairs was far from satisfactory. It was noted that the Corporation had spent about Rs. 38 lakhs, over and above the approved expenditure. Some of the money provided for one purpose was spent on items for which no allocation existed. The Corporation spent Rs. 33 lakhs in excess on the maintenance of various Information Centres. All these constituted irregularities.

996. *The Committee directed that a complete note explaining the activities of the PTDC according to the current budget provision and including the details of expenditure on administration as well as the latest balance sheet be furnished to Audit and the Committee. The department should also explain as to why Government money, provided for a specific purpose, was spent on other items and not on the item for which it was meants.*

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997. The Committee requested Audit to go through these reports and bring back any points worth consideration by the Committee.

998. *Points|paras not discussed to be treated as settled.*—The Committee did not make any observation on other points|paras contained in the Appropriation/Commercial Accounts or Audit Report thereon. These would be treated as settled subject to regularising action, if any, under the rules.

MINISTRY OF WATER AND POWER

999. The Appropriation and other Accounts for 1977-78 pertaining to the Ministry of Water and Power, was the next to be taken up for examination. The following departmental representatives were present :—

(1) Mr. Tajammal Hussain Hashmi, Secretary (W&P).

(2) Mr. Zafar Hussain, F. A. (W&P).

(3) Ch. Zia-ul-Qayyum, Deputy Secretary.

(4) Mr. Nuzhat Hussain, Member, Finance (WAPDA).

(5) Mr. S. M. Ayub, Member, Water (WAPDA).

(6) Mr. Shamsul Mulk, General Manager, Tarbela.

(7) Mr. M. Hussain Ali, Chief Engineer, Guddu.

(8) Mr. M. Waseem Khan, Chief Engineer, Mangla.

1000. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Water and Power	123
2.	Other Expenditure of Ministry of Water and Power	123-A
3.	Development Expenditure of Ministry of Water and Power	163
4.	Capital Outlay on Petroleum and Natural Resources (Group head 'K') ...	184
5.	Capital Outlay on Irrigation and Electricity	190

1001. *Reconciliation of Accounts with Audit.*—The Committee noted that the Ministry had not completed the reconciliation for the third quarter, which they were required to do on the 19th July, 1980. The Audit representative informed the Committee that they had issued the programme for the fourth quarter, according to which the Ministry were required to come on the 10th September, 1980. The Committee directed that the Ministry should have the reconciliation for both the quarters (3rd and 4th) completed according to the programme issued by Audit for the 4th quarter and ensure that no default occurred in sticking to the programme.

APPROPRIATION ACCOUNTS

1002. *Grants No. 123, 123-A, 163 and 184 (Pages 142-43, 185 and 206—AA).*—No observation was made by the Committee on these grants.

1003. *Grant No. 190 (Page 214—AA).*—The entire grant of Rs. 173,300,000 against the sub-head "A. 3-Expenditure against Foreign Loans" was depicted as saving. It was explained that, according to actual calls received from world Bank, the expenditure under this sub-head during the year worked out to Rs. 45,230,565 and not 'nil', as shown by Audit in the Appropriation Accounts

Thus there was a saving of Rs. 127,069,433 and not Rs. 173,300,000, mentioned by Audit, which was also due to the receipt of calls far lesser than the anticipated amounts from the World Bank.

1004. The Audit representative submitted that neither any authority for the release of funds was issued by the Director, Audit and Accounts (Works), nor was any debit received from the Accountant General, Pakistan Revenues. The Ministry should reconcile the matter with the Accountant General, Pakistan Revenues, Rawalpindi.

1005. After seeking some clarification regarding the receipt of foreign loans and recoveries under the "Major Head-68", the Committee directed that the Ministry should look into it for the necessary reconciliation, as a corresponding income should have been incorporated in Accounts.

AUDIT REPORT (WAPDA)

Water and Power Projects|Formations—Part I.

1006. *Avoidable expenditure of Rs. 687,194 on the modification of boilers (Para 1, page 4—AR—WAPDA).*—According to Audit, the P.C.I. Proforma of a Power station project indicated that it was intended orginally to use Mari gas, but later the proven reserves of Mari gas were not found to be sufficient and it was decided to base it on Sui gas. An agreement was accordingly executed with a foreign firm on the 27th June, 1967 for the supply of generating sets to be operated on Sui gas. The revised P.C.I. Proforma again envisaged the use of Mari gas, which was considered to be economical because its rate per unit of supply was lesser than that of Sui gas. A supplemental agreement was, therefore, executed in December, 1968 asking the firm to modify the boilers for firing on Mari Gas. The firm was paid $ 43,700 (equivalent to Rs. 496,869) for this modification. The work of survey and preparation of the feasibility report for the gas-pipe line from Mari gas field to the site of the Power station was awarded to another firm on the 23rd October, 1969. This firm was paid Rs. 118,000 and $ 15,000 (equivalent to Rs. 72,325) in January, 1970 and June, 1970, respectively. The payments for works this aggregated Rs. 687,194. In January, 1971 it was again decided to operate the Power house on Sui gas, as Mari gas was inferior in quality and worked out to be more expensive to supply, rendering futile the payment of Rs. 687,194 including foreign exchange.

1007. After explaining the back-ground of the case in detail, the department concluded that, as the draft agreement with M|S. ESSO was not favourable to WAPDA, the case of adopting Mari gas was reconsidered and it was observed that Sui gas had the following advantages :—

(1) It had a higher heating value of 950 to 1975 BTU per Cu.ft as compared to 700 BTU of Mari.

(2) Mari gas contains about 30% of inert gases, while these are less than 3% in the Sui gas.

(3) The Sui gas fields are also about 37 miles from the Power House site and lie on the same side of the river thus eliminating the heavy expenses of crossing the River Indus. The size of the pipe-line would also be smaller in case of Sui gas, entailing saving on the capital expenditure also.

(4) A compressor station was to be installed for the Mari gas and expenditure on its installation and operation was to be bore by WAPDA.

It involved the installation of a double acting Gas Turbine and allied equipment, which was extremely costly, and its operation and maintenance had to be entrusted to an outside agency.

1008. Accordingly, at the initiative of the Chairman, WAPDA the Government approved the proposal of basing this Project on Sui gas and the P.C.I. Proforma was again revised in September, 1972.

1009. After some discussion and, in view of the revised explanation, the para was treated by the Committee as settled.

1010. *Extra expenditure of Rs. 49,204 due to incorrect estimation of quantities of a work (Para 2, page 5—AR—WAPDA).*—Tenders for the construction of a road in the Guddu Thermal Power Station were floated in April, 1970. Work was awarded to the lowest bidder at a cost of Rs. 517,556. Later, the tendered items, costing Rs. 43,912, were deleted and quantities of the remaining items varied upto 2402 per cent. The work was completed in October, 1970 at a total cost of Rs. 541,413. It was noticed in July, 1972 that, due to wide variation between the quantities estimated and actually executed, the contractor did not remain the lowest. If the actual quantities were executed at the rates tendered by another bidder, this work would have cost only Rs. 492,209. Thus, due to variation in quantities, the Authority incurred an extra expenditure of Rs. 49,204.

1011. It was explained in the departmental reply that the matter had been already enquired into by an Inquiry Committee and six Officials were held responsible for the lapses. Disciplinary action under the E & D Rules was under process against four of them. No departmental action could be taken by the WAPDA against two as they had left WAPDA before the Inquiry Committee submitted its report. One of them was let off by the Director, WAPDA Audit who was the competent authority for taking disciplinary action in this case.

1012. *After some discussion, the Committee decided to drop the para with the direction that the Audit should look into the circumstances leading to the dropping of action against the Audit employee concerned, for suitable action.*

1012-A. *Loss of Expected saving of Rs. 3,520,278 by ignoring a cheaper method of Pile foundation (Para 3, pages 6-7—AR—WAPDA).*—After some discussion the para was dropped.

1013. *Shortage of stores worth Rs. 112,769 [Para 4 (ii), page 8—AR—WAPDA].*—It was reported that, on widing up a renovation Division, material worth Rs. 646,607 was transferred to an operation division during November, 1965. The store was neither taken on stock register nor its cost debited to "Stock" and credited to "purchases". As a result of verification with reference to ground balances shortages amounting to Rs. 112,769 were noticed. The matter was discussed with the Authority and Audit was informed that the above amount had been debited to the Transmission and Grid Project, where the stores were issued. Later, it was intimated in December, 1977 that a debit of Rs. 112,243 was raised against the Transmission and Grid Project, which was responded by charging the amount to the relevant works. Material worth Rs. 6,130 was received back and credit afforded to the said project.

1014. The departmental representative submitted that this was not a case of shortage of material, as material was duly issued for utilization on Renovation works in Peshawar during 1965—68. The issue vouchers were sent by the XEN, Peshawar to the Store Officer, Ware House, Kot Lakhpat for adjustment, from time to time. The debit advice raised against T&D Project, could not be accepted for want of supporting documents. The Material Requisitions, which served the purpose of drawal and consumption of material, had been traced out and debit advice for Rs. 11,224,294 issued to the B&A, GSC, Rawalpindi for acceptance.

1015. *The para was treated as settled subject to verification by Audit.*

1016. *Shortage of stores worth Rs. 29,632 [Para 4(v), page 10—AR—WAPDA]*.—It was pointed out by Audit that, in an operation Division, shortages worth Rs. 101,186 were noticed as a result of stock verification of two different stores carried out in September|October, 1972. The shortage in a 'D-type' store were investigated and, as per copy of the enquiry report supplied in June, 1975, the shortages of Rs. 76,416 included a truck, costing Rs. 58,000, which was on road and the actual shortages amounted to Rs. 18,416. This included a 50 KVA transformer, costing Rs. 4,500, which was stolen. The balance amount of Rs. 13,916 comprised amounts recoverable, material returned, amounts to be written off and the material to be surveyed. The existence of truck worth Rs. 58,000 and return of material worth Rs. 4,222 was got verified in February, 1977. The recovery or regularisation of the remaining material worth Rs. 14,194 was awaited. No record was produced against the shortage of Rs. 11,573 in 'C' type store. Thus the total shortage of Rs. 29,632 (Rs. 25,767 plus 15 per cent consequential loss of Rs. 3,865) still needed to be regularised.

1017. The department in their reply, submitted that this para was based on SVRs conducted by the Internal Stock Verification at C-type Stores in Daska during 10|72 and D-type Stores of Pasrur contractor Sub Division during 9|72. In the case of Daska, an Inquiry Committee investigated into the shortages and, according to its finding, the shortage worked out to Rs. 3,904, out of which a sum of Rs. 336 had already been recovered and verified by Audit. Further action in the matter was in progress.

1018. The shortages of T&P at Pasrur worth Rs. 76,416 were also investigated into by an Enquiry Committee according to whose findings the truck costing Rs. 58,000 was actually running on the road and had been verified by Audit. Moreover, articles worth Rs. 4,330 were existing out verified for Rs. 4,222. Costs of T&P worth Rs. 1,960, being irrecoverable, were written off and verified by Audit. Action on some cases was still in progress.

1019. Asked about the check exercised on stocks the Committee was informed that about 8% stock verification was carried out once in two years. However, in order to strengthen internal check, *w.e.f.* 1977-78 check is now being carried out once in six months. Besides, one Regional Chief Engineer has been posted in each region. With the above measures better results were expected.

1020. *The para was treated as settled subject to the verification of the regularisation actions in outstanding cases by Audit.*

1021. *Non-Accounting of electrical material—Rs. 202,445, Rs. 59,634 and Rs. 17,069 [Paras 6 (i), (ii) and (iii) Pages 16—18]*.—Regarding para 6 (i) the departmental representative stated that the records had been made available. *Audit was requested to verify.*

1022. In regard to para 6(ii), the Committee was informed that the official had produced the record and consumption was got verified by Branch Audit Officer, Sukkur. *The objection was dropped subject to verification by Audit of the explanation given in the meeting.*

1023. So far as para (iii) was concerned, it was stated that the outstanding sum of Rs. 72 had been written off. *The para was treated as settled subject to verification by Audit.*

1024. *Non-accounting of electrical material worth Rs. 148,667 [Para 6 (iv), page 18—AR—WAPDA].*—It was reported that, in an MPO Division, spare parts were issued to various vehicles, Machines|Equipments, but the replaced parts were not returned to stores. As such, the issue of the new spare parts could not be authenticated. It was stated in June, 1972 that, according to the procedure in vogue, spare parts had been issued against proper requisitions on which the return of old parts was mentioned and, without the return of old parts, no new parts were issued. It was asserted also that the register of old parts could be verified by Audit. A verification of the records was arranged, but no records in support of the account of the old parts was made available.

1025. The department, in their revised reply, explained that Audit had not thoroughly examined the records of the requisitions and the whiz-tickets in which it was clearly mentioned whether the old parts were deposited or not. New parts were invariably issued after taking the old parts and some of these parts were utilized in other forms from this scrap. The contention of Audit that all the parts had been misappropriated was not factual. If the old and scarp parts were to be retained and counted, proper racking facilities and separate Store Keepers would have been required at considrable additional expense. The Committee was informed that the old and scrap parts had since been disposed of by public auction.

1026. *Audit was requested to verify the fresh explanation furnished by the department about the old parts having been auctioned. The para was treated as settled subject to the above verification by Audit.*

1027. *Excesses|Shortages of stores Rs. 11,269 [Para 6 (v), page 19—AR—WAPDA].*—According to Audit in a field Division of M.P.O. oil, petrol and grease worth Rs. 10,930 were found to be in excess of the book balances. Similarly material worth Rs. 339 was found short. The excess|shortage of Rs. 10,930|Rs. 339 was not explained, despite reminders.

1028. It was explained in their written reply by the department that the Draft Para related to excesses|shortage detected by two Inspecting Officers at two different times and in two different site stores. The position of both was as under :—

(a) *First Case.*—At the time of inspection, the Inspecting Officer found items worth Rs. 7,421 in excess and Rs. 65 short. The Store Keeper and the Overseer concerned were called upon to explain the variations. In reply, the Store Keeper explained that he was not present on the day of inspection, and therefore, could not produce the record to the Inspecting Officer. He contended that the position of excesses and shortages was different from what was reported by the Inspecting Officer. On the receipt of this reply and verification of the records, it was found that items worth Rs. 2,854 were in excess and Rs. 61 short. After the final verification, the quantities found in excess were brought on record. As a result the Storekeeper and the Overseer were removed from service. They were, subsequently, re-instated by the Court of Law. The M.P.O. field an appeal before the Additional Judge, Sukkur, who up-held the MPO's case and both the employees were finally removed from service.

(b) *Second Case.*—Excess worth Rs. 3,509 and shortages worth Rs. 274 were detected. After the verification, the quantities found in excess were taken on record. The concerned Storekeeper having absconded, recovery had been ordered for the shortages from the Sub-Engineer concerned.

1029. After going through the reply and seeking some clarification *the Committee observed that the explanation was not very satisfactory. However, nothing could be done at this stage. Subject to these remarks, the para was treated as settled.*

1030. *Excess expenditure of Rs. 206,138 on annual maintenance of a Colony (Para 7, page 19—AR—WAPDA).*—In accordance with the Revised P.C.-I. Proforma for the construction of the Colony, the annual maintenance cost of the residential colony of SCARP, North Rohri, was to be four per cent of the capital cost per year (Rs. 2.1 million for 10 years). The actual expenditure during 1973-74, 1974-75 and 1975-76 exceeded the specific ceiling of four per cent by Rs. 1,674, Rs. 193,619 and Rs. 11,345 respectively.

1031. The department explained that, during the 8 years from 1969-70 to 1976-77, the following expenditure had been incurred on the maintenance of the colony :—

	Rs.
1969-70	46,560.54
1970-71	79,326.89
1971-72	63,797.45
1972-73	1,51,615.10
1973-74	1,73,550.97
1974-75	3,66,473.38
1975-76	1,84,698.14
1976-77	40,414.14
Total ..	11,06,436.98

The excess of Rs. 2.10 lacs in the annual average during 1974-75 was explained as being due to increases in the labour, material and a maintenance cost, due to passage of time and extraordinary repairs due to the visit of the then Prime Minister of Pakistan.

1032. The Committee directed that details of expenditure incurred during 1974-75 on the extraordinary repairs should be supplied to Audit for verification. Subject to the above remarks, the para was treated as settled.

1033. *Irregular expenditure incurred on works in excess of without sanction to estimates (Para 8, page 20—AR—WAPDA).*—This para related to incurring of, in violation of rules, expenditure on several works of Water and Power Projects|Divisions during the year 1977-78 without the preparation in advance of detailed estimates and their approval. Ever normal works were executed without meeting the requirements of the rules. The estimates were not sanctioned later on the basis of actuals, without explaining the lapse which amounted to circumventing the requirements of rules. The irregularity was claimed to be persisting, despite its having been pointed out repeatedly in Audit Re[illegible]

1034. In their written reply, the circumstances under which excess expenditure had to be incurred was explained by the department in each case in detail. Accordingly, *the para was treated as settled subject to verification by Audit.*

1035. *Loss of revenue over 322 million rupees due to non-accounting of energy (Para 9, page 21—AR—WAPDA).*—According to the Revenue Account of the Electricity Operations Branch for 1977-78, 10,089 million units were generated, out of which 6,490 million units were sold. The difference of 3,599 million units, constituting 35.7 per cent of the energy generated, remained unaccounted for. Allowing technical losses @ 25.5%, as confirmed by the Authority, the energy unaccounted for exceeded this aggregate by 1077 million units, resulting in a loss of Rs. 322,023,000 at the average sale rate of 29.9 paisa per unit. Notwithstanding similar observations in the past Audit Reports the position had not registered much of an improvement.

1036. Further, the loss rates at the individual distribution feeders, noted during the test audit of statistical data of certain grid stations at Lahore, were quite distressing. In one of the stations, readings on three transformers, feeding heavy industries, was simply not taken during January, 1976 to December, 1976. In another grid station, the meters of transformers were tampered with and units received on the transformers and sent out for distribution were recorded far below the actual. These transformers were feeding big industrial consumers. These serious lapses were detectd in the records for the period from January, 1976 to December, 1978, whereas records relating to the prior period were not shown to Audit. The Sub-station Officer in the grid and the Line Superintendent on the feeder held their charges in one place for more than ten years which facilitated this mal-practice. It was only on the transfer of the sub-station Officer that this leakage was detected after December, 1978. These cases indicated the dire necessity of sealing and checking the meters in the grids periodically, say after every three months. The staff of the grid stations and operaitons Divisions also needed to be shifted after a reasonable period.

1037. The department, in their written reply, explained that the case of loss of Revenue due to un-accounted for energy was also previously discussed by the PAC on 13th January, 1980, while discussing the Audit Report on the Authority's Accounts for 1976-77 and detailed reasons therefor and remedial measures, taken by the department to eradicate the pilferage of energy, were set out before the P.A.C. WAPDA were fully conscious of the menace and always devising ways and means to eradicate it as far as possible. The efforts made in this behalf were bearing fruit, particularly during the last 2 years, when theft had been reduced to 2.5%.

1038. The Committee was further informed that an enquiry about energy losses in the grid stations at Lahore had since been completed. *The Comittee directed that a copy of the Inquiry Report be furnished to Audit for verification, suggesting further courses of action that appeared to be necessary in order to eradicate the menace.* Subject to this observation, the para was treated as settled.

1039. *Non-realisation of revenue amounting to Rs. 440,202,029 (Para 10, page 22—AR—WAPDA).*—The balance sheet of the Electricity Operations Branch, as on 30th June, 1978, indicated that a sum of Rs. 2,468,888 on Government account and Rs. 437,733,141 on WAPDA Account, aggregating Rs. 440,202,029, was recoverable from the consumers. As pointed out by Audit, the amount on Government account at the end of 1973-74 totalled Rs. 2,468,933, compared with the amount outstanding as on 30th June, 1978, it appeared that only Rs. 45 could be recovered during the previous four years. The pace of recovery showed that either effective efforts were not being made by the revenue collecting machinery or the amounts recoverable had become bad debts. As for the amounts on WAPDA Account, the same was increasing at an alarming rate, as would appear from the following table :—

Period upto	Outstanding Amount Rs.
30-6-1963	19,142,782
30-6-1968	58,832,890
30-6-1973	163,354,964
30-6-1978	437,733,141

The arrears were getting trippled after every five years.

1040. In their written reply, the Authority regretted that Audit had given only one sided picture of the Electricity Revenue arrears. In fact, there should have been a comparison as below of the billings and realisations during each financial year to indicate the % balance on the total billing during these years. The said percentage was within 25% of the annual assessment including arrears, which remained in Rotation as per international practice.

Outstanding Amount

30-6-1963	19.14 million	Percentage of billing 12.95%
30-6-1968	58.83 million	19.61%
30-6-1973	163.35 million	23.97%
30-6-1978	437.73 million	21.98%

It was further stated that millions of rupees of arrears for Electricity were outstanding against the Provincial and Federal Government Departments, including Autonomous|Local Bodies. WAPDA had been making frantic efforts for their clearance, as a result whereof a sum of Rs. 67.20 million was recovered during 1978-79. WAPDA had launched a compaign for the recovery of arrears from private consumers, as land revenue, after the amendment in the Electricity Act 1910 with effect from 9th December, 1979. Due to the introduction of new commercial procedure and billing Manual, aging of arrears was being done in form 54.

1041. Noting that the arrears on Government account, as on 30th June, 1978, amounted to Rs. 246.6 million and on private account Rs. 454.63 million totalling Rs. 701.23 million, the *Committee directed that WAPDA should have a study carried out to compare the percentage of total monthly billing vis-a-vis recoverable amount and the proportion of billing|outstanding amounts on Government account* vis-a-vis *private sector.*

1042. *Outstanding local Audit Reports (Para 11, page 23—AR—WAPDA).*—Audit had pointed out that the accounts of 31 and 87 formations of Water and Power Wings, respectively, for the year 1977-78 were test audited locally.

Important financial irregularities and defects in procedure in the maintenance of initial accounts, observed during the local Audit, were communicated to the concerned formations and to the next higher authorities. They were requested to give replies within the conventional period of six weeks, which was not done, with the result that the number of un-finalised observations and outstanding inspection reports kept on piling up.

1043. An inordinate delay in replying to Audit observations defeats the very object of Audit as the officials responsible were thus likely to escape recoveries/punishment due to retirement, resignation, etc. This state of affairs was being reported to the authority, time and again, but to little avail. The position was being regularly commented upon in the Audit Report of each year, but no appreciable progress had been made and the number of outstanding inspection reports was on the increase.

1044. The Committee was informed that, to eliminate delays and expedite settlement of Audit objections, the Authority had adopted the following measures :—

(1) Peripatetic Inspection Teams had been formed by the Authority, which go around various Projects|Divisions and help the offices concerned in framing replies to Audit objections. The teams issue instructions on-the-spot to the concerned offices to ensure that the irregularities pointed out by Audit are promptly set right and are not repeated. The teams take steps to ensure that action, disciplinary or otherwise, is initiated and finalised at the earliest. Replies to almost all the Inspection Reports of Peshawar, Gujranwala, Faisalabad and Lahore Regions of EOB had since been sent to Audit. Only the Hyderabad Region was under review now.

(2) While discussing the Audit Report for 1975-76 in the P.A.C. on 11th October, 1979, the Auditor-General had suggested that WAPDA might have a meeting with the Director, WAPDA Audit to devise a procedure about showing correctly, the year-wise outstanding Inspection Reports in the Audit Reports and their early finalisation. Accordingly, a meeting was held on 5th January, 1980 with the Director, WAPDA Audit where some working arrangements for an early finalisation of the Inspection Reports were agreed to and the same were being followed now.

1045. After some discussion, *the Committee observed that Audit should reconsider the formate for the presentation of information about outstanding Inspection Notes, so that the Notes issued in a particular year (but relating to a previous year) are deemed, for disposal, to pertain to the year of issue.*

1046. *The Committee also directed that WAPDA should look into the previous Inspection Reports about which even the first reply had not yet been sent to Audit and get the replies expedited.*

1047. *Non-preparation and non-production of statement showing analysis of expenditure on project under construction (Para 12(2), page 25—AR—WAPDA).*—Audit had observed that, as per the standing instructions of the PAC issued at its meeting held on the 23rd November, 1970, the Authority was required to prepare a statement, showing a detailed analysis of expenditure, item by item, on all projects, *i.e.*, expenditure on works, machinery, administration, stores and other suspense balances like items awaiting adjustment and Sundry Debtors etc., and to submit the same to Audit, along with the Balance Sheet.

The requisite statement was not prepared and produced to Audit along with the Balance Sheet of the Water Wing, as on the 30th June, 1978. Thus the instructions of the PAC remained to be complied with for the Accounts of 1977-78.

1048. The Committee was informed that printed Balance Sheet, containing the requisite statement, had since been provided to Audit.

1049. The Audit representative submitted that, the requisite statement was no doubt attached to the printed Balance Sheet, but the same should be produced when the Balance Sheet was made available for audit, so that it could also be scrutinised along with the Balance Sheet.

1050. *The Committee directed that the Authority should ensure that the requisite statements were furnished to Audit in the manner desired by them.*

1051. *Non-clearance of dues to other wings Rs. 158,384,016* [*Para 12 (10), page 29—AR—WAPDA*].—The departmental representative stated that a report had been submitted to the Government regarding WAPDA's claim against *Ex-*MPO. *The Committee desired that the loan liability of the Power Wing should be reduced to the amount expected to be received from* Ex-*MPO.*

1052. *Incorrect exhibition of Sundry Creditors and Sundry Debtors balances* [*Para 12 (11), page 30—AR—WAPDA*].—It had been pointed out by Audit that an examination of the trial balances of various projects indicated that the figures of sundry creditors in respect of 11 formations were shown on the debit side. Similarly, the balances of Sundry Debtors in respect of four formations were exhibited on the credit side of its trial balances. In their reply, the department explained that the Debit Balances under Sundry Creditors appeared due to non-accountal of certain GRNs, which were adjusted by debiting "Material and Stores Account" etc. and, crediting "Sundry Creditors Accounts". The suppliers bills when paid, were charged to "Sundry Creditors Accounts". The debit balance of Rs. 2,196,959 as on 30th June, 1978, in respect of 11 projects, pointed out by Audit, had been cleared up to 3|80 except Rs. 4,767 pertaining to DIT, for the clearance of which efforts were being made now.

1053. *The Committee observed that the Authority should ensure proper linking of figures, so that various etc. were avoided.*

1054. *Heavy suspense Balances under Miscellaneous Advances* [*Para 13 (9), page 36 AR—WAPDA*].—Schedule "B" attached to the Balance Sheet of the EOB included a balance of Rs. 100,856,573 under Miscellaneous Advances. This balance, at the end of 1974, was Rs. 67,745,480 as pointed out in para 30 (4) of the Audit Report for 1973-74 and showed that not only had no special efforts been made to clear the old balances, but also the new items were allowed to pile up. This reflected adversely on the working of the Accounting Organisation of the EOB, as the advances had neither been properly analysed nor cleared in time.

1055. It was stated in reply that the balance of Rs. 100.8 million included a sum of Rs. 695 million relating to the pre-WAPDA period, for which a claim had been lodged with the Government Adjuster. Efforts to reduce the remaining balance were also not being spared.

1056. It was further stated that the accounting system in the EOB had now been changed from the P.W. accounting system to Double Entry System. The balance under the P.W. Advances, as per the books of various accounting Offices, had thus been ascertained and amounted to Rs. 50,493,858, as on 30th June, 1979, against the aggregate balance of Rs. 96,371,441 under the P.W. Advances. There was a variation of Rs. 45,877,583, which represented the balance as on 1st April, 1959. The itemwise details of Rs. 45,877,583 were not available in the respective Divisional Offices. A case for its write off was being prepared and efforts were also being made to analyse and adjust the balance of Rs. 50,493,858.

1057. After seeking some clarification, *the Committee observed that, instead of asking the Government to write off the department should take over the responsibility for Rs. 4 crores. The Committee further observed that the Ministry should consider adding it to the cost, so that WAPDA had no liability left on this account. WAPDA should follow this up with the Government.*

1058. *Non-production of record* [*Para 13(12), page 38—AR—WAPDA*].—Audit had pointed out that the Trial Balances for June, 1978 (Final) of the following projects were not produced to Audit, despite repeated personal requests, with the result that the correctness of expenditure incurred on the projects concerned could not be verified with the Balance Sheet of the Power Wing:

(1) Installation of Diesel Generating Sets in Baluchistan (D.G.O.).

(2) Power Station Arrear Cell (P.S.P.).

(3) Tubewell Electrification Shikarpur (E.S.P.).

1059. The Committee was informed that the Trial Balances in respect of the PSP and DGO were available and had been provided to the Audit. So far as Trial Balance in respect of the ESP was concerned, the same would be provided to Audit shortly.

1060. *The departmental representative was directed that Trial Balance in respect of the ESP Project should be supplied to Audit as early as possible.*

Indus Basin Projects—Part II

1061. *Shortages of Stores and T & P Articles worth Rs. 124,789 (Para 14, page 39—AR—WAPDA).*—It had been pointed out that, in a Research Institute of Indus Basin Project, the accounts for the stores and T &P articles were not maintained. This deficiency was pointed out while auditing the accounts of the formation for the year 1964-65. Later, these accounts, when prepared during 1969-70, indicated shortages worth Rs. 124,789 due to non-rendering of accounts by eight officials.

1062. The department, in their written reply, stated that an enquiry into the non-accounting of stores had been conducted by the Executive Engineer, Irrigation Research institute and S.D.O., Hydraulic Research Station, Nandipur and responsibilities therefor fixed. Accounts in the sum of Rs. 98,038 had been traced out and adjusted during April, 1972 and June, 1979 and would be got verified by Audit.

1063. The Audit representative pointed out that action taken for the remaining amount of Rs. 26,752 had not been elucidated. *The Committee directed that action should be expedited and the para got settled, in consultation with the Audit, after verification of the position explained by the departmental representative. A copy of the enquiry report might also be supplied to Audit.*

1064. *Non-recovery of Rs. 216,952 as cost of packing wood not returned by the Contractor (Para 15, page 39—AR—WAPDA).*—The para was treated as settled subject to the remarks that all contracts about the disposal of packing-wood must be explicit and unambiguous in the future, so that the same might not be susceptible to varying interpretations.

1065. *Un-justified payment of Rs. 300,000 for the removal of a Cofferdam (Para 16, page 40—AR—WAPDA).*—Audit had pointed out that, in an Indus Basin Project, the contractor was paid Rs. 20,582,900 as lumpsum price for the construction and removal of a Cofferdam. The break up of the lumpsum price indicated that an amount of Rs. 300,000 was provided for the removal of the dam. As confirmed by the Project authorities, the dam was not removed but it was only breached to flood. The Authority was, therefore, asked in December, 1978 to recover Rs. 300,000 from the contractor, as he did not execute the work of removing the dam.

1066. In their written reply, the department, *inter alia,* explained that contractually, there were two issues relevant to this case. Firstly, whether the contract provided for full removal of Cofferdam 'C' and secondly, what contractual obligations, which could involve the payment of Rs. 300,000, were provided for the removal of Cofferdam 'C'.

1067. Regarding the first issue, the contract clause specifically provided for the removal of the dam, but only to the extent that removal was "required". It was, therefore, clear that full removal was not obligatory under the Contract. In fact, full removal of the Cofferdam 'C' was neither physically feasible nor technically "required". The Cofferdam 'C' was meant to protect a specified area from the River during the diversion stage. After completion of the work in the enclosed areas, Cofferdam 'C' had served its purpose. No normal diversion scheme, prepared by an Engineer, could envisage or plan the total removal of a Cofferdam, unless that removal was necessary for the physical execution of the next stage of works.

1068. Regarding the second issue, it was contended that an experienced contractor would have full knowledge of the diversion scheme of the Projects as well as his obligations for the same under the Contract. In the realm of competitive tendering, a contractor would provide only that much amount for the completion of his obligations which he considered to be normal and necessary. In this particular case, the normal obligation would not have been more than only partial removal, and the amount of Rs. 300,000 should be construed to cover only that element of cost which could be involved in a partial removal. This interpretation was fully supported by a comparison of the figures for the construction of a Cofferdam and its removal. While the cost of construction was quoted as Rs. 18.00 million the cost of removal was indicated as only Rs. 0.3 million.

1069. After some discussions, the *Committee observed that the Ministry should obtain and furnish copies of legal and technical advice about the interpretation of the wordings "removal of material of Cofferdom" occurring in the Contract, and whether the measurement clause also applied to the "removal of material of the Cofferdam".*

1070. *Avoidable expenditure of Rs. 153,001 on the procurement of 34 Air-Conditioners (Para 17, page 40—AR—WAPDA).*—As reported by Audit [tw]enty-five air-conditioners, costing Rs. 136,189, and nine, costing Rs. 16,812, [were] purchased for the Tarbela Dam Project in April, 1972 and April, 1976 respectively when a number of serviceable air-conditioners were available at the Mangla Project. The availability of the equipment on the completed project of Mangla was not kept in view, resulting in an avoidable expenditure of Rs. 153,001 on the procurement of 34 air-conditioners.

1071. It was explained by the department that 25 air-conditioners were imported in April, 1972 for use in the Consultant's Offices at Tarbela. Later, an additional need for nine (9) air-conditioners was felt for the field offices. The contractor had 9 air-conditioners available with him in stock, which were got installed on a rental basis, with the intention that these would be returned as soon as WAPDA air-conditioners were made available. Till, 1976, replacements were not forthcoming from the WAPDA's own stocks and these 9 air-conditioners had to be ultimately purchased from the contractor.

1072. The basic issue involved here was whether or not the requirement of (25+9=34) air-conditioners at Tarbela could be met from the Mangla Dam stocks. The actual position was that Mangla Project could not spare any air-conditioners in 1972 for transfer to Tarbela. The Audit view that the Mangla Project could afford to spare 34 air-conditioners out of its reserve holding was a question which should have been examined with reference to the physical condition of the air-conditioners. Works at the Mangla Project was started in 1959 and, by 1972, almost all the air-conditioners had passed their trouble-free operation period and incidents of break-downs were frequent. As such, no serviceable air-conditioner was available with the Mangla Dam Organisation in 1972. Whatever number was lying in stock was of the repairable category. Accordingly, the Mangla authorities were not in a position to spare any air-conditioner for the Tarbela Project.

1073. The Audit representative contested the above statement on the ground that, on their verification from the records of Mangla, they had found that 120 air-conditioners were available there in April, 1972 and 83 in April, 1976. 76 air-conditioners were transferred to different formations during July, 1972 to June, 1980. As such, the statement made in the reply that no serviceable air-conditioner was available with the Mangla Dam Organisation in 1972 did not appear to be correct.

1074. After some discussion, *the Committee observed that WAPDA should furnish their comments to Audit on their statement that 83 air-conditioners were available in stock most of which were serviceable. Audit could then come back to the Committee, if necessary.*

1075. *Irregular expenditure on repair of hired vehicles etc. Rs. 402,562 (Para 18, page 41—AR—WAPDA).*—It was stated in the written reply that the question of determination of liabilities and payables between WAPDA and MPO was currently under examination by a Committee and acceptance of debit advices was also an item on agenda. No further observation was made by t[illegible] Committee.

1076. *Irregular payment of Rs. 49,955 as excessive transportation charg[illegible] of labour hired on day work basis (Para 19, page 42—AR—WAPDA).*—It w[illegible] stated in the written reply that WAPDA had registered the case for arbitr[illegible]tion.

1077. *Unjustified expenditure of Rs. 32,592 on hiring a Car (Para [illegible] page 43—AR—WAPDA).*—After some discussion the para was dropped.

1078. *Loss of spare parts worth Rs. 5,372 (Para 21, page 44—AR—WAPDA).*—A contract for the supply of pumps, motor and motor control centres, etc., as reported by the Audit, was executed during September, 1966 with a foreign firm. A consignment, containing sixty-one boxes, arrived safely at the sea-port and after obtaining delivery the clearing and forwarding agents booked these in June, 1967 to a railway station nearest to the Project. One of the boxes containing three parts of the Turbine of a power-house, costing Rs. 5,372, including a foreign exchange component of $ 868.70 was, however, lost in transit. Even after a lapse of twelve years neither recovery of the loss was effected from the forwarding agents nor the responsibility fixed therefor.

1079. The Committee was informed that the loss was investigated into in October, 1972 by an Inquiry Committee, headed by the Superintending Engineer, Tarbela. The findings of the inquiry not having been accepted by the Authority, a second Inquiry Officer was appointed, who submitted his report in May, 1977, confirming the findings in the first Inquiry that the loss occurred due to lack of experience and foresight on the part of the then Technical Officer Tarbela. The resident Representative, WAPDA, Karachi was also held responsible in both the inquiry reports. To some extent, responsibility was also fixed upon, the then Stores Officer and Junior Engineer (Stores) respectively. The then Resident Representative, WAPDA, Karachi was compulsorily retired under MLR 20 in 1969. Disciplinary action had already been taken against the Junior Engineer (Stores) who had been awarded the penalty of 'censure'. The Stores Officer had also been warned and Audit informed accordingly.

1080. The Audit representative pointed out that the loss had not been regularised so far, by recovery or write off. *The Committee directed that the loss should be regularised and Audit informed accordingly.*

Comments on the balance sheet of indus basin projects for the year ending 30-6-1978.

1081. *Balance shown in Schedule 'D' [Para 22, sub-para 5 (d), page 47—AR—WAPDA].*—According to Audit Schedule 'D' also included a balance of Rs. 19,462 relating to Sundry Debtors of the Mangla Dam Project, dating as far back as 1968 and 1969. The department, in their written reply, *inter alia*, explained that the cases of M|s. Ismail Cement Industries and Bakhtiar Khan, Ex-P. O. against whom outstandings amounted to Rs. 5,954 and Rs. 1,468 respectively were *sub-judice*.

1082. *The Committee directed that WAPDA should consider discussing all the outstanding with the former Ismail Cement Industries and try to arrive at a compromise, so that this matter did not continue pending indefinitely.*

1083. *Balance shown in Schedule 'D' [Para 22, sub-para 5 (K), page 49—AR—WAPDA).*—A debit balance of Rs. 459,434.71, on account of contractor control account, appeared in the schedule (D) as detailed below :—

	Rs.
(i) Mangla Dam	19,210.73
(ii) Mangla Resettlement	44,339.[illegible]
(iii) Links and Barrages	395,884.75

The amount against the Mangla Dam was outstanding against two contractors since December, 1959 and the amount against the Mangla Resettlement was also outstanding against two contractors since long. Recovery of these outstandings were not free from doubt. The amount relating to Links and Barrages comprised a debit balance of Rs. 428,840.89 against six contractors and credit balance of Rs. 32,956.14 against two constractors. The debit balances pertained to the period prior to the year 1973-74.

1084. The department, in their written reply, explained the position of the debit balances as under :—

(i) *Mangla Dam* .. .. .. Rs. 19,210.73

This account, after adjustment, showed a credit balance of Rs. 484.27, which was under investigation.

(ii) *Mangla Resettlement* .. .. Rs. 44,339.23

Court|Arbitration cases. The matter was *sub-judice*.

(iii) *Links & Barrages* .. .. .. Rs. 395,884.75

(a) The case of M|s. Pak. Malik Contractor was pending in Court, involving an amount of Rs. 426,380.01.

(b) An amount of Rs. 1,071.52 in respect of M|s. Saleem & Co. had since been adjusted.

The adjustment of the remaining petty items, amounting to Rs. 1,308.83, would be made shortly.

1085. The Audit representative pointed out that the credit balance of Rs. 32,956 against two contractors, mentioned in the Audit observation, had not been explained. The departmental representative replied that a decision in this case had yet to be taken. *The Committee directed that details should be supplied to Audit, after a decision in the case, which should be expedited.*

1086. *Balance shown in Schedule 'D' [Para 22—Sub-para (5) (b) (ii), page 50—AR—WAPDA]*.—Audit had pointed out that the details of balance, relating to the Links and Barrages Project, revealed that a sum of Rs. 1,323.58 related to "Security deposits", while the balance amount of Rs. 51,692.36 related to 'Freight deposited with Station Master'. This amount pertained to the period prior to the year 1973-74. The circumstances under which these deposits could not be received back or adjusted required explanation. In their written reply, the department explained that :—

(a) The amount of Rs. 51,692.36 was under reconciliation and the matter will be referred to the Railway Authorities for adjustment|refund of the unspent balances.

(b) Rs. 1,323.58 related to Security Deposits for telephones connections etc. and the matter was under correspondence for refund.

1087. Replying to a query by the Committee, the Government Adjuster, who happened to be present as the representative of the Ministry of Finance, stated that he could only adjust against budget allocations. But, in respect of many organisations, no budget allocation was available. *He was [illegible] have the refund of Rs. 51,692 from the Railways, settled [illegible]*

1088. *Balance shown in Schedule 'D' [Para 22, sub-para (5) (m), page 50—AR—WAPDA]*.—Audit had pointed out that a balance of Rs. 31,730,377.32, on account of temporary advances to staff shown in schedule 'D' appended with the Balance Sheet, was outstanding against the projects like Mangla Dam, Links & Barrages and the Chashma Barrage which had long ago been completed. The non-recovery|adjustment of these temporary advances called for elucidation.

1089. In their written reply, the department explained that, out of Rs. 31,730,377.32, an amount of Rs. 26,193,108.90 related to advances made to the Revenue authorities for the payment of land compensation etc. The accounts of compensation payments at TDRO were being re-written and final clearance would be made after the reconciliation of payments to the affectees. Out of the remaining amount of Rs. 5,537,267.42 an amount of Rs. 4,707,385.58 had been adjusted.

1090. Replying to a query, the departmental representative explained that there were some irregular payments. Cases had been registered and the persons involved in it arrested. The Committee appreciated that it was really a question of finding out the facts and that would take some-time.

1091. *The Committee finally desired that, excepting the cases which might be sub-judice, an earliest possible settlement of all the debits, which might be outstanding long after the close of the projects, needed to be effected without any more loss of time. Some of these debts might be realisable and the other might have become unrecoverable. A final report should be submitted to the Committee about the up-to-date position by 31st March, 1981.*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

1092. The Committee requested Audit to go through these reports and bring back any points worth consideration by the Committee.

1093. *Points|paras not discussed to be treated as settled.*—The Committee did not make any observation on other points|paras in the Appropriation Accounts or Audit Report (WAPDA). These would be deemed settled subject to such regularising action as might be necessary under the rules.

1094. The Committee then adjourned to meet again at 9.00 a.m. on Thursday, the 28th August, 1980.

M. A. HAQ,
Secretary.

Islamabad, the 16th November, 1980.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 28th August, 1980

Twelfth Meeting

1095. The *Ad-hoc* Public Accounts Committee took up the examination of the remaining Federal Accounts for 1977-78 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. I. H. Siddiqi, Deputy 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) Khawaja Abdul Waheed, Director, Commercial Audit.

(6) Mr. Idris Ahmad, Audit Officer, I. S. & F., Karachi.

Ministry of Finance.

(1) Mr. M. A. Qureshi, Deputy Secretary, Finance Division.

(2) Mr. A. F. Serajoul Haque, F. A. (Planning, Population and Statistics).

(3) Mr. Jameel Ahmad Noil, D. F. A. (Industries).

1096. *Accounts examined.*—The Accounts of the following Ministries|Divisions were examined by the Committee during the course of the day :—

(1) *Ministry of Planning and Development.*

(a) Planning and Development Division.

(b) Statistics Division.

(c) Population Division.

(2) Ministry of Petroleum and Natural Resources.

(3) Ministry of Industries.

PLANNING AND DEVELOPMENT DIVISION

1097. The Committee first took up for its examination the Appropriation and other Accounts for the year 1977-78 and the Report of the Auditor-General thereon pertaining to the Planning and Development Division. The following departmental representatives were present :—

(1) Mr. M. Z. Rehman, Additional Secretary.

(2) Mr. M. Sadiq Swab, Chief.

(3) Mr. Shah Mohammad Ch., Chief.

(4) Mr. S. Niaz Ahmad, Deputy Secretary.

(5) Dr. (Mrs.) Masuda Akhtar, Deputy Chief.

1098. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Planning and Development Division	58
2.	Development Expenditure of Planning and Development Division [Except sub-heads D-1 (2) & D-4]	148

1099. *Reconciliation of Accounts with Audit.*—The statement submitted by the department regarding the reconciliation of accounts did not mention about reconciliation for the years 1978-79 and 1979-80. The Audit representative informed the Committee that the department had covered 1978-79 partly. As for 1979-80, they had carried out the reconciliation for the first quarter only. Programme had been sent to the Division in the 2nd and 3rd quarters, but no representative turned up to carry out the reconciliation. Now the 31st August, 1980 had been again fixed for the same reconciliation.

1100. In view of its persistent emphasis on due attention being paid to reconciliation, the Committee felt unhappy about the situation. It directed that this work be now attended to by the Division on priority and those responsible for the back-log be dealt with suitably. The departmental representative promised to have the outstanding reconciliation completed by the 31st August, 1980. The Committee directed that these should be finalised when the Audit fixed the next date for reconciliation.

APPROPRIATION ACCOUNTS

1101. *Grant No. 58—Planning and Development Division (Page 75—AA).*—No observation was made by the Committee on this grant.

1102. *Grant No. 148—Development Expenditure of Planning and Develop- Division (Page 170—AA).*—The saving of Rs. 23,059,39 head "D—General Administration", exhibited in the by the departmental representative, who claimed th

Rs. 9,171,668 instead of Rs. 8,240,608, as shown in the Appropriation Accounts, the saving would come to Rs. 27,928,332, which was mainly due to the following :—

(1) *D. 1 (1). Lump provision for Special Studies for the preparation of Fifth Five Year Plan (Rs. 701,700).*—Due to delay in the finalisation of contracts with the parties to carry out studies and also the non-completion of studies already contracted out. This amount could not be utilised and was surrendered on 29th June, 1978.

(2) *D. 1 (2). Lump provision for the Project of Generation of Data for Planning and Research (Rs. 374,400).*—The saving of Rs. 374,400 related to the Data Generation Cell, which had been transferred to the Ministry of Science and Technology, *w.e.f.* 13th September, 1979. However, the saving was surrendered by the Cell on 30th June, 1978.

(3) *D. 1(3). Nutrition Planning and Research Scheme (Rs. 176,255).*—Due to the late commencement of work on the Nutritional Pilot Project and non-filling of certain posts. However, the saving could not be surrendered due to an oversight, which was regretted.

(4) *D. 2. National Development Progress Centre (Rs. 16,000).*—The allocation was not utilised due to economy measures having been adopted by the defunct National Development Progress Centre. The saving was duly surrendered on 29th June, 1978.

(5) *D. 3 (5). Special Field Studies (Rs. 679,500).*—Due to delay in the sanction of the Special Field Studies, the amount remained unutilized. The saving was, however, surrendered on 29th June, 1978.

(6) *D. D. Grant-in-Aid to Appropriate Technology Development Project (Rs. 776,250).*—Against the budget provision of Rs. 2,700,000, an amount of Rs. 1,923,750 was placed at the disposal of the Appropriation Technology Development Project upto 21st January, 1978, when it was transferred to the Ministry of Science and Technology. The balance amount of Rs. 7,76,250, was surrendered on 29th June, 1978.

(7) *D. 5. Lump provision for Technical Services Project (Rs. 21,336,084).*—Due to non-availability of officers and staff as well as delay in the commencement of the Project, this amount could not be utilised. Of this, an amount of Rs. 7,955,680 was surrendered. However, the balance amount of Rs. 13,380,404 could not be surrendered inadvertently by the Cell. The omission was regretted.

(8) *D. 6. Lump provision for Establishment of Fertilizer Cell (Rs. 3,905,955).*—Due to non-availability of suitable incumbents through the FPSC, a number of posts remained unfilled. Consequently, the complementary staff could not be appointed.

(9) *D. 6 (5). Contributions to Provinces (Rs. 100,000).*—No contribution could be made to the Provincial Governments due to non-receipt of demands from them. The amount, however, could not be surrendered.

[illegible] *(Rs. 128,645).*—The amount could not be utilized [illegible]tion of expenditure by the Ministry of Finance.

(11) *UNDP Contribution (Rs. 3,200,000).*—Due to non-receipt of contribution for the UNDP as well as equipments, this amount remained un-utilised and the same was surrendered on 29th June, 1978.

(12) *D. 7—Lump provision for Peoples Planning Project for Slumbs Improvement in Lahore (Rs. 200,000).*—As this project was entrusted to the LDA, the Planning and Development Division decided to close the Project in December, 1977 and the amount was surrendered on 29th June, 1978.

1103. Replying to the query as to why the saving of Rs. 176,255, which occurred against the sub-head "D. 1 (3)", could not be surrendered and who was responsible for the oversight, the departmental representative explained that these Development Projects were constituted into independent Cells and reconciliation with Audit was the responsibility of the Project Director. Because they were technical people and were not fully conversant with accounts, the saving could not be surrendered in time. Thereupon, a member remarked that the Planning Division had also got an Accounts Cell and they controlled only four or five grants. Hence, they should have been able to keep track of the expenditure. The Chairman added that leaving the technical side here, even the money which was provided for certain necessity objects remained unutilised. There were nine projects for which funds were provided, but the money could not be spent. The departmental representative said that, out of nine projects, only in the case of Nutrition Planning and Research Scheme the saving could not be surrendered.

1104. The departmental representative further explained that the saving of Rs. 701,700 under the sub-head "D. 1 (1)—Lump provision for Special Studies for the preparation of Fifth Five-Year Plan" was due to the fact that studies could not be completed by the consultants. Another departmental representative added that there was one study known as "Regional Development", for which expertise could not be made available. When questioned as to why such a firm of consultants was selected, the departmental representative submitted that nobody else was available in the country. Thereupon a member remarked that, when the department engaged the consultants, they must have had the list of officers and personnel available with them, to their satisfaction. The departmental representative replied that, as far as research work was concerned, every thing did not shape as one might visualise it. Thereupon, another member added that, by 1977-78, the department should have known about it. And, if it was not possible to carry out the research, then they should not have asked for the budget grant. There were no doubt problems in research work, but the reasons stated by the department did not appear to be cogent. The department should have either changed the set-up or budget provision should not have been made for this work. The member finally observed that, so far as the Planning and Development Division was concerned, this did not depict a happy picture.

1105. The departmental representative further explained that the Plann
Division wanted to involve the Provincial Governments also, because these stud
had to be carried out in Lasbela, Makran, Baluchistan and Multan. They h
to hold meetings with the Provincial Governments and that was why t
could not engage the expertise in time. When the foreign experts subm
their report, they found it to be a bad study.

1106. *The Committee observed that this, anyw*
and money provided for some very good studies

1107. Replying to the query as to why the amount of Rs. 21,336,084, provided against the sub-head "D—5—Lump provision for Technical Services Project" could not be utilised and the saving of Rs. 13,380,404 not surrendered, the departmental representative explained that the project delated to investment feasibility services, loan for which was made available by the USA. But the specific studies had not been decided upon initially. However, the Planning Division did not have the expertise for the project and the same had to be appointed from outside. The project that was approved was "pre-investment feasibility services", for which a long list of experts had been given. The Planning Division, in consultation with the Ministries, decided as to what kind of feasibility studies, had to be carried out. Thereupon, the Chairman remarked that the Planning Division themselves were not quite clear and they took their own time to prepare the revised list of studies. Meanwhile, money, which was asked for, was neither utilised nor surrendered. In his opinion, this was a very inexecusable situation.

1108. The departmental representative informed the Committee that, according to the agreement, there had to be Pakistani along with the American Consultants and the basic consultants for the Project had to be appointed by the Planning Division, in consultation with the U.S. Consultants.

1109. Replying to the query as to what was the study "National Transport Research Centre", the departmental representative submitted that this Centre was created to carry out some studies necessary for a proper planning of transport. A tentative list was provided, but the procedure to be followed was that a proper proposal, for which individual studies could be started was to be cleared through the National Research Centre and taken to the Ministry for approval. After that, it had to be submitted to the Ministry of Finance for financial approval. But, during this particular year there was a tightening up of expenditure and the Ministry of Finance decided to carry out a very thorough review. During the year, an amount of Rs. 167,000 was utilised and the Centre carried out two types of studies, namely the "Desk Studies", carried out by the staff in position and not involving any expenditure. Nine studies were carried out during 1977-78 under this arrangement. The first one was a note on Petrol *versus* Diesel Transport and Assessment Policy Option, and it was completed in August, 1977. These studies were different from those, which were sanctioned and constituted the other type of studies.

1110. Replying to the query regarding Highway Code, the departmental representative informed the Committee that the procedure was being revised for the future drivers and they would be tested in the Highway Code at the time of issue of licences.

1111. The Committee came to the conclusion that so far as Grant No. 148 was concerned, out of the total allocation of Rs. 37 million for some basic studies, a sum of Rs. 14.37 million was surrendered and an amount of Rs. 13.35 millions, though it remained unused, was not surrendered. *The Committee, therefore, observed that this proved that the projects had not been worked out clearly, executed vigorously and funds therefor demanded realistically. The Committee directed that the Division should ensure that such defaults were avoided in the future.*

[illegible] *mittee further remarked that the working paper presented* [illegible] *not helpful. Working paper should have dealt with all* [illegible] *matter under discussion, including the loss of money,*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

1113. The Committee deferred the consideration of the report. Audit was requested to check these reports and bring to the notice of the Committee any points worth consideration.

1114. *Points|paras not discussed to be treated as settled.*—The Committee did not make any remarks on the other points|paras in the Appropriation Accounts or Audit Report thereon. These would be deemed settled subject to regularising action, if any, under the rules.

STATISTICS DIVISION

1115. Thereafter, the Committee examined the Appropriation Accounts for 1977-78 pertaining to the Statistics Division. Mr. S. Sohail Ahmad, Joint Secretary, represented the Department.

1116. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Other Agricultural Services (Sub-head A-4 only)	3
2.	Statistics Division	59
3.	Development Expenditure of Food and Agriculture Division [Sub-head "0.4 (3) Agriculture Census ".]	135
4.	Development Expenditure of Livestock Division [Sub-head "0.3 (1) National Livestock Census ".]	136

1117. *Representation of department before the Committee.*—It was noted that, instead of the Secretary, the Division was being represented by a Joint Secretary. A member, thereupon, observed that, if the Secretary|Additional Secretary-in-Charge, for any reason, was unable to represent his Ministry|Division, it would be only appropriate if an intimation to this effect, giving the reasons for the absence, was sent to the Committee well in time. The Auditor-General added that, in the past, whenever the PAC permitted a Principal Accounting Officer to be represented by a Junior Officer, this used to be recorded in the proceedings of the Committee. *The Chairman observed that another circular should be issued reiterating the necessity of the appearance of Principal Accounting Officers before the PAC whenever the accounts of their Ministries|Divisions were examined by the Committee.*

1118. *Reconciliation of Accounts with Audit.*—Noting that reconciliation in some field offices had not been completed for the year 1979-80, the Committee directed that Field Officers should be asked strictly to finalise the reconciliation on the dates fixed by Audit. The departmental representative assured the Committee that they were already pursuing the matter and expected that the outstanding reconciliation would be completed within a fortnight or so.

APPROPRIATION ACCOUNTS

1119. *Grant No. 3 (Page 19—AA).*—There was nothing material for consideration by the Committee under this grant.

1120. *Grant No. 59—Statistics Division (Page 76—AA).*—The department [illegible]sted the saving of Rs. 3,836,819 against the group head "A—Statistics [illegible]ion". Because, according to their records, actual expenditure amounted [illegible] 11,554,041 instead of Rs. 11,686,181, shown in the Appropriation [illegible] there was a total saving of Rs. 3,968,959 against which an amount [illegible]uly surrendered on the 30th June, 1978, resulting in an [illegible]nly Rs. 13,259. Accepting this position, Audit sub[illegible] Rs. 3,955,700 under the final grant was due to the

1121. *Grants No. 135 and 136 (Pages 156-57—CA).*—No observation was made by the Committee on these grants.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

1122. The Committee decided that Audit should go through these reports and report back any points worth consideration by the Committee.

1123. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other points in the Appropriation Accounts or Audit Report thereon. These would be treated as settled subject to regularising action, if any, under the rules.

POPULATION DIVISION

1124. After the Statistics Division the Committee examined the Accounts of the Population Division for 1977-78. The following departmental representatives were present :—

(1) Mr. Rashid Ahmad, Additional Secretary.

(2) Mr. Bashir-ud-Din Ahmad, Deputy Director (Budget).

1125. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No
1.	Population Planning Division	77
2.	Development Expenditure of Population Planning Division	150

1126. *Reconciliation of Accounts with Audit.*—The Committee noted that the department was up-to-date in the reconciliation of its accounts.

APPROPRIATION ACCOUNTS

1127. *Grant No. 77—Population Planning Division (Page 96—AA).*—There was nothing material for consideration by the Committee under this grant.

1128. *Grant No. 150—Development Expenditure of Population Planning Division (Page 172—AA).*—The excess of Rs. 52,385,930 claimed by Audit against the group head "N—Public Health" was explained as being due to belated adjustment of commodity received in aid against the allocations during 1974-75 to 1975-76, but adjusted in the accounts for 1977-78. A corresponding saving had accrued in the Appropriation Accounts for those years. The Audit repsesentative confirmed that the debits, relating to the previous years, had been adjusted in the year 1977-78. A member, thereupon, observed that, in that case, Audit should have advised the department in time so that they should not have surrendered the amount of Rs. 160,369,568. The Audit representative informed the Committee that they had now started to promptly advise the concerned department about such belated adjustments.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75

1129. The Committee decided that Audit should go through these reports [illegible] bring to the notice of the Committee any points worth consideration by it.

[illegible]0. *Points not discussed to be treated as settled.*—The Committee did not [illegible] observation on the other points in the Appropriation Accounts or the [illegible] thereon. These would be deemed settled subject to such regularisa-[illegible] necessary under the rules.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

1131. The Appropriation and other Accounts of the Ministry of Petroleum and Natural Resources for 1977-78 were taken up next for examination by the Committee. The following departmental representatives were present:—

(1) Mr. Abdul Manan Khan, Joint Secretary.

(2) Mr. Zafar Hussain, Financial Adviser (INP).

(3) Mr. Asrarullah, Director General G.S.P.

(4) Mr. A. C. Broker, G. M. (Finance), O.G.D.C.

(5) Mr. Abdul Jabbar Khan, G. M. (Audit), P.M.D.C.

(6) Kh. Asifullah, Director Technical, P.M.D.C.

1132. This Ministry controlled the following grants:—

S. No.	Name of Grant	Grant No.
1.	Ministry of Petroleum and Natural Resources	104
2.	Geological Survey	105
3.	Other Expenditure of Ministry of Petroleum and Natural Resources ..	106
4.	Development Expenditure of Ministry of Petroleum and Natural Resources ..	158
5.	Capital Outlay on Petroleum and Natural Resources (Except Group head 'K')	184
6.	Capital Outlay on Mineral Development	185

1133. *Reconciliation of accounts with Audit.*—The Committee noted that, with the exception of Karachi Circle, the reconciliation work was up-to-date. The departmental representative was requested to direct their Karachi Office to become up-to-date, as early as possible.

1134. *Federal Treasuries not forwarding Accounts regularly.*—It was brought to the notice of the Committee that, amongst others, one of the causes for delay in reconciliation was non-receipt of statements of accounts from the Federal Treasuries promptly, particularly, from Karachi. These treasuries were set up by the Government to, *inter alia*, help in improving the system of payments and maintenance of accounts. Accordingly *the Committee directed that Finance Division should be requested to take the necessary steps to rectify the situation, specially regarding the Federal Treasury in Karachi, and to send a report to the Committee about the steps which they proposed to take in this behalf.*

APPROPRIATION ACCOUNTS

1135. *Grant No. 104—Ministry of Petroleum and Natural Resour[illegible] 123—AA).*—No observation was made by the Committee on this [illegible]

1136. *Grant No. 105—Geological Survey (Page [illegible]* Rs. 544,260 against the group head "A—Geolog[illegible] explained as being due to non-booking of exp[illegible] respect of the Central Circle. The Audit representative admitted that the expenditure coud not be booked against the Budget provision in the Islamabad Region and was inadvertantly passed on to the Karachi Circle. The debit had been re-directed and was being adjusted in the Accounts for 1979-80. *Audit was requested to check up as to how was the debit passed on to Karachi and take necessary corrective steps about it.*

1137. *Grant No. 106—Other Expenditure of Ministry of Petroleum and Natural Resources (Page 125—AA).*—The saving of Rs. 79,477,000 against the group head " A—Contributions " was explained as being mainly due to :—

(i) reduced payments to the Pakistan Refinery during the year on the basis of actual liabilities (Rs. 69,453,000).

(ii) non-consideration of claims of the Indus Gas Company for the payment of Rs. 10,000,000 during the year.

Questioned as to why was the saving not surrendered, the departmental representative submitted that they were looking into it. *The Committee observed that the department should locate the responsibility for the non-surrender of the saving of large amounts for necessary action.*

1138. *Group head " B—Special Commission of Enquiry " (Page 125—AA).*—The saving of Rs. 2,498,945 against this group head was ascribed to certain posts of officers and staff having remained vacant during the year and non-purchase of two staff cars, etc. *The Committee observed that, in this case also, the responsibility for non-surrender of savings should be located for suitable action against the defaulters.*

1139. *Grant No. 158—Development Expenditure of Ministry of Petroleum and Natural Resources (Page 180—AA).*—There was nothing material for consideration by the Committee under this grant.

1140. *Grant No. 184—Capital Outlay on Petroleum and Natural Resources (Page 206—AA).*—The saving of Rs. 2,560,785 against the group head " A-Investment in Oil Companies " was stated to have been due to :—

(i) Non-adjustment of Rs. 575,000 by the AGPR, Rawalpindi due to not-receipt of debit from the AGPR, Karachi.

(ii) refund of over-contribution of Rs. 1,718,750 by Wintershell Oil Company, as admitted by Audit, and

(iii) non-issue of payment authority for Rs. 266,830 by Audit due to non-receipt of sanction issued by the Ministry.

1141. A member remarked that the saving of Rs. 1.7 million should have known to the department. The departmental representative said that it anticipated and they came to know about it after the close of the year. s the departmental representative could not spell out the actual date of the refund, he was directed to check up as to when did the oney. Audit was also requested to follow it up.

Oil and Gas Development Corporation (Page 206—
709 against this group head was explained as
y Audit, which was beyond the control of the
d by Audit.

1143. *Group head "I—Investment of Resources Development Corporation" (Page 206—AA).*—According to Audit, there was an excess of Rs. 134,100 against this group head. The department contested it for the reason that, according to the reconciliation statements issued by Audit, there was neither any excess nor saving against this group head. The Audit representative informed the Committee that the amount of Rs. 134,100 was adjusted through the supplementary account, after reconciliation.

1144. The Committee noted that, though the Investment and Resources Corporation was established in 1974, no accounts of the Corporation seemed to have been received in the Ministry so far. *The Committee, therefore, directed that the Ministry should secure the Accounts and furnish a detailed paper to the Committee about the financial working of this Corporation, with particular reference to Government investments made in it, well before its next session.*

1145. *Grant No. 185—Capital Outlay on Mineral Development (Page 209—AA).*—The Committee noted that the department had failed to surrender the saving of Rs. 961,574 which occurred against the group head "A-Mineral Explorations" and directed that they should locate the responsibility and take action against the defaulters.

COMMERCIAL ACCOUNTS

Oil and Gas Development Corporation

1146. *Compilation of Accounts* [*Para 3 (ix), page 6—CA*].—The Committee was informed that the audit of the accounts of OGDC upto 1977-78 had been completed. The Committee desired that their Accounts for 1978-79 should be completed by December, 1980 and those for 1979-80 soon thereafter and a copy of the un-audited Accounts for 1978-79 also handed over to Audit.

1147. *Appointment of External Auditors.*—The Committee observed that the OGDC|Ministry should initiate the appointment of external Auditors, in consultation with the Auditor-General, well in time. If the Ministry, for any reason, was not able to send proposals to the Auditor-General by the time-limit, which the Auditor-General should make known to them, the Auditor-General may himself consider to appoint external Auditors for the Corporation, with intimation to all concerned.

Pakistan Mineral Development Corporation

1148. *P.M.D.C. Head Office (Paras 70-71, page 137—CA).*—The Accounts disclosed that, during the year under review, the PMDC (H.Q.) earned a net profit of Rs. 796,010, as against of Rs. 3,638,275 during the preceding year.

1149. In their reply, the department explained the reasons for the short[illegible] in profits during the year, as below:—

(a) During 1976-77, out of the total H.Q. expenses of Rs. 55.[illegible] recovery of Rs. 52.50 lacs was made from PMDC Pro[illegible] basis of Board's approval. However, during 1977-7[illegible] of Rs. 58.77 lacs, only Rs. 39.99 lacs were [illegible] and the balance of Rs. 18.78 lacs was [illegible] itself, against Rs. 2.70 lacs during the [illegible] relief was decided to be afforded t[illegible] Sor-Range and B. Plant, as per app[illegible]

(b) A provision of Rs. 1,594,615 was made against the Recoverables from the PMDC Projects (both operational & exploration) because of their constant losing position from the last several years. For example, the accumulated loss in Sharigh was Rs. 33,967,615 and they owed, as on 30th June, 1978, Rs. 1,140,823 to the PMDC and Rs. 17,169,143 to the PIDC respectively. Similarly, the accumulated loss on the Sor-Range was Rs. 35,784,303 and they owed, on 30th June, 1978, Rs. 22,001,348 to the PMDC and Rs. 16,768,562 to PIDC, respectively.

1150. The Audit representative informed the Committee that the profit further decreased in 1978-79 by Rs. 76,974 for the reason that Rs. 9 million were provided as doubtful debts. The Corporation was treating the interest due from the projects as Doubtful Debts. Thus, the burden of losing projects was being taken over to be eventually distributed among the profitable projects. This device amounted to an indirect amulgamation of the accounts of various projects, which was objectionable. The correct procedure would be to calculate and remit the interest due even from the losing concerns.

1151. After some discussion, the *Committee observed that Audit should examine, in consultation with the Ministry, whether separate balance sheets should be prepared for the headquarters and for each project and then a consolidated balance sheet for the Corporation as a whole.*

1152. *The Committee observed that the Ministry should consider writing off the losses of the Corporation, where warranted, so that the current year's accounts should pertain to the PMDC period, Audit should also look into this, for rectification.*

1153. The Committee also considered that interest on even the losing projects should be charged, as on the profitable ones.

1154. *Current Liabilities (Para 74, page 138—CA).*—A member desired to know the details of current liabilities on account of current year's transactions (Rs. 41,431,194) shown in the balance sheet. Since no answer was readily available, he suggested that someone should look into it and report back to the Committee.

PMDC Collieries Sharigh

1155. *Working results (Para 88, page 184—CA).*—The review showed that the percentage of net loss during the year stood at 283.26% as compared to 105.07% in the previous year. This was mainly due to (i) Less sales of Coal, (ii) increase in the cost of production from 125.52% to 175.04% and (iii) excessive increase in financial expenses from 68.37% to 232.89% during the year under review.

1156. Explaining the position the department in their reply stated that the
duction and sales of Coal from the Sharigh Mines, which were about 134
ers from Sibi, depended upon the supply of empty wagons by the Rail-
rities. The present rail track was very old and not suitable for heavy
ing trains. A train could cover this distance in eight hours, which
ctor for the low sales of Sharigh coal, Shortage of stocking
tor for low production. Accordingly, production had to
tches, to avoid the burning of coal due to piling of
xplained that, against their demand of 108, 96 and
s of January, February and March, 1980, the
make available only 12, 7 and 11 wagons

1157. When questioned as to whether non-availability of railway wagons was the only problem, the departmental representative replied that it was the foremost one for this unit. Although the Railway authorities had promised that they would supply 16 wagons a day, they had not done so as yet. Even now, the position had not improved. Replying to another query, the departmental representative submitted that production during the 1979-80 was 17,000 tons and the target for the current year, 1980-81, was 30,000 tons. However, due to non-availability of railway wagons, production activity had to be suspended and concentration, for the present, was on development, success of which was in itself dependent upon the Railways making the requisite number of railway wagons available. It was explained further that an approach was made to the Planning Division, also, who contacted the Railways. The Railway authorities had made a firm commitment that they would supply 16 wagons per day. How far this commitment was honoured by them, would become known only after the demand from the Steel Mills Corporation was received and sale, according to the demand of that Corporation, was taken in hand.

1158. *The Committee desired that the Ministry should take up with the Ministry of Railways|Railway Board their default in the promised availability of wagons and find out as to what were they doing about their commitment to supply adequate number of wagons for despatching about one lac tons of coal each year to PASMIC, Karachi. This should be followed up vigorously now, otherwise the project would be saddled with surplus production and|or surplus capacity.*

Degari Colleries

(Paras 96—103—Pages 194—205—CA).

1159. No observation was made by the Committee on these accounts.

Sor-Range Colleries

1160. *Working results (Para 104, page 207—CA).*—The project sustained a loss of Rs. 3,459,514 during the year under review as against one of Rs. 5,139,668 in the preceding year. The project had been running on losses, year after year, and its accumulated losses stood at Rs. 35,784,303 on the 30th June, 1978.

1161. In their written reply, the department maintained that the project had made quite a significant improvement in its working results during 1977-78 inasmuch as it sustained a loss of Rs. 3,459,514, as compared to the previous year's Rs. 5,139,668, recording a net reduction of Rs. 1,680,154 in losses. The continuous losses in the project were mainly ascribed to the following :—

(1) *Over-capitalization.*—This mine had been capitalised during the execution of the development scheme in early sixties, under the expert advice of foreign experts engaged by the then Government. The scheme was originally planned to produce 1,000 tons of coal per d[illegible] which, after judging the conditions of the mine, was reduce[illegible] 240,000 tons per annum. The capacity of the mine could, [illegible] not be developed to achieve even the lesser target of [illegible] per year. Consequently, an annual target of only [illegible] duction was fixed at for 1977-78, due to some [illegible] tors, such as (i) under-ground strata conditi[illegible] above the levels and incline, causing ex[illegible] fire and (iii) carboneous shales, when[illegible] fire frequently, resulting in the stopp[illegible] ducing production.

(2) *Burden of Interest.*—The burden of interest for the loans, taken from the Government by the PMDC, was so heavy that the gross profit earned inspite of the above mentioned adverse factors, got converted into continuous losses. The matter of reducing the interest burden by writing down the capital cost had been taken up with the Government. A Special Committee had also been set up by the Government to study the over-capitalization and find ways and means to write down the capital cost. It was hoped that, as soon as the capital cost was reduced, the project would become self-sufficient and commercially viable.

1162. After some discussion, *the Committee directed that the Ministry should pursue, with Finance the questions of writing off the losses of the PIDC period, and writing down the capital cost of the project.*

Salt Mines, Waricha

1163. *Head office expenses (Para 113, page 221—CA).*—As pointed out by Audit, the gross profit had been adversely affected due to excessive Head Office expenses allocated to the Project during the year, for which no formula existed. It was suggested that a scientific formula|proper system of allocation of the Head Office expenses to the Projects, be evolved, to avoid uncalled for burden on viable Projects.

1164. The department stated, in their written reply, that the Head Office expenses were being charged to the Project as per the Board's approval. These were allocated on the basis of the financial situation of the Projects concerned. Some time, relief was afforded to losing projects and the burden of relief was borne by the major earning projects. This had been considered to be an appropriate method for charging the Head Office expenses to the Projects.

1165. The Audit representative submitted that they felt that an *ad hoc* allocation of Head Office expenses to projects needed to be replaced with some rational method, such as fixing a proportional ratio based on the Corporation's needs for apportioning Head Office expenses to projects. This allocation should not be disturbed and any relief to a losing concerned should then be given by way of a grant.

1166. The Committee noted that the Head Office expenses were being charged from the revenue account of the projects, except for two losing projects, namely the Sharigh and Sor Range coal mines. Accordingly, *it observed that the Ministry might consider whether there was at all a need to charge for the Head Office expenses from any particular projects.*

(i) **Salt Quarries, Bahadur Khel.**

(Paras 119—123 Pages 232—246—CA).

(ii) **Jatta Salt Quarries.**

(Paras 124—129 Pages 247—260—CA).

...7. The Committee made no observation on these accounts.

... ON THE POINTS CONTAINED IN THE PAC REPORTS ... FOR 1972-73, 1973-74 AND 1974-75.

... decided that Audit should go through these reports ... worth consideration by the Committee.

...*ssed to be treated as settled.*—The Committee ... the other points|paras in the Appropriation| ...eport thereon. These would be deemed ... any, under the rules.

MINISTRY OF INDUSTRIES

1170. The Appropriation and other Accounts for the year 1977-78 and the Report of the Auditor-General thereon pertaining to the Ministry of Industries were the last to be taken up by the Committee for examination. The following departmental representatives were present :—

(1) Mr. Iqbal Saeed, Secretary.

(2) Mr. Nisar Ali Shah, Joint Secretary.

(3) Mr. A. K. Soofi, D. G., Supplies.

1171. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Agrarian Management Division	63
2.	Ministry of Industries	78
3.	Industries	79
4.	Department of Investment Promotion and Supplies	80
5.	Other Expenditure of Ministry of Industries	81
6.	Capital Outlay on Miscellaneous Stores	126
7.	Investment in Agrarian Management Corporation . . .	132-A
8.	Development Expenditure of Ministry of Industries (except Group head 'D')	153
9.	Capital Outlay of Agrarian Management Division . . .	179

1172. *Reconciliation of Accounts with Audit.*—The Committee noted that the accounts for 1978-79 had been reconciled, except for Weights and Measures and some other items. For the year 1979-80, reconciliation had been completed up to the second quarter. The departmental representative was requested to get the outstanding reconciliation for 1978-79 and 1979-80 completed expeditiously.

APPROPRIATION ACCOUNTS

1173. *Grant No. 63—Agrarian Management Division (Page 80—*
No observation was made by the Committee on this grant.

1174. *Grant No. 78—Ministry of Industries (Page 97—A*
contended that the excess of Rs. 220,707 against the gro
Management Cell", as reported by Audit was not fac
Rs. 498,470 had been surrendered out of the supple
vide the Ministry of Industries letter No. F. 9 (2
1978, which brought down the final grant to
ture, according to the reconciliation certi
Rs. 813,707 and this, when compared with t

resulted in a saving of Rs. 31,087. The un-spent amount was retained to meet the debit for telephone charges from the T&T Department. Though the debit was not received, the saving could not be surrendered.

1175. The Audit representative submitted that neither the Surrender Order of Rs. 498,470 was received by them nor the discrepancy was pointed out by the Department earlier. A copy of the surrender order had now been obtained. Further, the department had also admitted an expenditure of Rs. 730,264, reconciled through another reconciliation statement under the same Group Head, although it related to Group Head 'A'. The department should, therefore, explain the excess of Rs. 699,176, instead of saving of Rs. 31,088 either under this group head or, separately, under the group heads A & C. He added that, even if the surrendered amount was taken into consideration, there was an excess of Rs. 200,707.

1176. After some discussion, *the Committee observed that the Department should in the first instance, have the variations in the actual expenditure reconciled with Audit and then a revised explanation on the whole grant (No. 78), on the basis of reconciled figures, be furnished to Audit, who may bring it to the notice of the Committee, if necessary.*

1177. *Grant No. 79—Industries (Page 98—AA).*—There was nothing material for consideration under this grant.

1178. *Grant No. 80—Department of Investment Promotion (Page 99—AA).—(Group Heads "A" "B" and "C").*—An excess of Rs. 69,313 was depicted by Audit against the group head "A—Department of I. P & S". In their reply the department explained that, according to the reconciled figures of expenditure, the expenditure had been inflated by Rs. 36,535. It pertained to the CTL, Lahore but had been wrongly booked by the A. G. Punjab, Lahore to the accounts of the Controller of Inspection, Lahore. The excess of Rs. 32,778 was due to the implementation of the Revised National Pay Scales.

1179. The Chairman remarked that the excess had not been explained properly and enquired as to why the department did not ask for supplementary grant to cover the excess. The departmental representative replied that a supplementary grant was asked for, but the amount of Rs. 32,778 was not included therein.

1180. The excess of Rs. 157,341 against the group head "B—Testing Laboratories" was explained as being due to :—

(i) more travelling than expected (Rs. 9,400).

(ii) more expenditure on telephones (Rs. 23,600).

(iii) more expenditure on furniture (Rs. 13,000).

... re expenditure on liveries (Rs. 3,900).

... tion of Revised National Pay Scales (Rs. 107,441).

... sentative pointed out that a grant of Rs. 570,000 was ... s supplementary provision for the Revised National ... here was an excess of Rs. 107,441. It appeared ... ssed its requirements correctly.

... at according to Ministry there was another ... head "C—Stores Sections Abroad". He ... xcess, a supplementary grant should have

1183. The Committee directed that the responsibility for incurring excess expenditure should be fixed by the Ministry, for taking suitable action against the defaulters.

1184. *Grant No. 81—Other Expenditure of Ministry of Industries (Page 100—AA).*—The saving of Rs. 137,814,722 against the group head "H—Reimbursement of payments to Textile Mills" was attributed to less claim, lodged by the banks and non-receipt of claims on account of interest. It was stated by the department that Rs. 138,000,000 had been surrendered on the 29th June, 1978. However, the Audit representative informed the Committee that the Surrender Order of Rs. 138,000,000 was not received in Audit Office earlier and a copy thereof had since been obtained from the Ministry. Replying to a query, the departmental representative submitted that they had agreed to give a subsidy, which was to be distributed through the Banks. There was only a rough estimate for it. The Chairman remarked that, as the Ministry had surrendered the saving, there was nothing further to be done about it.

1185. *Grant No. 126—Capital Outlay on Miscellaneous Stores (Page 146—AA).*—The saving of Rs. 54,206 against the group head "A—Purchase and Sale of Diplomatic Cars" was said to have arisen due to less purchase of Diplomatic Cars. Refuting the department's claim, the Audit representative stated that the reason given by the department for the saving was not factual. Actually, there was an excess of Rs. 33,060 under the sub-head "A. 1—Purchase of Diplomatic Cars" and a saving of Rs. 87,275 against the sub-head "A. 2—Administrative Expenditure", resulting in a net saving of Rs. 54,206 in this group head.

1186. Against the estimated recovery of Rs. 550,000, the recovery, as accepted by Department, amounted to only Rs. 231,959. A sum of Rs. 18,697, instead of being booked as recovery, was booked as minus expenditure which was brought out in the reconciliation, completed by the department late in April, 1980. The remaining less recovery of Rs. 318,041 had been explained by the department as being due to less sale of cars.

1187. When questioned as to how many cars were left with the Department, the departmental representative replied that, at present, only such cars were in stock which could not be sold, because there was no demand for the same either from the Government Departments or the Public. Thereupon, *the Committee observed that if some diplomat's cars were being found to be unsaleable, the Government should reconsider the policy of first purchasing all the cars of diplomats to obviate a financial loss to Government.* In reply to a query, the departmental representative informed the Committee that the profits on sale of cars during five years totalled Rs. 6 lakhs.

1188. *The Committee further desired that a consolidated accou*
of diplomat's cars during the last ten years, showing the
cars received, amount paid, cars sold, amount of sale
gained|loss incurred etc. should be prepared and check
report on the subject then submitted to the Committ

1189. *Group head "B—Scheme for Produc*
146—AA).—According to Audit, there was a
group head. Contesting the figures, the de
grant of Rs. 199,900, the actual expendit
ments, was Rs. 207,946. There was thus

due to misclassification. In reply, the Audit representative submitted that the debit of Rs. 207,946, representing the "Administrative Expenditure" for 1977-78, had been adjusted in the accounts for 1978-79.

1190. When questioned about the Stock of Coal|Coke taken over by the former East Pakistan on 1st July, 1960, the Audit informed the Committee that the Ministry of Industries had informed them in May, 1980 that the Finance Division had ultimately agreed to the transfer of the debits of Rs. 11,396,930 relating to the former East Pakistan to "East Pakistan Suspense". The adjustment was made in the Accounts for May, 1980 under intimation to the Ministry.

1191. The Audit representative pointed out that in reply to audit comments at S. No. 3 Page 247 of App. A|cs., the Ministry had stated that 2000 cases had been closed and 5000 were under destruction in compliance with PAC's directive. In fact PAC never gave a directive but had stated that:—

> "files other than those relating to East Pakistan and specific involvement may be closed but before doing so, Ministry of Finance may be consulted. This was only a suggestion and not a directive, for examination and decision by Ministry (Page 70—Para 323 PAC Report 1974-75).

Hence department's destruction of files en-block was not under P.A.C's directive, as stated, and involved risk of closing cases involving frauds, etc.

1192. Replying to a query, the departmental representative informed the Committee that, *vis-a-vis* private parties, one case had been decided in favour of the Department and some others were still pending. *The Committee directed that all the records, which could be needed to settle any possible disputes, must be retained and useful files should not be destroyed prematurely.* The departmental representative assured the Committee that they would keep the record, till the cases were finalised and the same would not be destroyed.

1193. *Grant No. 132—A—Investment in Agrarian Management (Page 154—AA).*—A saving of Rs. 30,300,000 was reflected in the Accounts by Audit against the group head "A—Investment in Rice Milling Corporation". The Committee was informed that there was no saving, as shown in the Appropriation Accounts. Instead, the entire amount was sanctioned to be paid to the Rice Milling Corporation for making payment to the Rice Mills owners, after de-nationalisation, under the R[illegible] Control and Development (Repeal) Ordinance, 1977.

1194. The Audit representative explained that Rs. 30,300,000 was paid in April, 1978, but could not be adjusted during 1977-78 as debits were not [illegible] from the Provincial Circle. However, the same was adjusted in 1978-79. [illegible] *[illegible]ed that the accounts of Rice Milling Corporation should [illegible] earliest possible.*

[illegible] *Development Expenditure of Ministry of Industries* [illegible]tion was made by the Committee on this grant.

[illegible] *Outlay of Agrarian Management Division* [illegible]y, the departmental representative explained [illegible] allocated for vitaminization of atta. But, [illegible]pped, the entire grant was saved and

AUDIT REPORT

1197. *Loss due to non-recovery of risk purchase amount of Rs. 250, 717 (Para 10, page 25—AR).*—It had been pointed out by Audit that a contract was placed by the Department on a firm in December, 1973 for the supply of 37 tons of M. S. Nuts ½ inch at a total cost of Rs. 1,22,018. The firm failed to furnish the security deposit and the contract was cancelled in May, 1974 at their risk and cost. The stores were later procured against a contract issued in February, 1975, involving an extra expenditure of Rs. 250,717. However, the department determined in April, 1975, an amount of Rs. 228,443 only as being recoverable from the defaulting firm on account of risk purchase. The firm was asked to pay this amount within 15 days, but without any responce. The Government dues remained unrecovered for want of effective and timely action by the Department.

1198. The department, in their reply, explained that a legalistic view be taken in determining the completion of the contract and the essential requisites thereof. No Bank Guarantee for the satisfactory execution of the contract was furnished by the selected firm although, in accordance with clause 17 (H) of the special condition of A|T, it was advised to submit the Bank guarantee to the extent of 5% of the total value viz ; Rs. 6,100. Without, however, waiting for the receipt of the guarantee, the Department issued the A|T which was neither acknowledged by the firm nor was the Bank Guarantee furnished. Apparently, the department was at fault in thus issuing the A|T. But this was presumably done to take advantage of the lowest price offered which, under the present marketing conditions, were always subject to escalation. The Department's anxiety, however, proved to be a misplaced trust in the firm that Bank Gurantee would, in course of time, be submitted and, in the process, the advantage of low price would also accrue to the Government. In the absence of furnishing Bank Guarantee and fulfilment of this material contractual condition, no legal obligation of the firm was created. As such, the contract could not be considered as having been finally entered into and the cancellation of this infructuous contract should not, therefore, have led to any risk and cost. In this view of the matter, there was hardly any question of backing out of the firm.

1199. The Audit representative averred that it was a normal practice with the department to include a clause in the contract [illegible] the payment of security in the form of cash|bank draft etc., in conformity with clause 4 (b) of the General Conditions of Contract, which reads as under :—

> "4 (b) If the contractor is called upon by the Purchaser to deposit security and the contractor fails to provide the security within the
> period specified, such failure will constitute a
> contract and the Secretary Ministry of Indus
> to make other arrangements at the risk and exp

Hence the department's contention that no liability
firm's inability to render security was not tenable.

1200. Replying to a query, the depar
the contractor did pay earnest money, wh
rising prices, the contractor was appreh
did not sign the contract. Now, the w

1201. *The Committee observed that the Ministry should find out from the Law Division, after giving full facts of the case, whether there was a contract at all. Further action might be taken in the light of the opinion of the Law Division.*

1202. *Loss due to irregularities in purchase of stores Rs. 150,787 (Para 11, page 25—AR).*—It was reported by Audit that, against an indent dated 22nd August, 1975 for the supply of certain stores by the end of November, 1975, a tender enquiry was advertised by the Purchase Department on the 13th September, 1975. In response thereto, ten tenders were received, but initially none of them was considered technically acceptable. On reconsideration, with reference to the specifications of similar stores procured earlier, offers of two firms were found acceptable subject to certain clarifications. However, despite urgency, the case was not processed promptly and the offers were allowed to lapse for no valid reasons. Subsequently, one of the two firms, of its own, revised its offer and a contract was placed on it on the 19th October, 1976 for Rs. 571,400 for delivery by the 30th June, 1977. The firm was also allowed refund of Excise Duty at 25%, without specifying the documents from which it could be verified that the duty related to this very contract. The rate allowed for one item in this contract was substantially higher than the price offered by another firm, thus involving an extra expenditure of Rs. 23,450, which could have been avoided, had that firm's offer not been allowed to lapse.

1203. It was explained by the department that the Indent, dated 22-8-1975 was received in the department on 26-8-1975 wherein the date of delivery of the stores was mentioned as 30-11-1975. The indent was scrutinized and the Schedule of Requirements completed on 18-9-1975. The demand was advertised in the paper in view of its estimated value being Rs. 395,770. Tenders were due for opening on 5-11-1975. The Indenting officer was informed on 9-10-1975 that delivery by the date mentioned in the indent was not possible and might, therefore, be deleted. Ten tenders were received on 5-11-1975 and referred to the Inspection Wing, after the preparation of Comparative Statement for Technical Scrutiny. But none of the offers were found to be acceptable. To conserve time and expenditure, the matter was again referred to the Inspection Wing to review their observation and, if possible, to relax specifications in respect of the locally produced stores, as was done earlier on 4-12-1975. On 25-12-1975 the Inspecton Wing [illegible] first lowest offer for item No.1, first and 2nd lowest offers for Item [illegible] d and 3rd lowest offer's for Item No. 3 as being acceptable w[illegible]ons and clarifications to be had from the firms. The firms concerned [illegible] to extend the validity of their offer. M/s. Sparkway extended the off[illegible]ished the clarifications, which were referred to the Inspection Wing on 22nd March, 1976. The Inspection Wing informed on 27th April, 1976 that both the offers of M|s. Sparkway Industries, Pak and Oriental [illegible]ble in view of the clarifications furnished for all the [illegible]ms were asked again on 8th May, 1976 to extend the [illegible]ill 31st May, 1976. The Indentor also confirmed the [illegible]e extent of Rs. 5 lacs on 4th March, 1976. On 17th [illegible]gencies declined to extend the validity of their offer [illegible]ries Pak extended the validity thereof, as desired. [illegible] on 6th July, 1976 to confirm additional funds, [illegible] On 10th August, 1976, the firm, M|s. Spark-[illegible]dity of their offer to 25th August, 1976. In [illegible]y loss on any account, as pointed out by [illegible]lly acceptable offer could be considered [illegible]h offers that were upto the mark.

1204. It is, therefore, factually, not correct that the offer was revised, as would appear from the above. As regards, the refund of excise duty @ 25 per cent, since it was not provided for in the quoted price, provision was made for it, " if levied will be on purchaser account " in accordance with the Sale of Goods Act. As regards payment, it was one of the conditions of the offer that 90 per cent payment was to be made against the Inspection Note and proof of despatch in the form of Railway Receipt or Truck Receipt and the balance 10 per cent against receipt Inspection Notes. Also Inspection Notes were issued against the following guarantee, furnished by the firm :—

> " We do hereby guarantee that the " Inert Cells " offered by us type IS-2 for inspection on 3rd June, 1977 are strictly in accordance with the requirements of the above A/T and conforming to ESS-397/1960 in all respects. If in case these are found deficient in any respect, we undertake to replace these free of cost and risk at consignee's end without reservation whatsoever ".

1205. This was considered to be enough safeguard, as the firm were indigenous manufacturers of the stores. Reduction in price on account of deficient store was governed by the performance of that store and had to be based on technical date and not to satisfy any organisation arbitrarily. Further, a sum of Rs. 11,428 as security deposit on behalf of the firm was available with the AOIS&F. As such, there appeared to be hardly any irregularity, as the normal procedure was followed. From the above it was thus evident that. though there was a delay of $1\frac{1}{2}$ years, it cause no loss, as certified by the Indentor. On the other hand, indigenous capacity was utilized. As only two offers were technically acceptable and one of the firms backed out during the processing of the contract, the department had no alternative but to accept the available offer, to save time and expenditure on the procurement, which was already delayed.

1206. After some discussion, the *Committee felt that the commulative result was against the department. It, therefore, directed that the Ministry should institute an inquiry into the matter, as the explanation for $1\frac{1}{2}$ year's delay was not found to be satisfactory and an explanation was also not forthcoming about the Inspection Note having been released without a Bank Guarantee.*

1207. *Non-recovery of risk purchase amount fro*[illegible] *Contractor—Rs. 91,450 (Para 12, page 26—AR).*—Audit had [illegible] Department of Supplies had placed an order in March, 1971 [illegible] supply of 765 motor car batteries, at a total cost of Rs. 284,960 [illegible] October, 1971. The firm supplied only 265 batteries within the stipu[illegible] and the contract for the remaining quantity of 500 batteries had to be cancelled in May, 1972 at their risk and cost. The balance quantity was pu[illegible] in August 1972 from another firm, involving an extra expenditure [illegible] defaulting firm were asked in August, 1972 to deposit [illegible] purchase cost, but they not respond to the request.

1208. It was explained that, though order was [illegible] 745 batteries at a cost of Rs. 2.84 lakhs, the firm [illegible] Despite the firm being an established one, it disa[illegible] debacle and did not prefer its claim even fo[illegible] department. Moreover the bank guarantee [illegible] was also forfeited.

1209. The objection was treated as [illegible]

COMMERCIAL ACCOUNTS

Pakistan Industrial Technical Assistance Centre

1210. *Compilation of Accounts [Para 3 (viii), page 5—CA]*.—Audit had pointed out that the Accounts of the Pakistan Industrial Technicals Assistance Centre, for the period from 1968-69 to 1974-75, had been compiled and were under audit by the Accountant General, Punjab. It was further stated that the account for the period from 1975-76 to 1977-78 had not been compiled as yet.

1211. The Committee was informed that the accounts for the years 1975-76 to 1977-78 had already been compiled and submitted to the Accountant General, Punjab, Lahore. The Audit representative stated that the accounts for 1975-76 to 1977-78 had not yet been received by them. The Committee requested the departmental representative to check this up at their end and also directed that the accounts for 1978-79 and 1979-80 be completed and made available to Audit.

Investment Advisory Centre of Pakistan

1212. *Comparative Balance Sheet (Para 267, page 525—CA)*.—An amount of Rs. 4.12 lakhs was shown as "Fee Receivable" in the balance sheet on the "Property and Assets" side. When questioned whether this amount was recovered subsequently, the departmental representative replied that they would have to check it up. *Audit was requested to make note of it for a follow up.*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORTS FOR 1972-73, 1973-74 AND 1974-75.

1213. The Committee decided that Audit should go through these reports and bring back any point worth consideration by the Committee.

1214. *Points|paras not discussed to be treated as settled*.—The Committee did not make any observation on the other points|paras in the Appropriation|Commercial Accounts or Audit Report thereon. These would be treated as settled subject to regularising action, if any, under the rules.

1215. A[illegible] examination of the Accounts of all the Ministries| Divisions [illegible]ittee discussed the following issues :—

(1) [illegible] *meeting*.—The Auditor-General informed the [illegible]ounts for 1978-79 had already been compiled [illegible]ance Minister for submission to the President. [illegible]ounts would be circulated by the Finance Division [illegible]ies|Divisions etc. in due course. The Ministries|Divi[illegible]n have to furnish their replies to the points raised by [illegible]ditor-General suggested that, as all this might take [illegible] appropriate if :—

[illegible]up the examination of the Accounts for 1978-79, [illegible]holds an exclusive session to consider the com[illegible]ubmitted by the Ministries|Divisions, on the [illegible]or 1970-71 to 1974-75 which the Committee [illegible]him for his examination and comments.

[illegible]oblems of Audit Department concern[illegible]s etc., is also discussed by the Com[illegible]ubmit a working paper to it.

(iii) to transact the afore-mentioned business, the Committee, meets for a maximum of one week, after the Eid-ul-Azha, preferably *w.e.f.* 1st November, 1980.

Agreeing with the Auditor-General the Chairman said that subject to the assessed quantum of work that might be involved, three days be reserved for the examination of Compliance Reports and two for discussion of other matters. Thereupon, the Auditor-General submitted that, as Compliance Reports for five years had to be examined and he was not yet aware of the volume of work that would be involved therein, because the Compliance Reports had been passed on to the respective Audit Officer for their comments first, the exact allocation of days for the consideration of the Compliance Reports might be kept open. He would remain in touch with the Secretary, National Assembly Secretariat for the determination of the exact duration of the session. He, finally, proposed that four|five days might be provisionally set apart for Compliance Reports and one day for other work. After some further discussion, *the Committee agreed with the suggestion and authorised the Auditor-General and the Secretary, National Assembly Secretariat to draw up the programme for the next session, in consultation with each other.*

(2) *Examination of the Accounts of Public Enterprises.*—The Auditor-General informed the Committee that, under instructions from the Government, examination of the accounts of Public enterprises and the evaluation of their performance had been taken up by his organisation and his Reports had since been submitted to the concerned Ministries. These Reports in three volumes had also been submitted to the President along with other compilations for 1978-79. These volumes contained over a dozen Reports, on various industrial organizations. He added that as this was a new field for the Audit Department, he would need the Committee's guidance as to how best this responsibility could be discharged. He hoped that these accounts would come up for examination by the Committee, along with the Accounts for 1978-79. He added that he might state for the information of the Committee that this was a task [illegible] over, was being progressively assigned to the co[illegible] institution for *inter alia* ensuring accountabilit[illegible] a public sector enterprise before a Committ[illegible]tatives of the people like the Public Accounts [illegible]ountry. In other words what the Government had [illegible] in line with the practice followed in other countr[illegible]

(3) *Examination of Accounts of Autonomous* [illegible]
Working Paper circulated among the Mem[illegible]
the 25th August, 1980 (Appendix 'A'), [illegible]
since been handed over to the representa[illegible]
the Auditor-General informed the Co[illegible]
audit of autonomous bodies and pu[illegible]
referred by the Finance Division to [illegible]
the view expressed by the Audit[illegible]
constitutional bar in asking th[illegible]
The proposal, made to and [illegible]
the Auditor-General shall [illegible]
enterprises, where the 'G[illegible]

autonomous bodies set up by them had severally or jointly a majority share-holding. Apart from the, above, the Government could also ask the Auditor-General, or the latter could, for given reasons, himself move Government for undertaking the audit of the accounts of any other enterprise in which the Government had a financial stake, in the public interest. There was to be a specific decision in regard to the audit of accounts of an enterprise of this category. Amendments to the Audit and Accounts order had been proposed on these lines and the draft amendment had already been cleared by the Law Division. A summary for the President had also been prepared. It would now be up to the Finance Division to secure the approval of the President and effect the necessary amendment, to enable the Auditor-General to statutorily undertake the examination of the accounts of public sector enterprises and eveluate their performance.

The Auditor-General regretted that some of the public sector units were not extending them the necessary support in this regard and had expressed reservations, *e.g.*, they might have to obtain the approval of their Board of Directors before allowing Government Audit to look into their accounts. This position had been reported to the Finance Division, for further necessary action.

– Chairman endorsing the views of Audit recommended that the Committee
The ~~Auditor-General regretted that some of the public sector units were~~ ~~tee~~ would request the Government to expedite amendment in the Audit and Accounts Order.

(4) *Publicity to PAC Reports etc.*—The Auditor-General invited the attention of the Committee to another point in that certain newspaper reporters had been asking for the finalised Reports of the Committee, to be made available to them, for publicity purposes. The request had been stalled for lack of a clear decision about whether copies of the PAC Reports could be, presently, at all made available to the newspaper reporters. Recounting as to what happened in the ... General submitted that, at one time, handouts used ... Press by the Audit Department about financial ... t departments|autonomous bodies etc. Later, ... e Division that such material might be given ... the PAC had heard the Ministries|Divisions ... d its judgement, the Audit Department dis... handout mainly for the reasons that the ... Accounts and Reports continued to remain ... examination of the PAC could not be conducted ... The issue was raised before the Committee in ... the huge backlog at that time, the Committee pre... onsideration of the matter till the accounts were ... The Auditor-General submitted that, now that ... een able to clear the backlog, they might like to ... handout or publicity material concerning the ... ttee's Report, the form of such publicity ... hich should handle it.

... ral said that the procedure followed, ... Accounts to the Finance Division ... to obtain his approval to these ... Committee, for examination ...

After the President's approval, the Accounts were circulated by the Finance Division to Ministries|Divisions with copies to the National Assembly Secretariat for placing the same before the PAC.

The Secretary, National Assembly Secretariat informed the Committee that, during the Assembly days, these Accounts used to be available to the Press at two stages, *viz.*, when the Accounts were laid before the Assembly and, secondly, when the Report of the PAC was presented to the House. A member suggested that, in his opinion, the Reports of the *Ad-hoc* PAC, after the order of the President thereon, might be released to the Press because, after all, these then became public documents.

The Chairman observed that, first of all, the Committee would like to know the past practice. The Auditor-General elucidated that the past procedure was that Audit Reports were distributed in the House and, simultaneously, a handout was issued to the Press. Copies of press-cuttings, etc. of the handouts, if desired, could be shown to the Committee. The Chairman concluded that the main questions were whether the Appropriation and Commercial Accounts etc. together with the Audit Reports thereon, should be made available to the public? If so, at what stage and whether as priced publications? Secondly, whether the Reports of the PAC should be made available to the Press. If so, at what stage? The Committee had to take decisions on these points.

After some discussion, the Committee decided to recommend to the Government that the Accounts and the Auditor-General's Reports thereon as well as the Reports of the Public Accounts Committee should be held to be public documents, after the President's approval thereof. But these should be made priced publications. The issue of hand-out, containing extracts from the Audit Reports etc., might be deferred for consideration by the regular PAC after the National Assembly came into being.

A member observed that the Committe ... ation of Accounts for eight years. Its ... even years had since been submitted ... had been already, approved by hi ... sued regarding these Reports, no ha ... em in the future. However, these d ... to be recommended by the Comm ... Committee did not wish to hide any ... *brief Press Note be issued, on the co ... the PAC's sessions, stating that the A ... year had been examined by the Comm ... to the Government.*

(6) *Appreciation by Committee an ... General.*—Concluding the deli ... man expressed his deep sat ... log since 1970-71 and ... Accounts up-to-date, ... the other Members o ... keen interest in s ...

Committee. On behalf of the Committee, he also desired it to be placed on record that the realisation of the above goal would not have been possible without concerned efforts on the part of the Auditor-General and his staff, the National Assembly Secretariat and, indeed, all the Ministries|Divisions.

1216. On his own behalf and on behalf of his colleagues, the Auditor-General expressed his deep gratitude to the Chairman and the Members of the Committee for the encouraging support and the valuable guidance given to them in the discharge of their duties. He added that, but for the understanding shown by the Committee and the help and co-operation extended by the Finance Division and the National Assembly Secretariat, it would not have been possible for his organisation to process and clear eight years backlog of Accounts in a record time of about 20 months, faced as they were by a host of difficulties and handicaps. He assured the Committee that, despite their limitations, it would be the utmost desire and constent effort of his department to bring about further improvements in the compilation of future Accounts and the preparation of Audit Reports thereon.

1217. The Committee, thereafter, adjourned to meet again on Saturday, the *1st November, 1980.

Islamabad, the 16th November, 1980.

M. A. HAQ,
Secretary.

meetings from February 14, 1981.

[illegible]

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[illegible]
[illegible]

[illegible]

[illegible]
[illegible]

ANNEXURE II

STATEMENT NOS. 1—5

Annexure III

STATEMENT NO. 1

(See Para 12 on Page 9 of the Report)

SUMMARY RESULTS OF APPROPRIATION ACCOUNTS

(Appropriation Accounts 1977-78)

(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.	Rs.
Other than Charged.					
Expenditure met from Revenue :					
Civil	8,870.8	10,578.5	8,713.4	—1,865.1	17.63
Defence	9,175.8	9,428.3	9,838.4	+410.1	4.35
Pak. P.T. & T. ..	710.9	808.3	762.4	—45.9	5.68
Pak. Railways ..	1,986.9	2,088.9	2,264.9	+176.0	8.43
Total ..	20,744.4	22,904.0	21,579.1	—1,324.9	5.78
Expenditure met from Capital :					
Civil ..	6,980.1	9,356.8	6,730.0	—2,626.8	28.07
Pak. P.T & T. ..	445.0	445.0	529.3	+84.3	18.94
Pak. Railways ..	648.3	648.3	487.0	— 161.3	24.88
Total ..	8,073.4	10,450.1	7,746.3	—2,703.8	25.87
Disbursement of Loans and Advances	7,447.0	7,486.1	4,636.8	—2,849.3	38.06
[illegible]	[illegible]	40,840.2	33,962.2	—6,878.0	16.84
[illegible]	[illegible]	[illegible]	4,066.9	— 1,699.9	29.48
[illegible]	[illegible]	[illegible]	238.1	+17.5	7.93
[illegible]	[illegible]	[illegible]	221.4	— 52.9	19.29
[illegible]	[illegible]	[illegible]	4,526.4	—1,735.3	27.71
[illegible]	[illegible]	0.4	0.3	—0.1	25.00
[illegible]	[illegible]	3,055.4	2,568.4	—487.0	15.94
[illegible]	[illegible]	78,580.6	75,018.9	—3,561.7	4.53
[illegible]	[illegible]	87,898.1	82,114.0	—5,784.1	6.58
[illegible]	[illegible]	[illegible]	26,105.5	—3,060.2	10.49
[illegible]	[illegible]	[illegible]	7,746.6	—2,703.9	25.87
[illegible]	[illegible]	[illegible]	7,205.2	—3,336.3	31.65
[illegible]	[illegible]	[illegible]	75,018.9	—3,561.7	4.53
[illegible]	[illegible]	[illegible]	[illegible]	—12,662.1	9.84

STATEMENT NO. 2

ANALYSIS OF SAVINGS AND EXCESSES BY MAIN DEPARTMENTS

(In Million of Rupees)

1	Final Grant 2	Expenditure 3	Excess (+) Saving(—) 4	Percentage 5
	Rs.	Rs.	Rs.	Rs.
(*a*) As compared with Gross Grants including surrenders or withdrawals within the Grants/Appropriations :				
Civil	114,824.6	101,734.7	—13,089.9	11.40
Defence	9,428.3	9,838.4	+410.1	4.35
Pak. P. T. & T.	1,473 9	1,529.8	+55.9	3.78
Pak. Railways	3,011.5	2,973.3	—38.2	1.27
Total ..	128,738.3	116,076.2	—12,662.1	9.84
(*b*) As compared with net Grants excluding surrenders or withdrawals within the Grants/Appropriations :				
Civil	107,952.2	10.1,734.7	—6,217.5	5.76
Defence	9,428.3	9,838.4	+410.1	4.35
Pak. P.T & T.	1,473.3	1,529.8	+56.5	3.83
Pak. Railways	2,728.6	2,973.3	+244.7	8.97
Total .	121[illegible]	[illegible]	[illegible]	[illegible]

STATEMENT NO. 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.	Rs.
Civil :					
Expenditure met from Revenue :					
Voted	8,870.8	10,578.5	8,713.4	—1,865.1	17.63
Charged	5,600.6	5,766.8	4,066.9	—1,699.9	29.48
Total ..	14,471.4	16,345.3	12,780.3	—3,565.0	21.81
Expenditure met from Capital :					
Voted	6,980.1	9,356.8	6,730.0	—2,626.8	28.07
Charged	0.4	0.4	0.3	—0.1	25.00
Total ..	6,980.5	9,357.2	6,730.3	—2,626.9	28.07
Disbursement of Loans and Advances :					
Voted	[illegible]	7,486.1	4,636.8	— 2,849.3	38.06
[illegible]	[illegible]	[illegible]	2,568.4	— 487.0	15.94
[illegible]	[illegible]	[illegible]	7,205.2	— 3,336.3	31.65
[illegible]	[illegible]	[illegible]	75,018.9	—3,561.7	4.53
[illegible]	[illegible]	[illegible]	101,734.7	—13,089.9	11.40
[illegible]	[illegible]	9,428.3	9,838.4	+410.1	4.35
[illegible]	[illegible]	[illegible]	762.4	—45.9	5.68
[illegible]	[illegible]	[illegible]	[illegible]	+ 17.5	7.93
[illegible]	[illegible]	[illegible]	[illegible]	— 28.4	2.76

1	2	3	4	5	6
Expenditure met from Capital :					
Voted	445.0	445.0	529.3	+ 84.3	18.94
Total (Pak. P. T&T) ..	1,345.9	1,473.9	1,529.8	+ 55.9	3.78
Pak. Railways :					
Expenditure met from Revenue :					
Voted	1,986.9	2,088.9	2,264.9	+176.0	8.43
Charged	252.0	274.3	221.4	— 52.9	19.29
Total ..	2,238.9	2,363.2	2,486.3	+123.1	5.21
Expenditure met from Capital :					
Voted	648.3	648.3	487.0	—161.3	24.88
Total (Railways) ..	2,887.2	3,011.5	2,973.3	—38.2	1.27
Grand Total ..	113,426.9	128,738.3	116,076.2	—12,662.1	9.84

STATEMENT NO. 4

STATEMENT SHOWING EXCESSES OVER AUTHORISED GRANTS WHICH REQUIRE TO BE REGULARISED

(*See* paragraph 12 on page 5 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.	17—Administrative inspection	626,000	718,306	92,306
2.	22—Local Government Division ..	2,501,000	2,718,327	217,327
3.	24—Ministry of Communications ..	4,346,000	5,144,556	798,556
4.	40—Education	118,359,000	118,793,865	434,865
5.	41—Federal Government Educational Institutions in the Federal and Capital Areas	23,193.000	23,326.271	133,271
6.	43—Federal Government Educational Institutions in Northern Areas	10,347.000	19,902,442	2,555,442
7.	44—Stationery and Printing	33,684,000	36,979,806	3,295.806
8.	46—Pakistan Mint	11,817,000	11,817,950	950
9.	47—Superannuation Allowances and [illegible]	67,804,000	89,293,394	21,489,394
[illegible]	[illegible]	[illegible]29.000	1,624,909,734	370,980,734
[illegible]	[illegible]	[illegible],515,000	40,092,154	577,154
[illegible]	[illegible]	[illegible]498,000	518,263	20,263
[illegible]	[illegible]	[illegible]809,000	840,535	31,535
[illegible]	[illegible]	[illegible],265,000	917,351,603	17,086,603
[illegible]	[illegible]	23,478,000	24,140,213	662,213
[illegible]	[illegible]	2,597,000	3,018,806	421,806
[illegible]	[illegible] ..	142,953,000	151,393,256	8,440,256
[illegible]	[illegible]	81,261,000	84,732,230	3,471,230
[illegible]	[illegible]	[illegible]0,565,000	10,783,312	218,312
[illegible]	[illegible]	[illegible]00	110,113,604	18,604
[illegible]	[illegible]	[illegible]	23,565,229	651,229
[illegible]	[illegible]	[illegible]	3,465,705	268,705

1	2	3	4	5
		Rs.	Rs.	Rs.
23.	109—Ministry of Religious Affairs and Minorities Affairs and Overseas Pakistanis	6,728,000	7,323,561	595,561
24.	110—Other Expenditure of Ministry of Religious Affairs and Minorities Affairs and Overseas Pakistanis	12,662,000	12,665,940	3,940
25.	113—Federally Administered Tribal Areas ..	147,832,000	150,457,830	2,625,830
26.	116—Kashmir Affairs and Northern Affairs Division	4,260,000	4,281,560	21,560
27.	158—Development Expenditure of Ministry of Petroleum and Natural Resources ..	500,000	500,004	4
28.	161—Development Expenditure of Federally Administered Tribal Areas	171,000,000	176,946,806	5,946,806
29.	170—Capital Outlay on Communications Works	335,000,000	384,357,992	49,357,992
30.	171—Investment in Urban Road Transport Corporation	25,000,000	34,917,300	9,917,300
31.	185—Capital Outlay on Mineral Development	10,180,000	11,704,426	1,524,426
	Pakistan Post Office, Telegraph and Telephone Departments :			
32.	168—Capital Outlay on Pakistan Telegraph and Telephone Department	[illegible]	[illegible]	[illegible]596,767
	Defence			
33.	38—Defence Services ..	[illegible]	[illegible]	[illegible]
	Pakistan Railways			
34.	108—Expenditure Charged to [illegible] Revenue	[illegible]	[illegible]	[illegible]

STATEMENT NO. 5

STATEMENT SHOWING EXCESSES OVER CHARGED APPROPRIATIONS WHICH REQUIRE TO BE REGULARISED

(*See* paragraph 12 on page 5 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.	—Staff, Household and Allowances of the President	4,062,000	4,737;514	675,514
2.	—Servicing of Internal Debt	1,504,981,000	1,556,781,438	51,800,438
	Pakistan Post Office, Telegraph and Telephone Departments			
3.	25—Pakistan Post Office, Department ..	31,471,000	31,600,559	129,559
4.	26—Pakistan Telegraph and Telephone Department	189,115,000	206,463,574	17,348,574

APPENDIX "A"

EXAMINATION OF ACCOUNTS OF AUTONOMOUS BODIES BY THE AD HOC P.A.C.

Appendix "A"

[*See* **para** 1215 (3)]

SUBJECT :—*Examination of the Accounts of Autonomous Bodies by the* Ad-hoc *Public Accounts Committee.*

The *Ad-hoc* Public Accounts Committee, on 27th January 1979, while examining the Commercial Accounts of Public Enterprises, had felt that mere audit of the accounts was not fully serving the purpose. The Committee, therefore, suggested that the Auditor-General should arrange for his staff to acquire the expertise also to review the accounts of such enterprises in an appropriate manner. It was opined that a review as distinct from traditional audit was likely to bring accountability into greater relief and to uncover more effectively the short-commings in the working of an enterprise, for taking corrective action and for improving its over-all performance.

2. The method and extent of supervision, exercised by the Government over Public Sector autonomous bodies again came under consideration of *Ad-hoc* Public Accounts Committee (on 28th March, 1979). The representative of the Finance Division stated that a nominee of that Ministry usually served on the Board of Directors of each body and he took care of the financial interest of the Government. The Committee was of the view that since the Legislature primarily approved the provision of funds for investment in those bodies, the Committee was entitled to know as to how public funds were being utilised. To that extent, such bodies were accountable to the Legislature, through the Committee on Public Accounts. The Committee, therefore, recommended that —

(1) The Finance Division should examine the legal position and consider steps for [illegible]ary, empowering the Auditor-General [illegible]ccounts of all the autonomous/ [illegible]anagement and control of the [illegible]n 50 per cent Government's

[illegible]thorised to call for copies [illegible] balance sheet, profit and loss [illegible] of the management to the share

[illegible]examining the Federal Accounts [illegible]d the following points were

[illegible]ned that Public Corporations and [illegible]Companies must pass on the accounts of [illegible]m, to the Auditor-General for his com-

[illegible] to ask the Auditor-General to [illegible]nts of such bodies, there was [illegible]Companies Government had [illegible]onsible to ensure, both in [illegible]ivate share holders that these companies were run efficiently. Therefore the Government could legitimately ask for their accounts to be examined by the Auditor-General.

(3) There was nothing new about Government undertaking the examination of accounts of Companies etc. The monopoly Control Authority did so, to watch the public interest. In some other countries, this duty had been entrusted to Audit even under suitably enacted legislation. Government had thus the inherent power to do any thing which appeared to them to be necessary in the public interest.

(4) It was suggested by a Member of the Committee that the examination of the accounts by the Auditor-General should be restricted only to those Companies where Government funds were directly involved and the Government were responsible for their management because if the Government controlled the affairs of a company, the performance thereof would, ultimately, reflect on the Government and its financial and accounts management on the Government appointed Auditors.

The Committee recommended that the Ministry of Finance and the Auditor-General should examine this question in consultation with the Law Division, if necessary, to determine as to whether and to what extent would it be legitimately justified for the Committee to under-take the examination of accounts of Joint Stock Companies in Government and/or Corporations, wholly owned by Government or in which the Government held majority interest. Also, what procedure should be adopted by the Committee, if it was to examine those accounts. The Accounts, already asked for by the Committee from Public Sector bodies and received in the National Assembly Secretariat, would be considered in the light of conclusions that might be arrived at by the Ministry of Finance after the above exercise.

4. The question posed in the

(a) To what extent the
could legitimately b

(b) What procedure sh
the Public Accou
responsibility.

5. As for (a) above, the pos
by Government are concerned, in
Accounts) Order, 1973. The Aud
and examined by the Public Acco
authority of rule 172 of Rules of P
National Assembly (1973). There is ha
What remains to be determined is the tr
entities under the control of bodies which
holding companies created by Governmen
communicated their views, duly confirm
letter No. F. 5 (1) Exp. II/79-2669
Secretary, Ministry of Productio

"Under the existing
Auditor-General,
company or co

a Province but the management or administrative control of which is with the Federal or a Provincial Government (besides those established by the Federation or a Province the audit of which he has to undertake as his obligatory function) on consent basis provided the administrative Ministry|Division|Agency may specifically desire that the audit of accounts of any authority or body, company or corporation, etc., under their management of control may be conducted by the Auditor-General of Pakistan.

Since it has been decided to bring within the purview of the Auditor-General audit of accounts of any authority or body, company or corporation, commercial or industrial establishment, the ownership, management or administrative control of which is with the Federal or Provincial Government, necessary amendment to Pakistan (Audit and Accounts) Order, 1973, has been finalised in consultation with the Law Division and is expected to be issued shortly.

In the meanwhile, as it is expedient to start compliance with the President's Directive No. 57/1/CMLA, dated 5th January 1979, I shall be obliged if you (Secretary, Ministry of Production) kindly issue necessary instructions that the BIM units, authorities, bodies, companies or corporations, commercial or industrial establishments, etc., under the Production Division's management or control should request the Auditor-General to audit their accounts. The Auditor-General is also being directed to start the audit at once."

In the form of Performance Evaluation Directorate, an organisation has also been created to undertake this task.

and the Legislature could examine these through Public Accounts Committee. The Government has now decided to bring such accounts into the orbit of Auditor-General's functions by amending Audit and Accounts Order. Pending this amendment, Finance Division have directed all Divisions to get these accounts audited through Auditor-General on consent basis, to comply with a directive from the President. The audit of nationalised units is being conducted in terms of performance evaluation in accordance with a policy speech made by Secretary General-in-Chief in 1977 and the audit reports are being submitted to the Government whereafter these are expected to come before the Public Accounts Committee. The audit of other organisations containing majority Government ownership are yet to be conducted after the respective Ministries agree to it. The amendment to the Audit and Accounts Order is being processed by the Finance Division.

PCPPI—1425/NA.—2-3-1981.

C O R R I G E N D A

to the Report of the Public Accounts Committee for the year 1977-78.

Page 55-in 3rd line of para 88, for "said" read "stated".

Page 74-in 4th line of para 204, for "forefited" read "forfeited".

Page 77-heading under para 222, insert the words "in the" after the word "contained".

Page 94-in para 304, for "controller" read "controlled"

Page 96-in the 2nd line of para 311, for "out" read "but".

Page 116-in the 11th line of para 428, for "dimage" read "damage".

Page 129-in the 1st line of para 493, for "L-Lump" read "E-Lump".

Page 135-in the 4th line of para 521, for "incorporation" read "incorporating".

Page 182-in the 2nd line of para 757, delete 'to' occurring for the second time.

Page 188-in 6th line of para 795, for "amiss" read "miss".

Page 196-in para 845 against Sl.No.5, in column 3, for the figure '198' read '189'.

Page 197-in 4th line of para 849, for "sekeleton" read "skeleton".

Page 197-in 2nd line of para 854, for "immediate" read "immediately".

Page 200-in 1st line of para 873, for "Compliation" read "Compilation".

Page 216 -

(i) in 1st line for 'ound' read "wound",

(ii) in 2nd line for 'or' read "for".

(iii) in 3rd line for "his" read "this".

Page 227-in the 6th line of para 1033 for "not" read "got".

Page 231-in the 2nd line of para 1053, for "various" read "variations".

Page 243-in the last line of para 1107, for "inexecusable" read "inexcusable".

Page 253-in the 2nd line of para 1164, for "par" read "per".

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